

TRIDENT/CS/2023

August 30, 2023

**National Stock Exchange of India Limited**

Exchange Plaza, Plot No. C/1, G Block Bandra Kurla Complex,  
Bandra (E), Mumbai – 400 051  
Scrip Code: TRIDENT

**BSE Limited**

Phiroze Jeejeebhoy Towers  
Dalal Street, Mumbai – 400 001  
Scrip Code: 521064

**Sub: Credit Rating of Trident Limited**

Dear Sir/Madam

Pursuant to Regulation 30 and other applicable provisions of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, we are pleased to inform you that Credit Ratings of Trident Limited have been reaffirmed by CRISIL Ratings Limited, vide communication dated August 29, 2023 which is as under:

**Bank Loan Facilities:**

Total Bank Loan Facilities Rated	INR 4000 Crore
Long Term Rating	CRISIL AA/Stable (Reaffirmed)
Short Term Rating	CRISIL A1+ (Reaffirmed)

**Commercial Paper:**

INR 150 Crore Commercial Paper	CRISIL A1+ (Reaffirmed)
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A copy of the formal rating rationale issued by CRISIL Ratings Limited is enclosed herewith.

This is for your reference & record please.

Yours faithfully,  
For **Trident Limited**

(**Matta Aravind Kumar**)  
**Company Secretary**

Encl: as above

Disclaimer :- The details of the authorised signatories are uploaded on the official website of the Company. You may authenticate the authority of the signatory before relying upon the contents of this communication by visiting <https://www.tridentindia.com/authority-matrix/> or may write to us on corp@tridentindia.com.

30/08/2023

TL/2023/038078

## Rating Rationale

August 29, 2023 | Mumbai

### Trident Limited

*Ratings reaffirmed at 'CRISIL AA/Stable/CRISIL A1+'*

#### Rating Action

<b>Total Bank Loan Facilities Rated</b>	<b>Rs.4000 Crore</b>
<b>Long Term Rating</b>	<b>CRISIL AA/Stable (Reaffirmed)</b>
<b>Short Term Rating</b>	<b>CRISIL A1+ (Reaffirmed)</b>

<b>Rs.150 Crore Commercial Paper</b>	<b>CRISIL A1+ (Reaffirmed)</b>
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*Note: None of the Directors on CRISIL Ratings Limited's Board are members of rating committee and thus do not participate in discussion or assignment of any ratings. The Board of Directors also does not discuss any ratings at its meetings.*

*1 crore = 10 million*

*Refer to Annexure for Details of Instruments & Bank Facilities*

#### Detailed Rationale

CRISIL Ratings' has reaffirmed its 'CRISIL AA/Stable/CRISIL A1+' ratings on the bank facilities of Trident Limited (Trident).

The rating continues to reflect Trident's diversified revenue profile with leading market position in the home textiles segment and established position in WPP, strong operating efficiency driven by integrated operations, and strong financial risk profile. These strengths are partially offset by exposure to volatility in cotton prices and fluctuations in foreign exchange (forex) rates, working capital-intensive operations, and susceptibility to slowdown in the end-user market and competition in the home textiles segment.

For the home textiles segment, the operating performance is expected to improve on year-on-year basis in fiscal 2024 due to softening of raw material prices and revival of export demand because of lower inventory at retailers end. The spinning and paper division are also expected to grow for fiscal 2024. Revenues are hence expected to increase by 7-8% in this fiscal on account of higher export demand while operating margin is expected to improve by 100bps this fiscal compared to 15% in fiscal 2023, on account of higher capacity utilisation in the home textile segment. Revenues have declined by 7% quarter-on-quarter in first quarter of fiscal 2024 due to planned shutdown of paper plant for around 28 days in Q1 to carry out de bottlenecking activities. The remaining fiscal is expected to see improvement in performance with expectations of normalization of EBITDA margins on account of stability in cotton prices and revival of demand. Increasing capacity in spinning and home textile segment to support operating margins at 16-18% range in the medium term. Substantially high integrated operations in the industry has resulted in less variability and best in class operating margins among peers.

The capacity utilisation in the cotton yarn segment fell to 64% in fiscal 2023 compared to 88% in fiscal 2022, partially owing to decreased captive consumption for production of home textile products as well as fall in demand in the cotton yarn and realisations in the industry. Paper segment has also seen ramp up, albeit gradually, with utilisation levels at 85% in fiscal 2023. In fiscal 2023, the aggregate revenues grew by over 9%, led by high revenue base of last year and lower demand in the textile segment. However, this was offset by increase in revenues from the paper segment. Furthermore, operating profitability is expected to sustain to at 16-18%, also supported by implementation of Rebate of State and Central Taxes and levies (RoSCTL) incentives and due to benefit of higher scale and increasing share of business from the paper segment, a higher margin segment.

