TRIDENTGROUP™
Being different is normal

E-212, Kitchlu Nagar
Ludhiana-141001
Punjab, India
Talk: +91 161 5039999
Fax: +91 161 5038800
Visit: tridentindia.com

TRIDENT/CS/2018
June 27, 2018

The Manager Listing Department National Stock Exchange of India Limited Exchange Plaza, Plot No. C/1, G Block Bandra Kurla Complex, Bandra (E) Mumbai - 400 051	The Manager Listing Department BSE Limited Phiroze Jeejeebhoy Towers Dalal Street Mumbai - 400 001
Scrip Code:- TRIDENT	Scrip Code:- 521064

Dear Sir/ Madam

Sub: CRISIL upgrades Short-term rating to CRISIL A1+' and reaffirmed Long-term rating of Trident Limited

Pursuant to Regulation 30 and other applicable provisions of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, we are pleased to inform you that Credit Ratings of the bank facilities for Short-term rating has been upgraded to CRISIL A1+ and Long-term rating has been reaffirmed by CRISIL Limited (CRISIL) as under:

Total Bank Loan Facilities Rated	**INR 3367.71 Crore**
Short Term Rating	CRISIL A1+ (Upgraded from 'CRISIL A1')
Long Term Rating	CRISIL A+/Stable (Reaffirmed)

A copy of the formal rating rationale issued by CRISIL Limited is enclosed herewith.

This is for your reference & record please.

Thanking you,

Yours sincerely,

For **Trident Limited**

TRIDENT LIMITED ★ SANGHERA-148101, INDIA ★ TRIDENTGROUP™ Being Different is Normal

(Hari Krishan)
Deputy Company Secretary
ICSI Membership No.: A31976

Encl: As above

Ratings

CRISIL
An S&P Global Company

Rating Rationale

June 26, 2018 | Mumbai

Trident Limited

Short-term rating upgraded to 'CRISIL A1+' ; long-term rating reaffirmed

Rating Action

Total Bank Loan Facilities Rated	**Rs.3367.71 Crore**
Long Term Rating	**CRISIL A+/Stable (Reaffirmed)**
Short Term Rating	**CRISIL A1+ (Upgraded from 'CRISIL A1')**

1 crore = 10 million
Refer to annexure for Details of Instruments & Bank Facilities

Detailed Rationale
CRISIL has upgraded its rating on the short-term bank facility of Trident Limited (Trident) to '**CRISIL A1+**' from 'CRISIL A1' and reaffirmed its 'CRISIL A+/Stable' rating on the long-term bank facilities.

The upgrade reflects CRISIL's expectation that Trident will maintain healthy liquidity over the medium term, despite temporary spikes in working capital requirement in keeping with need to build up cotton inventory for the off-season. As on March 31, 2018, liquidity was supported by cash surplus of Rs 160 crore and unutilised bank line of almost Rs 500 crore. CRISIL believes Trident's management will maintain a good amount of cash surplus over the medium term.

During fiscal 2018, despite strong performance of its writing and printing paper (WPP) division (19% of revenue), Trident's operating performance was affected by modest performance of its textile business (81% of revenue) because of low yarn prices, high cotton prices, moderation in demand in key overseas markets, and unfavourable movement in foreign exchange (forex) rates. Overall revenue growth was flat, while operating margin declined slightly to 19.6% in fiscal 2018 from 20.4% in fiscal 2017.

As the company retired long-term debt by Rs 359 crore (including prepayment of Rs 50 crore) and only undertook modest capital expenditure (capex), debt remained under control at Rs 2800 crore as on March 31, 2018. Cash generation is expected to improve over the medium term, supported by better yarn and cotton spread, and gradual ramp-up of utilisation of the recently added home textile capacity, which will ensure higher captive consumption of yarn. With no sizeable capex expected in the near future, progressive debt repayment should lead to continued improvement in credit metrics. Gearing is expected at 1 time as on March 31, 2019, against 2 times as on March 31, 2016, and interest coverage at 8 times for fiscal 2019 compared to 5 times for fiscal 2016.

