TRIDENTGROUP™
Being different is normal

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TRIDENT/CS/2021
September 30, 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 upgraded/ reaffirmed by CRISIL Limited, which is as under:

Bank Loan Facilities:

Total Bank Loan Facilities Rated	**INR 4000 Crore**
Long Term Rating	**CRISIL AA/Stable (Upgraded from CRISIL AA-/Positive)**
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: 2021.09.30 10:55:10 +05'30'

(Ramandeep Kaur)
Company Secretary
ICSI Membership No.: F9160

Encl: as above

30/09/2021 TL/2021/014751

Ratings
CRISIL Ratings Limited (A subsidiary of CRISIL Limited)

Rating Rationale

September 29, 2021 | Mumbai

Trident Limited

Long-term rating upgraded to 'CRISIL AA/Stable' ; short-term rating reaffirmed

Rating Action

Total Bank Loan Facilities Rated	**Rs.4000 Crore**
Long Term Rating	**CRISIL AA/Stable (Upgraded from 'CRISIL AA-/Positive')**
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 upgraded its rating on the long-term bank facilities of Trident Ltd (Trident) to '**CRISIL AA/Stable** from 'CRISIL AA-/Positive'. The rating on the short-term facilities and Commercial Paper has been reaffirmed at 'CRISIL A1+'.

The rating action reflects the expectation of continued healthy business performance and strong financial risk profile of Trident. Business risk profile continues to improve with traction visible in the home textile segments, both in bed sheets and towels, resulting in improved capacity utilisation. The strong upsurge in demand for home textiles is driven by continued higher stay-at-home period and consumers' focus on health and hygiene. Financial risk profile remains strong with robust accruals and phased capital expenditure (capex) plan. The company has reduced its debt from Rs 1952 crore as on March 31, 2020 to Rs 1536 crore as on March 31, 2021 through prepayments from internal accrual, controlled capex as well as non-recourse factoring initiatives.

The capacity utilisations in the cotton yarn segment also reached 97% in the first quarter of fiscal 2022, higher than pre-Covid levels, partially owing to increased captive consumption for production of home textile products as well as strong rebound in the cotton yarn demand and realisations in the industry. Paper segment has also seen ramp up, albeit gradually, with utilisation levels improving to 85% in the first quarter of the current fiscal. In fiscal 2022, the aggregate revenues are expected to grow by over 20%, led by low revenue base of last year, continued traction in home textiles and cotton yarn, recovery in the paper segment, as well as commissioning of planned capacity addition. Furthermore, operating profitability is expected to sustain to over 20%, also supported by implementation of Rebate of State and Central Taxes and levies (RoSCTL) incentives and due to benefit of higher scale.

Company plans to undertake capex of Rs 1400-1500 crore over the medium term which will be funded by debt of around Rs 1000 crore. The repayment obligations for these loans are back ended which will support the overall financial risk profile and liquidity. Net debt/earnings before interest, depreciation, tax and amortisation (EBIDTA) is expected to remain below 1.5 time for fiscal 2022 against 1.4 times in fiscal 2021 and to remain close to 1 time over the medium term. Liquidity profile remains healthy, supported by cash and equivalents of over Rs 200 crore and unutilised bank limits of Rs 1000 crore as on June 2021.

Business profile remains healthy marked by Trident being the second largest player in home textiles and yarn manufacturing segments 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 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.

Analytical Approach

CRISIL Ratings 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 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 20% coming from yarn, 19% from bed linen and 45% from bath linen (terry towels) in fiscal 2021. 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 have improved to 85% and 62%, respectively, in the first quarter of fiscal 2022 from 80% and 53%, respectively, in 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 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 60%. 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 more than 35-40% in the WPP business, among the highest in the industry. The margins in paper segment have been impacted marginally in fiscal 2021 and reduced to 28% owing to suppressed realisation amidst impacted demand, however, are expected to climb back to earlier levels in the current 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 reduced to Rs 1536 crore as on March 31, 2021. 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 improved further to below 1.4 times in 2021 and remain below 1.5 times over the medium term. The capex plan would be implemented in phased manner and debt funding would be done prudently with funding from internal accrual leading to no major increase in debt levels over 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, unutilised bank line of around Rs 1000 crore and cash and equivalents of over Rs 200 crore in June 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) to the US, and has a collection period of 45-60 days. 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 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 800 – 1,000 crore per annum over medium term, against maturing debt of around Rs 50 crore per annum. Liquidity is further aided by cash and equivalents of Rs 210 crore and Rs 1000 crore of drawing power backed unutilised limits as on June 30, 2021. The company has utilised its fund based working capital limits of Rs 1500 crore at ~45% over past six months ending June 2021.

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. Strong cash generation and prudent funding of capex will ensure financial risk profile sustains at healthy levels.

Rating Sensitivity Factors
Upward factors
- Cash accruals of over Rs 1000 crore per annum driven by better capacity utilisation across product segments and sustenance of healthy operating margin
- Improvement in debt protection metrics for instance net debt to EBITDA of below 1 time
- 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 net debt to EBITDA ratio to over 1.7 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, 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 5.9 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.