Financial risk profile remains strong with robust accruals and phased capital expenditure (capex) plan. Net Cash Accrual decreased from Rs. 807 crore in fiscal 2022 to Rs 574 crore in fiscal 2023 on account of dividend payout, lower operating profitability and decline in revenue. It is expected to be around Rs. 550-600 crore this fiscal. The company has reduced its debt from Rs 1571 crore as on March 31, 2022 to Rs 1374 crore in fiscal 2023 on account of lower short term debt due to utilization of accruals for working capital requirements.. However, long-term debt has increased in line with expectations for the planned capex. Company is undertaking a capex of Rs 2000-2100 crore, which is expected to be completed within fiscal 2024 and is being funded by debt of around Rs 1200-1400 crore. The repayment obligations for these loans are back ended which will support the overall financial risk profile and liquidity. Total debt/earnings before interest, depreciation, tax and amortisation (EBIDTA) is expected to remain below 2 time for fiscal 2024. Liquidity profile remains healthy, supported by

cash and equivalents of over Rs 553 crore as on 31 March, 2023 and average unutilised bank limit of Rs 1200 crore for 12 months ending 30, June 2023.

### **Analytical Approach**

CRISIL Ratings has combined the business and financial risk profiles of Trident and its six wholly owned subsidiaries, Trident Global Corp Ltd, Trident Europe Ltd, Trident Home Textiles Limited, Trident Innovations Limited, Trident Home Décor Limited, Trident Global Inc due to business and financial linkages. In line with its analytical treatment, CRISIL Ratings has reduced revaluation reserve (Rs 768 crore as on March 31, 2017) while computing the adjusted net worth. 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 net worth and assets.

*Please refer Annexure - List of Entities Consolidated, which captures the list of entities considered and their analytical treatment of consolidation.*

### **Key Rating Drivers & Detailed Description**

#### **Strengths:**

#### **Diversified revenue with leading market position in the home textiles segment, and established position in WPP**

Trident has an established presence in the textiles and WPP businesses. In the textile business too, revenue is diversified, with 24% coming from yarn, 15% from bed linen and 39% from bath linen (terry towels) in fiscal 2023. The diversity is expected to remain healthy 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. The capacity utilisation in the bed linen and bath linen segments has fallen to 67% and 48%, respectively, in fiscal 2023 from 88% and 61%, respectively, in fiscal 2022 due to fall in demand and higher inventory at retailers end. However, utilization is expected to improve in fiscal 2024.

Business profile remains healthy marked by Trident being the second largest player in home textiles and yarn manufacturing segments in India. Additionally, India is expected to sign FTA with UK this year while it has already signed FTA with Australia, providing India a level playing field in the home textile export market. This, coupled with the China+1 strategy will help garner higher export sales for Trident. Substantial increase in scale of operations leading to market share gain and sustenance of profitability will remain key rating drivers.

In the WPP business, Trident is one of India's leading players, with capacity of 175,000 tonne per annum (TPA). It has an established brand in sub-segments such as copier paper, which is also 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 50-55%. The bed sheet unit commissioned in fiscal 2016 has captive spinning, weaving, and processing capability, which meets all its requirement. Furthermore, the Company has commissioned 8.87 MW Solar Power Plant at Budhni, Madhya Pradesh for captive use. This Solar Power Project is expected to produce 33500 units per day to be consumed in manufacturing facilities located at Budhni, Madhya Pradesh resulting in considerable savings for the company.

Operating margin of Trident exhibits more stability compared to its peers due to integrated operations and strong focus on cost control. Also, improved capacity utilization and healthy operating margin is expected to lead to RoCE of over 14% in near to medium term.

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 in the vicinity of more than 25-35% in the WPP business, among the highest in the industry.

#### **Strong financial risk profile**

Financial risk profile has improved steadily over the last few fiscals, supported by healthy cash flow generation, and better credit metrics. Gross debt fell to Rs 1374 crore in fiscal 2023 from Rs 1571 crore at March 31, 2022. Debt protection metrics such as debt to EBITDA and interest cover have marginally fallen year on year due to lower operating profitability. The gross debt/EBITDA fell to 1.44 times in fiscal 2023 from 1.04 times in fiscal 2022 and is expected to remain below 2 times over the medium term despite planned capex of Rs 2000-2100 crore over the medium term.