The ratings continue to reflect Trident's diversified revenue with leading market position in the home textiles segment, strong operating efficiency in the paper and home textiles segments driven by high integration, and adequate and improving financial risk profile. These strengths are partially offset by exposure to volatility in cotton prices and fluctuations in forex rates, working capital-intensive operations, and susceptibility to slowdown in the end-user market and to competition in the home textiles industry.

Analytical Approach
For arriving at the ratings, CRISIL has combined the business and financial risk profiles of Trident and its two wholly owned subsidiaries, Trident Global Corp Ltd and Trident Europe Ltd, due to business and financial linkages. In line with its analytical treatment, CRISIL has reduced revaluation reserves (Rs 768 crore as on March 31, 2017) while computing the adjusted networth. The company has revalued its property, plant and equipment, and certain other assets as per Ind AS norms and created a revaluation reserve which has been reduced from networth and assets.

Key Rating Drivers & Detailed Description
Strengths
*** Diversified revenue with leading market position in the home textiles segment**
Trident has an established presence in the textiles and WPP businesses. In the textile business too, revenue is diversified, with 40% coming from yarn and 60% from bed linen and bath linen (terry towels) in fiscal 2018. The diversity is expected to improve with increasing revenue contribution of bed linen and terry towels. The company is one of the largest manufacturers and exporters of terry towels in India, and following its entry into the bed linen segment, has positioned itself among the leading home textile players in the country. During fiscal 2018, the company increased capacity utilisation in the bed linen segment to 44%.

In the WPP business too, it is one of India's leading players, with capacity of 175,000 tonne per annum (tpa). It has an established brand, Trident, in sub-segments such as copier paper, which is witnessing healthy growth.

The diversity in business streams limits volatility in revenue and profit.

*** Strong operating efficiency driven by integration of operations**
Manufacturing processes of both the home textile and paper businesses are highly integrated. Total captive consumption of

yarn stands at around 38%. . The newly commissioned bed sheet unit has captive spinning, weaving, and processing capability, which meets all its requirement. Furthermore, Trident has a captive power facility of about 50 megawatt (MW) which leads to substantial power savings.

In the WPP segment, Trident manufactures paper using cost-effective wheat straw as the primary fibre source as against the commonly used wood pulp. The plant is at Barnala in Punjab, which is the largest wheat cultivating state in India. These factors have led to operating margin of about 40% in the paper business, among the highest in the industry.

Although profitability moderated in fiscal 2018, operating performance is expected to recover in fiscal 2019 with arrival of new and cheaper cotton stock and expectation of better volume growth. CRISIL believes Trident will sustain healthy operating margin of 18-20% driven by improving efficiency in home textile operations as utilisation ramps up, and by continued strong performance in the paper segment. Reduction in duty drawback rates from 7.3% to 2% post implementation of goods and services tax (GST) has been partially offset by availability of input credit and increase in Merchandise Exports from India Scheme (MEIS) rates from 2% to 4%. Hence, impact on profitability is not expected to be material.

*** Adequate and improving financial risk profile**
Trident's financial risk profile will improve steadily over the medium term supported by expected increase in cash accrual, and progressive debt repayment in spite of large working capital requirement and moderate capex. Its annual cash accrual is expected over Rs 700 crore over the medium term.

The company envisages turnover of USD 3 billion by fiscal 2025 for which it has charted a long-term capacity addition plan with an outlay of Rs 7200 crore at Madhya Pradesh. CRISIL understands the plan is still in nascent stage and the company has not decided on the implementation schedule. As per the company's management, any meaningful outlay will commence in fiscal 2021. CRISIL expects Trident's cash accrual to substantially improve with increase in utilisation of newly set up home furnishing capacity, which is likely to restrict any major debt funding of the capex. Acceleration of the capex plan or more-than-expected debt funding will remain key rating sensitivity factors. In the interim, Trident's capex is pegged at Rs 175 crore and Rs 220 crore during fiscals 2019 and 2020, respectively.

