TRIDENTGROUP™
Being different is normal

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TRIDENT/CS/2017
October 18, 2017

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: Submission of formal rating rationale issued by CARE

In continuation to letter no. TRIDENT/CS/2017 dated October 12, 2017 and pursuant to Regulation 30 and other applicable provisions of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, we are enclosing herewith a copy of the formal rating rationale issued by Credit Analysis & Research Limited (CARE) for **upgrading the credit rating of Trident Limited** to **CARE AA-/Stable** for Long term Bank Facilities and **CARE A1+** for Short term Bank Facilities.

This is for your reference & record please.

Thanking you,

Yours sincerely,

For **Trident Limited**

Deep Kaur

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

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

Encl: As above

Trident Limited

October 12, 2017

Ratings

Facilities	**Amount (Rs. crore)**	**Rating[1]**	**Remarks**
Long term Bank Facilities	1,764.63 (reduced from 2,334.85)	**CARE AA-, Stable (Double A Minus; Outlook: Stable)**	**Revised from CARE A+; Stable (Single A Plus; Outlook: Stable)**
Long term/ Short term Bank Facilities	1,200.00	**CARE AA-; Stable / CARE A1+ (Double A Minus; Outlook: Stable / A One Plus)**	**Revised from CARE A+; Stable / CARE A1 (Single A Plus; Outlook: Stable / A One)**
Short term Bank Facilities	300.00 (reduced from 350.00)	**CARE A1+ (A One Plus)**	**Revised from CARE A1 (A One)**
Total Facilities	**3,264.63 (Rupees Three Thousand Two Hundred Sixty Four crore and Sixty Three Lakhs Only)**		

Details of instruments/facilities in Annexure-1

Detailed Rationale & Key Rating Drivers

The revision in the ratings assigned to the bank facilities of Trident Limited (Trident) factors in the strong financial and operational performance of the company on account of consistent improvement in capacity utilization and improvement in its debt coverage indicators backed by the prepayment of its debt. The ratings continue to factor in the experienced management, established client relationship with approved supplier status for large global retailers, long track record of the operations and diversified revenue stream.

However, these ratings strengths are partially offset by its working capital intensive operations, exposure to foreign exchange fluctuation risk and raw material price volatility and cyclicality associated with the textile industry.

The ability of the company to sustain its profitability in all the business segments, efficiently manage its working-capital requirements, ramping up of the recently completed projects while maintaining the capital structure at envisaged levels would be the key rating sensitivities.

Detailed description of the key rating drivers

Key Rating Strengths

Strong financial performance led by consistent improvement in capacity utilizations:

During FY17, Trident has shown strong business performance in all divisions viz. yarn, terry towel, paper and chemical. The company has achieved total operating income of Rs.4794.95 crore in FY17 vis-à-vis Rs.3816.70 crore in FY16, thereby witnessing a growth of around 26% over previous year (*y-o-y*). The PBILDT in FY17 stood at Rs.996.91 crore registering a growth of 26% over FY16, however, the PBILDT margins remains stable at 20.79% in FY17 vis-à-vis 20.76% in FY16. The company has achieved healthy gross cash accruals (GCA) of Rs.758.33 crore in FY17 (Rs.559.30 crore in FY16).

The company has completed its major operational capex and is now primarily focusing towards increasing its operational capacity utilizations. The company doesn't have any fresh capex plans in the medium term and is operating at optimal

[1]*Complete definitions of the ratings assigned are available at www.careratings.com and in other CARE publications.*

utilization levels in yarn (*88% capacity utilization in FY17*) and paper (*89% capacity utilization in FY17*) while for bath linen (*towel manufacturing; 63% capacity utilization in FY17*) and bed linen (*36% capacity utilization in FY17*) the capacity utilizations are improving, however they still continue to be moderate. The company is now focusing majorly on marketing and has developed a strong marketing team while establishing its offices in America, Europe and other major export destinations to ensure that the new capacities which have been added in the past 2 years are optimally utlized.

