Rating Rationale

CRISIL RATINGS

November 09, 2015
Mumbai

Trident Limited

'CRISIL A-/Stable/CRISIL A2+' assigned to bank debt

Total Bank Loan Facilities Rated	**Rs.42916.2 Million**
Long Term Rating	**CRISIL A-/Stable (Assigned)**
Short Term Rating	**CRISIL A2+ (Assigned)**

(Refer to Annexure 1 for Facility-wise details)

CRISIL has assigned its **'CRISIL A-/Stable/CRISIL A2+'** ratings to the bank facilities of Trident Ltd (Trident).

The ratings reflect Trident's healthy and improving market position in the cotton spinning and home textile - specifically terry towel - segments, and healthy diversity in its revenue profile. The ratings also factor in strong operating efficiencies in both home textile and the writing and printing paper (WPP) segments, supported by a high level of backward integration. These rating strengths are partially offset by a modest financial risk profile because of high gearing and average debt protection metrics, and moderately working-capital-intensive nature of its operations. Furthermore, the company is susceptible to demand risk, and to risks related to stabilisation, and ramp up of utilisation, of its recently commissioned sizeable bed-linen capacity.

The textile business, which includes home textiles (terry towels) and yarn, contributes to just over 75 per cent of Trident's revenue. The Company has transformed from a yarn player to a fully-integrated home textile manufacturer with major revenue contribution from home textiles. The company is one of the largest manufacturers of terry towels and cotton yarn in India, with installed capacities of about 90,000 metric tonnes per annum (mtpa) and 555,600 spindles for yarn spinning respectively. Substantial capacity additions in both the terry towel (largely aimed at global markets) and spinning segments over the past five years have enabled Trident to enhance its market position. Its position in the home textiles segment is expected to strengthen further over the medium term with its entry into the manufacture of bed linen through its new facility in Budhni (Madhya Pradesh).

The company's business risk profile is also supported by a sizeable capacity of 175,000 tpa in the WPP segment, and established market position in some sub-segments such as copier paper (Trident brand).

Increasing utilisation of capacities across segments has resulted in the company's revenue almost doubling to about Rs.38 billion in 2014-15 (refers to financial year, April 1 to March 31) from Rs.18 billion in 2009-10. Furthermore, it has healthy operating efficiencies resulting in a consistently sound operating margin of over 18 per cent over the past three years. The manufacturing processes of both the home textile and WPP businesses are highly integrated. The in-house spinning and processing facilities benefit the terry-towel business. In the WPP business, the location of the plant, close to its primary fibre source (wheat straw), and with access to captive sulphuric acid (capacity of 100,000 tpa) and power (50 megawatt plant), result in higher profitability, compared with peers.

However, high reliance on debt to fund capital expenditure (capex) of about Rs.38 billion between 2011-12 and 2015-16 has resulted in a modest financial risk profile. The company's gearing, though, is gradually correcting, and was lower than 2 times as on September 30, 2015, post completion of sizeable capex in September 2015, compared with 3.7 times as on March 31, 2012. Gradual ramp up of utilisation of the bed-linen capacity, resulting in higher cash accrual, along with moderate capex for maintenance purpose and progressive debt repayment, is expected to result in sustained improvement in Trident's credit metrics over the medium term.

The company's operations are working capital intensive, largely due to the seasonal availability of its key raw material, cotton. Furthermore, inventory in the WPP segment has risen in recent times, due to limited supply of raw material and sluggish demand for finished products. The company's ability to manage its working capital cycle amid volatile commodity prices, and successful ramp-up of its bed-linen capacity, will be key credit monitorables.

Trial runs at Trident's new bed-linen manufacturing facility commenced in September 2015, and a ramp up in utilisation is critical, given the sizeable capex involved and the corresponding large debt repayment. With customers for this product being largely the same as those for terry towels, demand risk is likely to be mitigated. CRISIL will continue to monitor the stabilisation and scaling up of operations at the bed-linen unit.

Outlook: Stable

CRISIL believes Trident's business risk profile will improve over the medium term backed by well diversified businesses, sound export prospects for the home-textile business, and healthy operating capabilities. The financial risk profile is expected to improve gradually over this period, supported by higher cash accrual, moderate capex for maintenance purpose, and progressive debt repayment. The outlook may be revised to 'Positive' in case of substantial improvement in the operating performance, most likely due to earlier-than-expected ramp up of sales from the new bed-linen unit, leading to better cash flow, coupled with significant correction in gearing and debt protection metrics. Conversely, the outlook may be revised to 'Negative' in case of a delay in ramping up of operations in the bed-linen segment, affecting cash flow, or larger-than-expected debt-funded capex, or a significant stretch in the working capital cycle, delaying the expected improvement in key credit metrics.

About the Company

Trident was originally incorporated in 1990 as Abhishek Industries Ltd, promoted by Mr. Rajinder Gupta; the name was changed in 2011. The company, headquartered in Ludhiana (Punjab), manufactures cotton yarn and terry towels. It is one of the leading manufacturers and exporters of terry towels in India. It also manufactures WPP using wheat straw as primary fibre source and distributes copier paper under the Trident brand in the domestic market. The company's manufacturing facilities are in Barnala (Punjab) and Budhni (MP). In the textile business, it has 365,904 spindles, 5504 rotors, and 688looms for terry towels. Trident recently commissioned a new composite facility in Budhni with 189,696 spindles and 500 looms for bed linen.

Trident's promoters hold 66.6 per cent stake in the company through various holding companies and the rest is held by various institutional players, bodies corporate and public

For 2014-15, Trident reported a profit after tax (PAT) of Rs.1.18 billion (Rs.1.97 billion for 2013-14) on net sales of Rs.37.55 billion (Rs.38.69 billion). For the half year ended September 30, 2015, the company reported a net profit of Rs.1.12 billion (Rs.533 million for the corresponding period of the previous year) on net sales of Rs.18.4 billion (Rs.18.7 billion).

Annexure 1 - Details of various bank facilities

Current facilities			Previous facilities		
Facility	**Amount (Rs.Million)**	**Rating**	**Facility**	**Amount (Rs.Million)**	**Rating**
Long Term Loan	26109.9	CRISIL A-/Stable	--	0	--
Letter of Credit	3500	CRISIL A2+	--	0	--
Cash Credit	11300	CRISIL A-/Stable	--	0	--
Foreign Currency Term Loan	2006.3	CRISIL A-/Stable	--	0	--
Total	42916.2	--	Total	0	--

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