TRIDENTGROUP™
Being different is normal

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TRIDENT/CS/2021
March 27, 2021

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: Credit Rating of Trident Limited

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 have been reaffirmed by CRISIL Limited, which is as under:

Bank Loan Facilities:

Total Bank Loan Facilities Rated	**INR 4000 Crore**
Long Term Rating	**CRISIL AA-/Positive (Outlook revised from "Stable" and Rating Reaffirmed)**
Short Term Rating	**CRISIL A1+ (Reaffirmed)**

Commercial Paper:

Instrument	**Size of the Issue**	**Rating**
Commercial Paper	**INR 150 Crore**	**CRISIL A1+ (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 faithfully,
For **Trident Limited**
RAMANDEEP KAUR
Digitally signed by RAMANDEEP KAUR
Date: 2021.03.27 10:21:06 +05'30'
(Ramandeep Kaur)
Company Secretary
ICSI Membership No.: F9160
Encl: as above

27/03/2021 TL/2021/007627

Pursuant to SEBI notifications, CRISIL Limited (CRISIL) has transferred its Ratings business to its wholly owned subsidiary, CRISIL Ratings Limited (CRISIL Ratings), with effect from December 31st 2020. Any reference to CRISIL in the documents published by the Ratings division of CRISIL, such as Rating Rationales, Credit Rating Reports, Press Releases, Criteria, Methodology, FAQs, Policies and Disclosures, shall henceforth refer to CRISIL Ratings.

Rating Rationale

March 26, 2021 | Mumbai

Trident Limited

Rating outlook revised to 'Positive'; Ratings reaffirmed

Rating Action

Total Bank Loan Facilities Rated	**Rs.4000 Crore**
Long Term Rating	**CRISIL AA-/Positive (Outlook revised from 'Stable' and rating reaffirmed)**
Short Term Rating	**CRISIL A1+ (Reaffirmed)**

Rs.150 Crore Commercial Paper	**CRISIL A1+ (Reaffirmed)**

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

Detailed Rationale

CRISIL Ratings has revised the outlook on the long term bank facilities of Trident Limited (Trident) from '**Stable**' to 'Positive' and reaffirmed the rating at '**CRISIL AA-**'. The rating on short term bank facilities and commercial paper programme is reaffirmed at 'CRISIL A1+'.

The rating action reflects healthy improvement in the financial risk profile of Trident post significant reduction in the debt over last few quarters supported by ramp up of operational performance in home textiles division this fiscal. The company has reduced its debt from Rs 1952 crore as on March 31, 2020 to Rs 1059 crore as on December 31, 2020 through prepayments from internal accrual, controlled capex as well as non-recourse factoring initiatives. The traction in home textile division also remains strong with the both, bed sheets and towels segments reaching the highest capacity utilization since inception i.e. 101% and 62% respectively in the 3rd quarter of this fiscal. The strong demand for the home textiles stemmed from increased stay-at-home period and focus on health and hygiene for consumers, is expected to remain healthy in next fiscal.

The capacity utilizations in the cotton yarn segment also reached 97% in 3rd quarter of this fiscal, higher than pre-covid levels, partially owing to increased captive consumption for increased production of home textiles as well as rebound in the cotton yarn demand in the industry. Paper segment also has seen ramp up albeit gradual, with utilization levels reaching 87% in 3rd quarter. Over medium term, the aggregate revenues are expected to grow by ~15% p.a. as against CAGR (compounded annual growth rate) of ~2% during fiscal 2018 to 2020, led by continued traction in home textiles and cotton yarn as well as recovery in the paper segment as well as commissioning of planned capacity addition.

The operating profitability of the company has remained healthy at 18.5% in nine months of fiscal 2021 as against 18% in fiscal 2020, in spite of COVID impact in first quarter, owing to cost optimization initiatives undertaken by company. Over medium term, the operating margins are expected to remain stable between 18-20% p.a.