Strengthening of credit profile:

During FY17, Trident repaid Rs.531 crore of term loans as against the scheduled repayment obligation of Rs.362 crore leading to improvement in capital structure and debt coverage indicators. With the substantial prepayment of debt along with improvement in net worth, the overall gearing position of the company has improved to 1.48x as on March 31, 2017 vis-à-vis 2.29x as on March 31, 2016. Also, led by strong operational performance in FY17, the debt coverage indicators of the company have improved with total debt to GCA of 3.76x in FY17 vis-à-vis 6.63x in FY16 as well as PBILDT interest coverage ratio improving to 6.69x in FY17 vis-à-vis 4.49x in FY16. With the prepayments continuing in Q1FY18, the overall gearing has further improved to 1.37x as on June 30, 2017. As per the management, the company is not planning any major debt funded capex planned in the medium term and therefore the capital structure of the company is expected to improve further. The company is also in the process of coming up with a QIP issue of upto Rs.500 crore which will further support the credit profile of the company.

Experienced promoters and management team:

Trident is promoted by Mr Rajinder Gupta who is the founder and Non - Executive Co-chairman of the Board. The BoD includes Ms Pallavi Shroff (partner in Amarchand & Mangaldas & Suresh A Shroff & Co) and Mr Rajiv Dewan (Chartered Accountant). The operations of the company are managed by well qualified and experienced senior management team.

Diversified and integrated operations:

Trident has well-diversified operations which can be classified into two divisions, viz, textiles division and Paper, Chemical and Energy division. In FY17 (refer to the period April 01 to March 31), the company derived approximately 82% of the sales from textiles comprising of cotton yarn, terry towel and bed sheet manufacturing. Trident is the market leader in the towel segment in India, and accounts for a significant part (32%) of Indian towel exports to the US. Furthermore, approximately 18% of the gross sales in FY17 is contributed from paper, chemical and energy segment.

The diversified revenue stream along with consistent growth in the various divisions reduces the dependence of the company on a single product line. Furthermore, the company has integrated operations in the textile segment comprising spinning, weaving and processing. The integration across value chain and its large manufacturing scale increases Trident's ability to provide quality products at competitive rates to the clients.

Established relationship with the large global retail and institutional brands:

Trident has developed strong relationships with clients and supplies products on program basis to its key clients. The company has a strong client list comprising global retail and institutional brands. Further, under the paper segment also, Trident has presence in 54 countries across the world. Trident derives 55% of the operating income through exports majorly derived from textiles segment; however, paper segment is majorly pertains to domestic market with Trident's copier paper being one of the major selling brands in the country.

Key Rating Weaknesses

Working capital intensive operations and raw material price volatility:

Owing to the continuous growth in operations and stocking of the raw material (cotton) during its availability season, Trident has working-capital intensive operations with the large inventory requirements leading to higher working capital requirements. The company is, however exploring various options for its working capital management including raising of low cost debt to replace its high cost borrowings.

Foreign exchange fluctuation risk:

Trident's high proportion of income comes through exports thus exposing the company to high foreign exchange fluctuation risk. Since the company does not enjoy a natural hedge as its purchases are mostly indigenous, the company uses forwards for hedging its foreign currency transactions.

Cyclical and fragmented industry:

Trident operates in a cyclical and fragmented textile yarn industry marked by organised as well as unorganised players which limits the pricing abilities of the players in the industry. However, the risk is partly mitigated with Trident's diversified operations.

Analytical approach: Standalone

Applicable Criteria

CARE's Criteria on assigning Outlook to Credit Ratings
CARE's Policy on Default Recognition
CARE's Methodology for Short-term Instruments
CARE's Methodology for manufacturing companies
CARE's Methodology for cotton yarn
Financial Ratios – Non Financial Sector

About the Company

Incorporated in 1990, Trident is the flagship company of the 'Trident Group'. Trident's activities can be classified into two segments, viz Textiles having Yarn Division, Terry Towel Division and Bed Sheet division while the other segment includes Paper, Chemical & Energy Division. Trident is one of the largest manufacturers of terry towels in the world. The company has its manufacturing facilities located at Barnala (Punjab) and Budni (Madhya Pradesh). As on March 31, 2017, the combined installed capacity of the company includes 555,600 spindles, 6464 rotors, 688 looms for terry towel, 500 looms for bed sheet, 175,000 TPA of paper and 100,000 TPA of sulphuric acid and a captive power plant of 50 MW.