The company has term debt obligation of about Rs 300 crore in fiscal 2019. Given its healthy cash accrual, no major capex plan, and prudent working capital management, it has accelerated debt repayment (Rs 359 crore repaid in fiscal 2018 against scheduled repayment of Rs 300 crore). Adjusted gearing is estimated at 1.37 times as on March 31, 2018, against 1.57 times a year earlier, while ratio of adjusted debt to earnings before interest, tax, depreciation, and amortisation (EBITDA) is estimated to have remained stable at 3.0 times.

The company has healthy liquidity with unutilised bank line of around Rs 500 crore and liquid investment of Rs 150 crore as on March 31, 2018.

Weaknesses
*** Exposure to volatility in cotton prices and rupee**
Trident is susceptible to volatility in prices of key raw material, cotton (which constitutes 50% of the cost of yarn). Cotton prices are volatile as they are sensitive to international demand/supply, and factors such as monsoon or pest attacks. Despite the benefits derived from its large procurement and adequate risk management systems, the company's profitability remains susceptible to volatility in cotton prices. Furthermore, Trident is a net exporter and derives nearly 50% of its revenue from exports. While it hedges its forex exposure, any significant volatility in forex rate could hit profitability. Sharp movement in forex rates and cotton prices will be a key rating monitorable.

*** Working capital-intensive operations**
Cotton, the key raw material for the home textiles business, is a seasonal crop and good quality cotton is available only during the peak cotton season (October to March). Trident procures cotton during the peak season and maintains inventory of 4-6 months at the year-end as cotton availability and quality is generally an issue during the off-season. Furthermore, Trident exports its home textile products (50% of revenue) to the US, and has a collection period of 45-60 days, leading to moderate working capital requirement, reflected in gross current assets of 120-150 days. Efficient working capital management is critical to Trident's operations as the company scales up business.

*** Susceptibility to slowdown in the end-user market and to competition in the home textiles segment**
Trident derives more than 65% of its revenue in the home textiles segment from the US, and hence, is susceptible to any major slowdown or changes in import policies in this market, and to fluctuations in forex rates. Also, as its leading customers account for a large share of its textile revenue, the company's fortunes are susceptible to sourcing policies of these customers. To mitigate this impact, Trident is trying to enhance its presence in Europe. Nevertheless, while export prospects for home textiles are healthy, competition has also increased. Any significant move by competing countries such as China, Pakistan, or Vietnam to push their exports by altering local policies or through bi-lateral relationship with importing countries, can affect the competitive position of Indian players, including Trident.

Outlook: Stable
CRISIL believes Trident's business risk profile will continue to improve over the medium term, driven by the expected increase in the company's customer base and healthy growth prospects in the home furnishings and WPP segments. Financial risk profile and liquidity are expected to improve gradually with higher cash generation and moderate capex in the near future.

Upside scenario
* Successful ramp-up of utilisation of new capacity, leading to strong revenue growth, and sustenance of operating margin at 18-20%

* Reduction in gearing below 1.0 time and debt to EBITDA ratio to around 2.0 times on a sustained basis; faster reduction in these metrics through equity infusion
* Substantial improvement in liquidity with sustained increase in unencumbered cash surplus

Downside scenario
* Material decline in profitability due to less-than-envisaged ramp-up in utilisation of bed-linen and towels capacity, or significant volatility in raw material prices or appreciation in rupee value
* Material increase in gearing to above 2.0 times or debt to EBITDA ratio to above 3.0 times, due to sizeable debt-funded capex or acquisition, or significant stretch in working capital cycle
* Sizeable reduction in liquidity, due to stretched working capital cycle or larger-than-anticipated capex.

About the Company
Trident was incorporated in 1990 as Abhishek Industries Ltd, promoted by Mr Rajinder Gupta, and got its present name in 2011. The company, headquartered in Ludhiana (Punjab), manufactures cotton yarn, terry towels, bed linen, and paper. 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. Its manufacturing facilities are in Barnala and Budhni (Madhya Pradesh). In the textile business, it has 5.5 lakh spindles, 6464 rotors, 672 looms for terry towels, and 500 looms for bed linen. In paper, it has capacity to produce 175,000 TPA.