Lower capex intensity in fiscal 2020 and 2021 as well as healthy annual cash accrual of ~Rs 400 – 600 crore coupled with usage of non-recourse factoring has resulted in sharp reduction in debt levels. As a result, the Net debt/EBIDTA is expected to improve to below 1.5 times for fiscal 2021 from 2.3 times in 2019 and to remain below 1.5 times over medium term. Liquidity profile remains healthy, supported by cash & equivalents of Rs 80 crore and unutilized bank limits of Rs 300 crore in February 2021.

The company also has deferred a part of its earlier planned capex plan of ~Rs 1400 crore involving capacity expansion in cotton yarn and paper debottlenecking projects. Presently, the company is carrying out only one out of the three phases in cotton yarn expansion while paper project will be considered only after substantial recovery is seen. Owing to controlled capex, the debt protection metrics is expected to remain healthy.

Business profile remains healthy as Trident being the second largest player in home textiles and third largest yarn manufacturer in India apart from being one of the leading manufacturers of writing and printing (WPP) paper in North India.

The rating continues to reflect Trident's diversified revenue profile 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, susceptibility to slowdown in the end-user market and 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 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 32% coming from yarn and 68% from bed linen and bath linen (terry towels) in fiscal 2020. The diversity is expected to improve in fiscal 2021 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 2020, the capacity utilisation in the bed linen and bath linen segments stood at 60% and 48% respectively. The same has improved to 80% and 60% respectively in 9M of fiscal 2021.

  In the WPP business too, Trident 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 50%. The bed sheet unit commissioned in fiscal 2016 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 in the vicinity of 35-40% in the WPP business, among the highest in the industry. The margins in paper segment have been impacted marginally in 9M of fiscal 2021 to 28% owing to suppressed realisation amidst impacted demand, however are expected to climb back to earlier levels by next fiscal.

- **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 reduced to Rs 1952 crore at March 31, 2020 from Rs 2436 crore at March 31, 2019 and further to Rs 1059 crore as on December 31, 2020. Debt protection metrics such as debt to EBITDA and interest cover have improved year on year. The Net debt/EBIDTA which improved to 1.9 times in fiscal 2020 from 2.3 in fiscal 2019 is expected to improve further to below 1.5 times in 2021 and remain below 1.5 times next fiscal. The capex plan also remains moderate and will be done prudently with substantial funding from internal accrual leading to no major increase in debt levels over medium term. The capex for fiscal 2021 and fiscal 2022 is expected at ~300-400 crore p.a. Higher than expected debt funded capex/acquisition will remain key rating sensitivity factor.

  The company's liquidity is adequate and supported by strong cash generating ability, unutilised bank line of around Rs 300 crore and cash & equivalents of Rs 80 crore in February 2021.

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, Furthermore, Trident is a net exporter and derives nearly 55-60% 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 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 overall revenue). Debtor days reduced from 49 in fiscal 2019 to 23 in fiscal 2020 owing to management's initiatives for better terms on credit period and financing arrangements. Nevertheless overall working capital requirement remains moderate reflected in gross current assets (net of cash) of 100-120 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 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. 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 ~Rs 120-150 crore per annum. Liquidity is further aided by cash and equivalents of Rs 80 crore and unutilized bank limits of Rs 300 crore in February 2021. The company has utilized its fund based working capital limits of Rs 1500 crore at ~50% over past twelve months ending December 2020.

Outlook: Positive
CRISIL Ratings believes Trident's business risk profile to remain healthy over the medium term, driven by healthy traction in home textiles and cotton yarn segment and expected recovery in paper segment next fiscal and supported by healthy profitability levels. Financial risk profile is expected to remain healthy with healthy reduction in debt in past few quarters and moderate capex in the near future.

Rating Sensitivity Factors
Upward Factors

- Sustained increase in scale of operations driven by better capacity utilisation across product segments and sustenance of healthy operating margin at 19-20%
- Improvement in debt metrics driven by better than expected cash accrual and debt reduction; for instance sustenance of net debt: EBITDA below 1.5 times

Downward Factors

- 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 net debt to EBITDA ratio to 2.5 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.

