

India Ratings Affirms Trident's Proposed NCDs at 'IND AA'; Outlook Stable

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India Ratings and Research (Ind-Ra) has affirmed Trident Limited's proposed non-convertible debentures (NCDs) as follows:

Details of Instruments

Instrument Type	ISIN	Date of Issuance	Coupon Rate (%)	Maturity Date	Size of Issue (million)	Rating Assigned along with Outlook/Watch	Rating Action
Proposed non-convertible debentures	-	-	-	-	INR1,250	IND AA/Stable	Affirmed

Analytical Approach

Ind-Ra continues to take a standalone view of Trident to arrive at the rating.

Detailed Rationale of the Rating Action

The affirmation reflects Trident's healthy business profile and sustained operating performance in 9MFY25. Although, the balance sheet leverage has moderately elevated due to the ongoing capex, the agency expects the completion of capacity expansion programme shall aid in deleveraging in line with Ind-Ra's expectations over FY25-FY26 as the enhanced capacities generate incremental EBITDA. The rating is further supported by the company's healthy margins in the paper segment providing cushion to the overall business, and the support in the form of various fiscal incentives. However, the rating remains constrained by high revenue concentration, intense competition, raw material volatility and forex risks.

List of Key Rating Drivers

Strengths

- Completion of planned capacity expansion
- Deleveraging likely over FY25-FY26
- Sustained operational performance in 9MFY25
- Paper business margin remained healthy in 9MFY25
- Healthy business profile
- Support from fiscal incentives in textile segment

Weaknesses

- High revenue concentration
- Forex and industry risks

Detailed Description of Key Rating Drivers

Completion of Planned Capacity Expansion: Trident's management has demonstrated a coherent business strategy and a strong track record in capacity implementation. The company had planned large capex of INR20.15 billion over FY21-FY25 (100% incurred as on 31 December 2024), financed in a debt/equity ratio of 2.85:1, to increase the capacity of its sheeting segment by 46% (operational from September 2023), co-generation power by 33% (operational from September 2023), yarns segment by 58% (operational from December 2023), and towel segment by 8% (operational from end-March 2024). The enhanced capacities are likely to boost the company's volumes over the medium term. The term loans availed for yarns and sheeting have the benefits of state interest subsidies of 5%, leading to an effective interest rate of 3%-4%. Ind-Ra believes the company's capex execution and stabilisation risk will be low-to-moderate, considering the company's track record in the yarn segment and captive yarn offtake of more than half of its capacities.

Deleveraging Likely over FY25-FY26: Given the completion of a large debt-led capex in FY24, which has started contributing to the company's EBITDA (9MFY25: INR6.6 billion; FY24: INR9.4 billion; FY23: INR9.2 billion), Ind-Ra expects the net adjusted leverage (net adjusted debt/operating EBITDA) to be around 1.60x in FY25 (1.17x (annualised); 1.73x; 0.99x). The net leverage has already started tapering from FY25 in line with Ind-Ra's earlier estimates and the agency expects the net leverage to reduce further in FY26 in the absence of any additional debt-led capex and as the new capacities generate incremental EBITDA. However, the net leverage is likely to remain above 1.0x over FY25-FY26, as the incremental debt is gradually paid off and in view of the likely shareholder distributions of around INR2.0 billion per year (9MFY25: INR1.8 billion; FY24: INR1.8 billion), although supported by improving EBITDA.

Trident's gross adjusted debt reduced to INR14.82 billion at 9MFYE25 (FYE24: INR21.0 billion; FYE23: INR14.05 billion), primarily on account of lower working capital utilisation and pre-payment of certain term loans. Ind-Ra expects the interest coverage (operating EBITDA/interest expenses) to sustain above 5.0x over FY25-FY26 (FY24: 6.1x; FY23: 11.9x) on account of the likely continued healthy EBITDA and low average cost of debt (8.82% as of March 2024). An improvement in the financial position over the years, in Ind-Ra's assessment, aids Trident's business profile as it allows the company to better manage cyclical volatility inherent in the home textiles and paper businesses. Additionally, the company's low balance sheet leverage has provided some headroom towards foraying and spending on new growth areas.