NCA fell from Rs. Rs. 807 crore in fiscal 2022 to Rs 574 crore on account of dividend payout and lower operating profitability due to fall in demand but still remained healthy. It is expected to be around Rs. 550-600 crore this fiscal. The capex plan would be implemented in phased manner and debt will be taken for the same due to low cost of funding on account of capex related subsidies and interest subvention. NCA has been used to bring down short term debt in fiscal 2023 and hence total debt will be in the range of Rs. 2000-2100 crore over the medium term. The capex and its funding will remain key rating sensitivity factor.

The company's liquidity is adequate and supported by strong cash generating ability, supported by cash and equivalents of

over Rs 553 crore as on 31 March, 2023 and unutilised bank limit of Rs 1200 crore for 12 months ending 30, June 2023.

### **Weaknesses:**

#### **Exposure to volatility in cotton prices and rupee**

Trident's operating profitability is moderately 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. This does impact margins despite benefits derived from its large procurement and adequate risk management systems. With cotton increasing to over Rs 1lakh/candy and weak demand cycle, the operating margin have moderated in the last fiscal. However with cotton prices reducing to ~Rs. 55-60,000 per candy in July/Aug'23, the margins are expected to improve in this fiscal with demand recovery in the industry.

Furthermore, Trident is a net exporter and derives nearly ~60% of its revenue from exports. While it hedges its forex exposure, any significant volatility in forex rate could impact 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 maintains inventory of 3-4 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 overall revenue) to the US, and has a collection period of 45-60 days. Nevertheless, overall working capital requirement remains moderate reflected in gross current assets of 115-130 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 nearly 70% 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, Middle East, Australia and Asian countries. 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.

#### **Liquidity: Strong**

Liquidity remains strong. Cash accrual is expected to be Rs 600-800 crore per annum over medium term, against maturing debt of around Rs 20-130 crore per annum. Liquidity is further aided by cash and equivalents of over Rs 553 crore as on 31 March, 2023 and unutilised bank limit of Rs 1200 crore of 12 months ending 30, June 2023.

#### **Outlook: Stable**

CRISIL Ratings expects Trident's business risk profile to benefit from its diversified business streams, healthy demand prospects for home textiles and established business position across product segments. Its operating profitability is also expected to remain healthy due to increasing backward integration and strong operating efficiencies. Healthy cash generation and prudent funding of capex will ensure financial risk profile sustains at healthy levels.

#### **Rating Sensitivity factors**

##### **Upward factors**

- Sustained increase in scale of operations and sustenance of healthy operating profitability driven by better capacity utilisation across product segments leading to net cash accruals of Rs 900-1000 crore per annum
- Sustenance of improved debt protection metrics for instance debt to EBITDA at 1 time or below
- Substantial improvement in liquidity with sustained increase in unencumbered cash surplus

##### **Downward factors**

- Cash accruals of under Rs 500 crore on the back of 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 debt to EBITDA ratio to over 2 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, larger-than-anticipated capex, material dividend payout or share buyback.

#### **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, with its registered office in Sanghera (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 (Punjab) and Budhni (Madhya Pradesh). In the textile business, it has 5.9 lakh spindles, 7624 rotors, 672 looms for terry towels, and 500 looms for bed linen. In paper, it has capacity to produce 175,000 TPA.

In the first 3 months of fiscal 2023, the company posted revenue and profit after tax of Rs 1494 crore and Rs 91 crore respectively as against Rs 1680 crore and Rs 129 crore in similar period in fiscal 2022.

#### Key Financial Indicators\*

Particulars	Unit	2023	2022
Revenue	Rs crore	6339	7006
Profit After Tax (PAT)	Rs crore	442	834
PAT Margin	%	7.0	11.9
Adjusted debt/adjusted networkth	Times	0.33	0.41
Interest coverage	Times	10.92	16.40

\*CRISIL adjusted numbers

**Any other information:** Not applicable

#### Note on complexity levels of the rated instrument:

CRISIL Ratings' complexity levels are assigned to various types of financial instruments and are included (where applicable) in the 'Annexure - Details of Instrument' in this Rating Rationale.

CRISIL Ratings will disclose complexity level for all securities - including those that are yet to be placed - based on available information. The complexity level for instruments may be updated, where required, in the rating rationale published subsequent to the issuance of the instrument when details on such features are available.