Trident's promoters hold 67.8% stake in the company through various holding entities, and the rest is held by institutional players, bodies corporate, and public.

Key Financial Indicators

Particulars	Unit	2018	2017
Revenue	Rs cr	4652	4693
Profit after tax (PAT)	Rs cr	264	325
PAT margin	%	5.7	6.9
Adjusted debt/adjusted networth	Times	1.37	1.57
Interest coverage	Times	7.73	6.98

Any other information: Not applicable

Note on complexity levels of the rated instrument:
CRISIL complexity levels are assigned to various types of financial instruments. The CRISIL complexity levels are available on www.crisil.com/complexity-levels. Users are advised to refer to the CRISIL complexity levels for instruments that they consider for investment. Users may also call the Customer Service Helpdesk with queries on specific instruments.

Annexure - Details of Instrument(s)

ISIN	Name of Instrument	Date of Allotment	Coupon Rate (%)	Maturity Date	Issue Size (Rs Cr)	Rating Assigned with Outlook
NA	Cash Credit	NA	NA	NA	1200	CRISIL A+/Stable
NA	Long-Term Loan	NA	NA	30- Jun-23	239.17	CRISIL A+/Stable
NA	Long-Term Loan	NA	NA	31-Dec-24	173.97	CRISIL A+/Stable
NA	Long-Term Loan	NA	NA	30-Jun-23	166.63	CRISIL A+/Stable
NA	Long-Term Loan	NA	NA	31-Dec-24	182.71	CRISIL A+/Stable
NA	Long-Term Loan	NA	NA	31-Dec-24	137.41	CRISIL A+/Stable
NA	Long-Term Loan	NA	NA	31-Dec-24	113.78	CRISIL A+/Stable
NA	Long-Term Loan	NA	NA	30-Jun-23	95.76	CRISIL A+/Stable
NA	Long-Term Loan	NA	NA	30- Sep-24	133.48	CRISIL A+/Stable
NA	Long-Term Loan	NA	NA	30-Jun-23	47.84	CRISIL A+/Stable
NA	Long-Term Loan	NA	NA	30-Jun-23	85.33	CRISIL A+/Stable
NA	Long-Term Loan	NA	NA	30-June-23	87.91	CRISIL A+/Stable
NA	Long-Term Loan	NA	NA	30-Sep-21	27.77	CRISIL A+/Stable
NA	Long-Term Loan	NA	NA	1-Aug-21	57.25	CRISIL A+/Stable
NA	Long-Term Loan	NA	NA	30- Sep-21	18.05	CRISIL A+/Stable
NA	Long-Term Loan	NA	NA	29-Jun-21	27.36	CRISIL A+/Stable
NA	Long-Term Loan	NA	NA	30-Sep-21	36.05	CRISIL A+/Stable
NA	Long-Term Loan	NA	NA	30-Jun-22	137.24	CRISIL A+/Stable
NA	Long-Term Loan	NA	NA	23-Mar-19	50.00	CRISIL A+/Stable
NA	Letter of Credit	NA	NA	NA	350.0	CRISIL A1+

Annexure - Rating History for last 3 Years

	Current			2018 (History)		2017		2016		2015		Start of 2015
Instrument	Type	Outstanding Amount	Rating	Date	Rating	Date	Rating	Date	Rating	Date	Rating	Rating

Fund-based Bank Facilities	LT/ST	3017.71	CRISIL A+/Stable			09-11-17	CRISIL A+/Stable	27-10-16	CRISIL A/Stable	09-11-15	CRISIL A-/Stable	--
						08-05-17	CRISIL A+/Stable	13-10-16	CRISIL A/Stable			
Non Fund-based Bank Facilities	LT/ST	350.00	CRISIL A1+			09-11-17	CRISIL A1	27-10-16	CRISIL A1	09-11-15	CRISIL A2+	--
						08-05-17	CRISIL A1	13-10-16	CRISIL A1			

All amounts are in Rs.Cr.