As on December 31, 2020; Trident's promoters hold 73.02% stake in the company through various holding entities, and the rest is held by institutional players, bodies corporate, and public.

In the first nine months of fiscal 2021, the company posted revenue and profit after tax of Rs 3186 crore and Rs 228 crore respectively as against Rs 3736 crore and Rs 300 crore in similar period in fiscal 2020.

Key Financial Indicators– CRISIL Ratings Adjusted Figures

Particulars	Unit	2020	2019
Revenue	Rs.Cr	4733	5268
Profit After Tax (PAT)	Rs.Cr	340	372
PAT Margin	%	7.2	7.1
Adjusted debt/adjusted networth	Times	0.92	1.18
Interest coverage	Times	7.81	8.88

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)	Complexity level	Rating Assigned with Outlook
NA	Cash Credit	NA	NA	NA	1590	NA	CRISIL AA-/Positive
NA	Letter of Credit & Bank Guarantee	NA	NA	NA	200.00	NA	CRISIL A1+
NA	Commercial Paper	NA	NA	7-365	150.00	Simple	CRISIL A1+

				days			
NA	Long-Term Loan	NA	NA	Dec-28	973.04	NA	CRISIL AA-/Positive
NA	Proposed Term Loan	NA	NA	NA	1236.96	NA	CRISIL AA-/Positive

Annexure – List of entities consolidated

Names of Entities Consolidated	Extent of Consolidation	Rationale for Consolidation
Trident Global Corp Limited (Subsidiary)	Full consolidation	Business and financial linkages
Trident Europe Limited (Subsidiary)	Full consolidation	

Annexure - Rating History for last 3 Years

	Current			2021 (History)		2020		2019		2018		Start of 2018
Instrument	Type	Outstanding Amount	Rating	Date	Rating	Date	Rating	Date	Rating	Date	Rating	Rating
Fund Based Facilities	LT	3800.0	CRISIL AA-/Positive		--	14-10-20	CRISIL AA-/Stable	15-07-19	CRISIL AA-/Stable	17-09-18	Withdrawn	CRISIL A+/Stable
			--		--	31-07-20	CRISIL AA-/Stable		--	26-06-18	CRISIL A+/Stable	CRISIL A+/Stable
Non-Fund Based Facilities	ST	200.0	CRISIL A1+		--	14-10-20	CRISIL A1+	15-07-19	CRISIL A1+	17-09-18	Withdrawn	CRISIL A1
			--		--	31-07-20	CRISIL A1+		--	26-06-18	CRISIL A1+	--
Commercial Paper	ST	150.0	CRISIL A1+		--	14-10-20	CRISIL A1+	15-07-19	CRISIL A1+		--	--
			--		--	31-07-20	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	1590	CRISIL AA-/Positive	Cash Credit	1500	CRISIL AA-/Stable
Letter of credit & Bank Guarantee	200	CRISIL A1+	Foreign Currency Term Loan	26.66	CRISIL AA-/Stable
Long Term Loan	973.04	CRISIL AA-/Positive	Letter of credit & Bank Guarantee	200	CRISIL A1+
Proposed Term Loan	1236.96	CRISIL AA-/Positive	Long Term Loan	2265.34	CRISIL AA-/Stable
-	-	-	Proposed Term Loan	8	CRISIL AA-/Stable
Total	4000	-	Total	4000	-

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

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CRISIL Ratings pioneered the concept of credit rating in India in 1987. With a tradition of independence, analytical rigour and innovation, we set 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 33,000 large and mid-scale corporates and financial institutions. We have also instituted several innovations in India in the rating business, including rating municipal bonds, partially guaranteed instruments and infrastructure investment trusts (InvITs).

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For more information, visit www.crisil.com/ratings

About CRISIL Limited

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