For more details on the CRISIL Ratings' complexity levels please visit [www.crisilratings.com](http://www.crisilratings.com). 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.Crore)	Complexity levels	Rating assigned with outlook
NA	Commercial Paper	NA	NA	7-365 Days	150	Simple	CRISIL A1+
NA	Cash Credit	NA	NA	NA	715	NA	CRISIL AA/Stable
NA	Cash Credit	NA	NA	NA	400	NA	CRISIL AA/Stable
NA	Cash Credit	NA	NA	NA	100	NA	CRISIL AA/Stable
NA	Cash Credit	NA	NA	NA	25	NA	CRISIL AA/Stable
NA	Cash Credit	NA	NA	NA	200	NA	CRISIL AA/Stable
NA	Cash Credit	NA	NA	NA	90	NA	CRISIL AA/Stable
NA	Cash Credit	NA	NA	NA	90	NA	CRISIL AA/Stable
NA	Cash Credit	NA	NA	NA	180	NA	CRISIL AA/Stable
NA	Letter of credit & Bank Guarantee	NA	NA	NA	53	NA	CRISIL A1+
NA	Letter of credit & Bank Guarantee	NA	NA	NA	68	NA	CRISIL A1+
NA	Letter of credit & Bank Guarantee	NA	NA	NA	35	NA	CRISIL A1+
NA	Letter of credit & Bank Guarantee	NA	NA	NA	10	NA	CRISIL A1+
NA	Letter of credit & Bank Guarantee	NA	NA	NA	13	NA	CRISIL A1+
NA	Letter of credit & Bank Guarantee	NA	NA	NA	23	NA	CRISIL A1+
NA	Long Term Loan	NA	NA	30-Mar-32	68	NA	CRISIL AA/Stable
NA	Long Term Loan	NA	NA	30-Mar-32	407	NA	CRISIL AA/Stable
NA	Long Term Loan	NA	NA	30-Mar-32	400	NA	CRISIL AA/Stable
NA	Long Term Loan	NA	NA	30-Mar-29	70	NA	CRISIL AA/Stable
NA	Long Term Loan	NA	NA	30-Mar-32	187	NA	CRISIL AA/Stable
NA	Long Term Loan	NA	NA	30-Dec-32	336	NA	CRISIL AA/Stable
NA	Long Term Loan	NA	NA	30-Mar-32	180	NA	CRISIL AA/Stable
NA	Long Term Loan	NA	NA	30-Mar-32	56	NA	CRISIL AA/Stable
NA	Long Term Loan	NA	NA	30-Mar-31	100	NA	CRISIL AA/Stable
NA	Proposed Term Loan	NA	NA	NA	134	NA	CRISIL AA/Stable
NA	Short Term Loan*	NA	NA	NA	60	NA	CRISIL A1+

\*CEL Limit (For Derivative)

**Annexure - List of Entities Consolidated**

Names of Entities Consolidated	Extent of Consolidation	Rationale for Consolidation
Trident Global Corp Limited	Full consolidation	Business and financial linkages
Trident Europe Limited	Full consolidation	Business and financial linkages
Trident Home Textiles Limited	Full consolidation	Business and financial linkages
Trident Innovations Limited	Full consolidation	Business and financial linkages
Trident Home Décor Limited	Full consolidation	Business and financial linkages
Trident Global Inc	Full consolidation	Business and financial linkages

**Annexure - Rating History for last 3 Years**

Instrument	Current			2023 (History)		2022		2021		2020		Start of 2020
	Type	Outstanding Amount	Rating	Date	Rating	Date	Rating	Date	Rating	Date	Rating	Rating
<b>Fund Based Facilities</b>	LT/ST	3798.0	CRISIL A1+ / CRISIL AA/Stable		--	30-08-22	CRISIL AA/Stable	29-09-21	CRISIL A1+ / CRISIL AA/Stable	14-10-20	CRISIL AA-/Stable	CRISIL AA-/Stable
			--		--		--	12-07-21	CRISIL AA-/Positive / CRISIL A1+	31-07-20	CRISIL AA-/Stable	--
			--		--		--	26-03-21	CRISIL AA-/Positive		--	--
<b>Non-Fund Based Facilities</b>	ST	202.0	CRISIL A1+		--	30-08-22	CRISIL A1+	29-09-21	CRISIL A1+	14-10-20	CRISIL A1+	CRISIL A1+
			--		--		--	12-07-21	CRISIL A1+	31-07-20	CRISIL A1+	--
			--		--		--	26-03-21	CRISIL A1+		--	--
<b>Commercial Paper</b>	ST	150.0	CRISIL A1+		--	30-08-22	CRISIL A1+	29-09-21	CRISIL A1+	14-10-20	CRISIL A1+	CRISIL A1+
			--		--		--	12-07-21	CRISIL A1+	31-07-20	CRISIL A1+	--
			--		--		--	26-03-21	CRISIL A1+		--	--

All amounts are in Rs.Cr.