Annexure - Details of various bank facilities

Current facilities			Previous facilities		
Facility	**Amount (Rs.Crore)**	**Rating**	**Facility**	**Amount (Rs.Crore)**	**Rating**
Cash Credit	**1200**	**CRISIL A+/Stable**	**Cash Credit**	**1200**	**CRISIL A+/Stable**
Letter of Credit	**350**	**CRISIL A1+**	**Letter of Credit**	**350**	**CRISIL A1**
Long Term Loan	**1817.71**	**CRISIL A+/Stable**	**Long Term Loan**	**1817.71**	**CRISIL A+/Stable**
Total	**3367.71**	**--**	**Total**	**3367.71**	**--**

Links to related criteria
CRISILs Approach to Financial Ratios
CRISILs Bank Loan Ratings - process, scale and default recognition
Rating criteria for manufaturing and service sector companies
Rating Criteria for Cotton Textile Industry
CRISILs Criteria for Consolidation

For further information contact:

Media Relations	Analytical Contacts	Customer Service Helpdesk
Saman Khan Media Relations **CRISIL Limited** D: +91 22 3342 3895 B: +91 22 3342 3000 saman.khan@crisil.com **Naireen Ahmed** Media Relations **CRISIL Limited** D: +91 22 3342 1818 B: +91 22 3342 3000 naireen.ahmed@crisil.com **Jyoti Parmar** Media Relations **CRISIL Limited** D: +91 22 3342 1835 B: +91 22 3342 3000 jyoti.parmar@crisil.com	**Anuj Sethi** Senior Director - CRISIL Ratings **CRISIL Limited** B:+91 44 6656 3100 anuj.sethi@crisil.com **Amit Bhave** Director - CRISIL Ratings **CRISIL Limited** D:+91 22 3342 3113 amit.bhave@crisil.com **Sitaraman Iyer** Rating Analyst - CRISIL Ratings **CRISIL Limited** D:+91 22 3342 1906 Sitaraman.Iyer@crisil.com	Timings: 10.00 am to 7.00 pm Toll free Number:1800 267 1301 For a copy of Rationales / Rating Reports: CRISILratingdesk@crisil.com For Analytical queries: ratingsinvestordesk@crisil.com

Note for Media:
This rating rationale is transmitted to you for the sole purpose of dissemination through your newspaper / magazine / agency. The rating rationale may be used by you in full or in part without changing the meaning or context thereof but with due credit to CRISIL. However, CRISIL alone has the sole right of distribution (whether directly or indirectly) of its rationales for consideration or otherwise through any media including websites, portals etc.

About CRISIL Limited

CRISIL is a leading agile and innovative, global analytics company driven by its mission of making markets function better. We are India's foremost provider of ratings, data, research, analytics and solutions. A strong track record of growth, culture of innovation and global footprint sets us apart. We have delivered independent opinions, actionable insights, and efficient solutions to over 1,00,000 customers.

We are majority owned by S&P Global Inc., a leading provider of transparent and independent ratings, benchmarks, analytics and data to the capital and commodity markets worldwide.

For more information, visit www.crisil.com

Connect with us: TWITTER | LINKEDIN | YOUTUBE | FACEBOOK

About CRISIL Ratings
CRISIL Ratings is part of CRISIL Limited ("CRISIL"). We pioneered the concept of credit rating in India in 1987. CRISIL is registered in India as a credit rating agency with the Securities and Exchange Board of India ("SEBI"). With a tradition of independence, analytical rigour and innovation, CRISIL sets the standards in the credit rating business. We rate the entire range of debt instruments, such as, bank loans, certificates of deposit, commercial paper, non-convertible / convertible / partially convertible bonds and debentures, perpetual bonds, bank hybrid capital instruments, asset-backed and mortgage-backed securities, partial guarantees and other structured debt instruments. We have rated over 24,500 large and mid-scale corporates and financial institutions. CRISIL has also instituted several innovations in India in the rating business, including rating municipal bonds, partially guaranteed instruments and microfinance institutions. We also pioneered a globally unique rating service for Micro, Small and Medium Enterprises (MSMEs) and significantly extended the accessibility to rating services to a wider market. Over 1,10,000 MSMEs have been rated by us.