Sustained Operational Performance in 9MFY25: In 9MFY25, Trident's revenue remained stable at INR51.1 billion (9MFY24: INR50.5 billion; FY24: INR67.3 billion; FY23: INR62.7 billion) while the EBITDA reduced 9% yoy to INR6.6 billion (INR7.3 billion; INR9.4 billion; INR9.2 billion), led by lower capacity utilisations, resulting in lower absorption of fixed costs and a higher share of low-margin yarns in the sales mix than the high-margin home textiles and paper. However, the decline in EBITDA is partially offset by improved competitiveness of Indian products in the international market, enabling India to restore and improve its market share in home textiles exports, due to the strong cotton and yarn position. This is despite the slow recovery in export demand, driven by the economic slowdown in the major importing nations, the US and Europe, and uncertainties amid the ongoing geo-political tensions. The China-plus-one sourcing plans of foreign players, increased export opportunities on political turmoil in Bangladesh and the ongoing free-trade agreement negotiations shall structurally improve export demand for India over the medium term by creating a level playing field with other exporting nations.

Ind-Ra expects the revenue to remain at FY24 levels in FY25, as reflected in 9MFY25's performance and EBITDA to moderate to INR8.5 billion-9.0 billion. Ind-Ra expects Trident to maintain a healthy EBITDA run-rate of INR9 billion-11 billion, supported by a reasonable return on capital employed (ROCE) of 10%-12% (FY25 (estimate): 9%; FY24: 9%; FY23: 11.0%) in the near-to-medium term.

Paper Business Margin Remained Healthy in 9MFY25: Trident's paper business has consistently exhibited strong, industry-leading EBITDA margins of around 25%, supported by its strong competitive position; high capacity utilisation of above 85% and healthy net sales realisation of above INR50/kg over FY17-FY24. Trident's margins benefit from its wheat straw-based plant as against wood-pulp based plants for other players. While the margins had normalised to 26.6% in FY24 (FY23: 32.0%), it again improved to 29.3% in 9MFY25 on account of a higher-than-proportionate reduction in raw material costs as compared to the decline in realisations, leading to improved spreads. The agency expects the company's paper margins to remain healthy at 22%-27% over the near-to-medium term.

Healthy Business Profile: Trident has a leading market share in the global terry towel market. The business profile continues to benefit from the large scale of operations; diversified product mix (comprising yarn, terry towels, bed linen, paper and chemicals); strong customer profile and vertically-integrated operations (cotton-to-bed and bath linen). During 9MFY25, home textiles (bath & bed linen), yarn and paper contributed 56%, 29% and 14%, respectively (FY24: 56%; 27% and 17%), to the overall revenue. The company's business profile further benefits from the flexibility to consume yarn internally or sell externally depending upon the yarn market supply and demand dynamics. Furthermore, the distribution is strengthened by the company's presence in various e-commerce platforms, generating a healthy revenue traction.

Support from Fiscal Incentives in Textile Segment: Trident's operating performance benefits from the export incentives (FY24: INR3.36 billion; FY23: INR3.13 billion; FY22: INR3.87 billion), which it receives for its textile business. Any adverse change in the government's export incentives schemes could be a risk to its textile segment profitability. Trident's export incentives/other receivables from government authorities were INR1.20 billion at FYE24 (FYE23: INR0.92 billion; FYE22: INR0.85 billion). Additionally, the company benefits from an interest subsidy of 5%-6% under the textile sector-related fiscal incentives, along with an interest subvention of 2% on export credit facilities; the latter expired in June 2024.

High Revenue Concentration: The revenue contribution from the company's top customer increased to 18.5% in FY24 (FY23: 13.2%; FY22: 16.7%) and top five customers to 41.0% (33.3%; 35.2%). Furthermore, the geographical concentration from the US market also increased to 38.0% in FY24 (FY23: 33.4%; FY22: 39.1%), indicating high dependence on one country. However, the US is the largest importing country of textile products, assuring regular, large order quantities which aid in earning high margins and operational efficiency. However, any adverse change in foreign trade policies or political instability in the US may affect the business operations. Ind-Ra shall closely monitor revenue diversification in terms of customers and geographies.

Forex and Industry Risks: Trident's margins are vulnerable to the volatility in raw cotton prices, end-product pricing and fluctuations in foreign currency. The company hedges around 50% of the budgeted home textile sales using forward covers, while yarn and paper divisions hedge sales on order basis. Trident reported a forex gain (including the mark-to-market) of INR176.2 million in 9MFY25 (FY24: gain of INR121 million; FY23: loss of INR10.7 million). Additionally, Trident's global presence exposes the company to a global economic slowdown, sourcing policies of its key customers and changes in import policies of importing countries. To mitigate the same, Trident has been expanding into other geographies. Any changes in the tariff policies by the US and its impact on Trident's operations shall be a key monitorable.