**Annexure - Details of Bank Lenders & Facilities**

Facility	Amount (Rs.Crore)	Name of Lender	Rating
Cash Credit	715	State Bank of India	CRISIL AA/Stable
Cash Credit	400	Punjab National Bank	CRISIL AA/Stable
Cash Credit	100	Indian Bank	CRISIL AA/Stable
Cash Credit	25	Exim Bank	CRISIL AA/Stable
Cash Credit	180	Union Bank of India	CRISIL AA/Stable
Cash Credit	200	Canara Bank	CRISIL AA/Stable
Cash Credit	90	Central Bank Of India	CRISIL AA/Stable
Cash Credit	90	ICICI Bank Limited	CRISIL AA/Stable
Letter of credit & Bank Guarantee	23	Union Bank of India	CRISIL A1+
Letter of credit & Bank Guarantee	13	ICICI Bank Limited	CRISIL A1+
Letter of credit & Bank Guarantee	53	State Bank of India	CRISIL A1+
Letter of credit & Bank Guarantee	68	Punjab National Bank	CRISIL A1+
Letter of credit & Bank Guarantee	35	Canara Bank	CRISIL A1+

Letter of credit & Bank Guarantee	10	Central Bank Of India	CRISIL A1+
Long Term Loan	56	Punjab National Bank	CRISIL AA/Stable
Long Term Loan	68	IndusInd Bank Limited	CRISIL AA/Stable
Long Term Loan	407	Punjab National Bank	CRISIL AA/Stable
Long Term Loan	400	State Bank of India	CRISIL AA/Stable
Long Term Loan	70	ICICI Bank Limited	CRISIL AA/Stable
Long Term Loan	187	Indian Bank	CRISIL AA/Stable
Long Term Loan	336	HDFC Bank Limited	CRISIL AA/Stable
Long Term Loan	180	Union Bank of India	CRISIL AA/Stable
Long Term Loan	100	Bank of Baroda	CRISIL AA/Stable
Proposed Term Loan	134	Not Applicable	CRISIL AA/Stable
Short Term Loan <sup>&amp;</sup>	60	State Bank of India	CRISIL A1+

&CEL Limit (For Derivative)

## Criteria Details

### Links to related criteria

[CRISILs Approach to Financial Ratios](#)

[Rating criteria for manufacturing and service sector companies](#)

[CRISILs Bank Loan Ratings - process, scale and default recognition](#)

[Rating Criteria for Cotton Textile Industry](#)

[CRISILs Criteria for Consolidation](#)

Media Relations	Analytical Contacts	Customer Service Helpdesk
<p><b>Aveek Datta</b> Media Relations <b>CRISIL Limited</b> M: +91 99204 93912 B: +91 22 3342 3000 <a href="mailto:AVEEK.DATTA@crisil.com">AVEEK.DATTA@crisil.com</a></p> <p><b>Prakruti Jani</b> Media Relations <b>CRISIL Limited</b> M: +91 98678 68976 B: +91 22 3342 3000 <a href="mailto:PRAKRUTI.JANI@crisil.com">PRAKRUTI.JANI@crisil.com</a></p> <p><b>Rutuja Gaikwad</b> Media Relations <b>CRISIL Limited</b> B: +91 22 3342 3000 <a href="mailto:Rutuja.Gaikwad@ext-crisil.com">Rutuja.Gaikwad@ext-crisil.com</a></p>	<p>Mohit Makhija Senior Director <b>CRISIL Ratings Limited</b> B:+91 124 672 2000 <a href="mailto:mohit.makhija@crisil.com">mohit.makhija@crisil.com</a></p> <p>Gautam Shahi Director <b>CRISIL Ratings Limited</b> B:+91 124 672 2000 <a href="mailto:gautam.shahi@crisil.com">gautam.shahi@crisil.com</a></p> <p>Vedika Kedia Rating Analyst <b>CRISIL Ratings Limited</b> B:+91 124 672 2000 <a href="mailto:Vedika.Kedia@crisil.com">Vedika.Kedia@crisil.com</a></p>	<p>Timings: 10.00 am to 7.00 pm Toll free Number:1800 267 1301</p> <p>For a copy of Rationales / Rating Reports: <a href="mailto:CRISILratingdesk@crisil.com">CRISILratingdesk@crisil.com</a></p> <p>For Analytical queries: <a href="mailto:ratingsinvestordesk@crisil.com">ratingsinvestordesk@crisil.com</a></p>

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