As on June 30, 2021; 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 3 months of fiscal 2022, the company posted revenue and profit after tax of Rs 1483 crore and Rs 207 crore respectively as against Rs 714 crore and Rs 10 crore in similar period in fiscal 2021.

Key Financial Indicators - CRISIL Ratings Adjusted figures

Particulars	Unit	2021	2020
Revenue	Rs.Crore	4562	4733
Profit After Tax (PAT)	Rs.Crore	304	340
PAT Margin	%	6.7	7.2
Adjusted debt/adjusted networth	Times	0.63	0.92
Interest coverage	Times	9.21	7.80

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. The CRISIL Ratings' complexity levels are available on www.crisil.com/complexity-levels. Users are advised to refer to the CRISIL Ratings' 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/Stable
NA	Letter of Credit & Bank Guarantee	NA	NA	NA	200	NA	CRISIL A1+

NA	Commercial Paper	NA	NA	7-365 days	150	Simple	CRISIL A1+
NA	Long-Term Loan	NA	NA	Dec-28	46	NA	CRISIL AA/Stable
NA	Long-Term Loan	NA	NA	Dec-28	30	NA	CRISIL AA/Stable
NA	Long-Term Loan	NA	NA	Dec-28	81	NA	CRISIL AA/Stable
NA	Long-Term Loan	NA	NA	Dec-28	73	NA	CRISIL AA/Stable
NA	Long-Term Loan	NA	NA	Dec-28	45	NA	CRISIL AA/Stable
NA	Working Capital Demand Loan	NA	NA	NA	150	NA	CRISIL A1+
NA	Proposed Term Loan	NA	NA	NA	1415	NA	CRISIL AA/Stable
NA	Short Term Loan	NA	NA	NA	370	NA	CRISIL A1+

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	Business and financial linkages

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/ST	3800.0	CRISIL A1+ / CRISIL AA/Stable	12-07-21	CRISIL AA-/Positive / CRISIL A1+	14-10-20	CRISIL AA-/Stable	15-07-19	CRISIL AA-/Stable	17-09-18	Withdrawn	CRISIL A+/Stable
			--	26-03-21	CRISIL AA-/Positive	31-07-20	CRISIL AA-/Stable		--	26-06-18	CRISIL A+/Stable	CRISIL A+/Stable
Non-Fund Based Facilities	ST	200.0	CRISIL A1+	12-07-21	CRISIL A1+	14-10-20	CRISIL A1+	15-07-19	CRISIL A1+	17-09-18	Withdrawn	CRISIL A1
			--	26-03-21	CRISIL A1+	31-07-20	CRISIL A1+		--	26-06-18	CRISIL A1+	--
Commercial Paper	ST	150.0	CRISIL A1+	12-07-21	CRISIL A1+	14-10-20	CRISIL A1+	15-07-19	CRISIL A1+		--	--
			--	26-03-21	CRISIL A1+	31-07-20	CRISIL A1+		--		--	--

All amounts are in Rs.Cr.

Annexure - Details of Bank Lenders & Facilities

Facility	Amount (Rs.Crore)	Rating
Cash Credit	**615**	**CRISIL AA/Stable**
Cash Credit	**390**	**CRISIL AA/Stable**
Cash Credit	**100**	**CRISIL AA/Stable**
Cash Credit	**25**	**CRISIL AA/Stable**
Cash Credit	**200**	**CRISIL AA/Stable**
Cash Credit	**80**	**CRISIL AA/Stable**
Cash Credit	**90**	**CRISIL AA/Stable**
Cash Credit	**90**	**CRISIL AA/Stable**
Letter of credit & Bank Guarantee	**52.5**	**CRISIL A1+**
Letter of credit & Bank Guarantee	**67.5**	**CRISIL A1+**
Letter of credit & Bank Guarantee	**35**	**CRISIL A1+**
Letter of credit & Bank Guarantee	**22.5**	**CRISIL A1+**
Letter of credit & Bank Guarantee	**10**	**CRISIL A1+**
Letter of credit & Bank Guarantee	**12.5**	**CRISIL A1+**
Long Term Loan	**73**	**CRISIL AA/Stable**
Long Term Loan	**45**	**CRISIL AA/Stable**
Long Term Loan	**46**	**CRISIL AA/Stable**
Long Term Loan	**81**	**CRISIL AA/Stable**
Long Term Loan	**30**	**CRISIL AA/Stable**

Proposed Term Loan	1415	CRISIL AA/Stable
Short Term Loan	100	CRISIL A1+
Short Term Loan	100	CRISIL A1+
Short Term Loan	170	CRISIL A1+
Working Capital Demand Loan	100	CRISIL A1+
Working Capital Demand Loan	50	CRISIL A1+

Criteria Details

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.crisilratings.com

About CRISIL Limited

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