Liquidity

Adequate: The company reduced its fund-based limits to INR13.85 billion from INR18.00 billion on account of lower working capital requirement. The average utilisation of the fund-based limits was low at around 48% for the 12 months ended February 2025. Furthermore, the company had moderate free cash balances of INR4.57 billion at 9MFYE25 (FYE24: INR4.80 billion; FYE23: INR4.93 billion). The agency expects Trident's overall cost of debt to remain at 6%-8% over the medium term, supported by the state interest rate subsidies applicable for its existing loans (100% as at end-January 2025).

Ind-Ra expects Trident's debt service coverage ratio to be comfortable above 2.0x for its modest scheduled debt repayments of INR2.15 billion (including over INR1.10 billion prepayment) and INR1.09 billion in FY25 and FY26, respectively. Ind-Ra expects the free cash flow to turn positive in FY25 (FY24: negative INR6.86 billion; FY23: INR3.97 billion) supported by sustained EBITDA generation and reduced capex. Trident has increased its financial flexibility due to its healthy operations and improved balance sheet position, substantiated by the introduction of new private lenders, use of commercial papers in the past and funding through NCDs.

Rating Sensitivities

Positive: Ramp-up of capacities, an increase in the scale of operations, enhanced geographical and customer diversification coupled with a healthy ROCE while maintaining sound financial metrics with the net adjusted leverage reducing below 1.0x and EBITDA increasing above INR13 billion, all on a sustained basis, would be positive for the rating.

Negative: Large debt-funded capex/inorganic acquisitions, a decline in liquidity buffers and/or a significant reduction in sales and profitability, resulting in a drop in the ROCE and the net adjusted leverage exceeding 2.0x, all on a sustained basis, would be negative for the rating.

ESG Issues

ESG Factors Minimally Relevant to Rating: Unless otherwise disclosed in this section, the ESG issues are credit neutral or have only a minimal credit impact on Trident, due to either their nature or the way in which they are being managed by the entity. For more information on Ind-Ra's ESG Relevance Disclosures, please click [here](#). For answers to frequently asked questions regarding ESG Relevance Disclosures and their impact on ratings, please click [here](#).

About the Company

Incorporated in 1990 as Abhishek Industries Ltd, Trident is promoted by Rajinder Gupta. Headquartered in Ludhiana (Punjab), the company was renamed Trident Limited in 2011. Trident manufactures cotton yarn, terry towels, bed linen and paper. It has three manufacturing facilities located in Dhaula and Sanghera (Punjab) and Budhni (Madhya Pradesh). On 31 December 2024, the facilities collectively held 7,78,944 spindles, 7,464 rotors, 664 looms (terry towel) and 500 looms (bed sheet). The company also has a paper manufacturing capacity of 175,000 metric tonnes per annum (mtpa) and a chemical manufacturing capacity for sulphuric acid of 115,000mtpa. The operations are also supported by captive power plants have a total installed capacity of 65.7MW (meeting around 40% of total power requirements) supplemented by solar power capacities of 40.9MW. Trident is listed on the National Stock Exchange of India Limited and BSE Ltd.

Key Financial Indicators

Particulars	9MFY25 (Unaudited)	FY24	FY23
Net revenue (INR billion)	51.06	67.30	62.68
EBITDA (INR billion)	6.58	9.35	9.18
EBITDA margin (%)	12.89	13.89	14.65
EBITDA interest coverage (x)	5.18	6.05	11.87
Net adjusted leverage (x)	1.17*	1.73	0.99
Source: Company, Ind-Ra			
*on an annualised basis			

Status of Non-Cooperation with previous rating agency

Not applicable

Rating History

Instrument Type	Current Rating			Historical Rating/Outlook				
	Rating Type	Rated Limits (million)	Rating	27 March 2024	20 October 2023	28 March 2023	10 March 2023	7 March 2022
Issuer rating	Long-term	-	-	-	WD	IND AA/Stable	IND AA/Stable	IND AA/Positive
Proposed non-convertible debentures	Long-term	INR1,250	IND AA/Stable	IND AA/Stable	-	IND AA/Stable	-	-

Complexity Level of the Instruments

Instrument Type	Complexity Indicator
Proposed non-convertible debentures	Low

For details on the complexity level of the instruments, please visit <https://www.indiaratings.co.in/complexity-indicators>.

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Evaluating Corporate Governance

Corporate Rating Methodology

The Rating Process

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