Brief Financials (Rs. crore)	FY16 (A)	FY17 (A)
Total operating income	3816.70	4794.95
PBILDT	792.26	996.91
PAT	248.23	331.67
Overall gearing (times)	2.29	1.48
Interest coverage (times)	4.49	6.69

A: Audited

Status of non-cooperation with previous CRA: Not Applicable
Any other information: Not Applicable
Rating History (Last three years): Please refer Annexure-2

Note on complexity levels of the rated instrument: *CARE has classified instruments rated by it on the basis of complexity. This classification is available at www.careratings.com. Investors/market intermediaries/regulators or others are welcome to write to care@careratings.com for any clarifications.*

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****For detailed Rationale Report and subscription information, please contact us at www.careratings.com**

About CARE Ratings:

CARE Ratings commenced operations in April 1993 and over two decades, it has established itself as one of the leading credit rating agencies in India. CARE is registered with the Securities and Exchange Board of India (SEBI) and also recognized as an External Credit Assessment Institution (ECAI) by the Reserve Bank of India (RBI). CARE Ratings is proud of its rightful place in the Indian capital market built around investor confidence. CARE Ratings provides the entire spectrum of credit rating that helps the corporates to raise capital for their various requirements and assists the investors to form an informed investment decision based on the credit risk and their own risk-return expectations. Our rating and grading service offerings leverage our domain and analytical expertise backed by the methodologies congruent with the international best practices.

Disclaimer

CARE's ratings are opinions on credit quality and are not recommendations to sanction, renew, disburse or recall the concerned bank facilities or to buy, sell or hold any security. CARE has based its ratings/outlooks on information obtained from sources believed by it to be accurate and reliable. CARE does not, however, guarantee the accuracy, adequacy or completeness of any information and is not responsible for any errors or omissions or for the results obtained from the use of such information. Most entities whose bank facilities/instruments are rated by CARE have paid a credit rating fee, based on the amount and type of bank facilities/instruments.

In case of partnership/proprietary concerns, the rating /outlook assigned by CARE is based on the capital deployed by the partners/proprietor and the financial strength of the firm at present. The rating/outlook may undergo change in case of withdrawal of capital or the unsecured loans brought in by the partners/proprietor in addition to the financial performance and other relevant factors.

Annexure-1: Details of Instruments/Facilities

Name of the Instrument	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. crore)	Rating assigned along with Rating Outlook
Term Loan-Long Term	-	-	December 2024	1764.63	CARE AA-; Stable
Non-fund-based - ST-BG/LC	-	-	-	300.00	CARE A1+
Fund-based - LT/ ST-CC/PC/Bill Discounting	-	-	-	1200.00	CARE AA-; Stable / CARE A1+

Annexure-2: Rating History of last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating history			
		Type	Amount Outstanding (Rs. crore)	Rating	Date(s) & Rating(s) assigned in 2017-2018	Date(s) & Rating(s) assigned in 2016-2017	Date(s) & Rating(s) assigned in 2015-2016	Date(s) & Rating(s) assigned in 2014-2015
1.	Term Loan-Long Term	LT	1764.63	CARE AA-; Stable	-	1)CARE A+; Stable (03-Mar-17) 2)CARE A (12-Oct-16)	1)CARE A- (21-Oct-15)	1)CARE A- (22-Aug-14)
2.	Non-fund-based - ST-BG/LC	ST	300.00	CARE A1+	-	1)CARE A1 (03-Mar-17) 2)CARE A1 (12-Oct-16)	1)CARE A2+ (21-Oct-15)	1)CARE A2+ (22-Aug-14)
3.	Fund-based - LT/ ST-CC/PC/Bill Discounting	LT/ST	1200.00	CARE AA-; Stable / CARE A1+	-	1)CARE A+; Stable / CARE A1 (03-Mar-17) 2)CARE A / CARE A1 (12-Oct-16)	1)CARE A- / CARE A2+ (21-Oct-15)	1)CARE A- / CARE A2+ (22-Aug-14)

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