Trident Limited

March 03, 2017

Ratings

Facilities	Amount (Rs. crore)	Rating[1]	Rating Action
Long-term Bank Facilities	2,334.85	**CARE A+; Stable (Single A Plus; Outlook: Stable)**	Revised from CARE A (Single A)
Short-term Bank Facilities	1,200.00	**CARE A+; Stable/ CARE A1 (Single A Plus; Outlook: Stable/ A One)**	Revised from CARE A/ CARE A1 (Single A/ A One)
Long-term/Short-term Bank Facilities	350.00	**CARE A1 (A One)**	Reaffirmed
Total Facilities	**3,884.85 (Rupees Three Thousand Eight Hundred Eighty Four crore and Eighty Five 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 performance of the company on account of consistent improvement in its asset utilization and improvement in its debt coverage indicators backed by the prepayment of its non TUFS 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, raw material price volatility, moderate solvency position on account of recent debt-funded capex 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 asset utilizations: Trident has completed the debt-funded manufacturing facility expansion in FY16 for the home textiles division and currently focus is on enhancing the operational capacity utilizations of the manufacturing facilities. The company has strengthened its core marketing team which has resulted in consistent improvement in operational capacity utilization in towel manufacturing facility while the yarn manufacturing and paper manufacturing facilities are operating at optimal utilization levels. Also, the company has achieved satisfactory offtake for the bed sheet manufacturing facility. During 9MFY17, Trident has shown strong business performance in all divisions viz. yarn, terry towel, paper and chemical. The company has achieved total income of Rs.3,511.77 crore in 9MFY17 vis-à-vis Rs.2,770.76 crore in 9MFY16, thereby witnessing a growth of 27% over previous year (*9m-o-9m*). The PBILDT margins remains stable at 20.72% in 9MFY17 vis-à-vis 20.21% in 9MFY16. During FY16, Trident's income from operations has declined marginally from Rs.3,812.98 crore in FY15 to Rs.3,793.48 crore in FY16 mainly on account of fall of cotton prices as well as increased captive yarn consumption. Trident consumes more than 30% of cotton yarn internally. However, the PBILDT margins have improved to 19.51% in FY16 vis-à-vis 17.98% in FY15 on account of increasing proportion of value added products in home textiles and paper segment.

Strengthening of credit profile: During 9MFY17, the company's capital structure has improved led by healthy cash flows utilized for the repayment of debt while achieving strong liquidity to support any cash flow mismatches. The overall gearing has improved to 1.67x as on December 31, 2016 vis-à-vis 2.21x as on March 31, 2016. Furthermore, during the same period, led by healthy cash accruals and repayments of debt, the debt coverage indicators have improved with annualized total debt/ GCA of 3.85x in 9MFY17 vis-à-vis 5.91x in FY16.

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

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 FY16 (refer to the period April 01 to March 31), the company derived approximately 78% of the sales from textiles comprising of cotton yarn, terry towel and bed sheet manufacturing. Furthermore, approximately 22% of the gross sales in FY16 is contributed from paper, chemical and energy segment.

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 60 countries across the world; however, majority of the revenue comes from the 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.

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 Factoring Linkages in Ratings
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 September 30, 2016, the combined installed capacity of the company includes 555,964 spindles, 5,504 rotors, 688 looms for terry towel, 500 looms for bed sheet, 6,825 TPA of yarn processing, 175,000 TPA of paper and 100,000 TPA of sulphuric acid and a captive power plant of 50 MW.

During FY16 (refer to the period April 01 to March 31), Trident earned a PAT of Rs.228.45 crore on a total operating income of Rs.3,793.48 crore as compared with PAT of Rs.117.82 crore on a total operating income of Rs.3,810.18 crore in FY15. In 9MFY17 (refer to the period April 01 to December 31), Trident earned a PAT of Rs.239.85 crore on a total income of Rs.3,511.77 crore as against PAT of Rs.178.34 crore on total income of Rs.2,770.76 crore in 9MFY16.

Status of non-cooperation with previous CRA: Not Applicable

Any other information: Not Applicable

Rating History for 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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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.

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
Fund-based - LT-Foreign Currency Non Resident Bank Loan	-	-	April 2026	213.57	CARE A+; Stable
Non-fund-based - ST-BG/LC	-	-	-	350.00	CARE A1
Fund-based - LT/ ST-CC/PC/Bill Discounting	-	-	-	1200.00	CARE A+; Stable / CARE A1
Term Loan-Long Term	-	-	April 2026	2121.28	CARE A+; Stable

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 2016-2017	Date(s) & Rating(s) assigned in 2015-2016	Date(s) & Rating(s) assigned in 2014-2015	Date(s) & Rating(s) assigned in 2013-2014
1.	Fund-based - LT-Foreign Currency Non Resident Bank Loan	LT	213.57	CARE A+; Stable	1)CARE A (12-Oct-16)	1)CARE A- (21-Oct-15)	1)CARE A- (22-Aug-14)	1)CARE BBB+ (Under Credit Watch) (29-Oct-13) 2)CARE BBB+ (13-Sep-13)
2.	Non-fund-based - ST-BG/LC	ST	350.00	CARE A1	1)CARE A1 (12-Oct-16)	1)CARE A2+ (21-Oct-15)	1)CARE A2+ (22-Aug-14)	1)CARE A2 (Under Credit Watch) (29-Oct-13) 2)CARE A2 (13-Sep-13)
3.	Fund-based - LT/ ST-CC/PC/Bill Discounting	LT/ST	1200.00	CARE A+; Stable / CARE A1	1)CARE A / CARE A1 (12-Oct-16)	1)CARE A- / CARE A2+ (21-Oct-15)	1)CARE A- / CARE A2+ (22-Aug-14)	1)CARE BBB+ / CARE A2 (Under Credit Watch)

								(29-Oct-13) 2)CARE BBB+ / CARE A2 (13-Sep-13)
4.	Fund-based - ST-Working Capital Demand loan	-	-	-	-	-	-	1)CARE A2 (Under Credit Watch) (29-Oct-13) 2)CARE A2 (13-Sep-13)
5.	Term Loan-Long Term	LT	2121.28	CARE A+; Stable	1)CARE A (12-Oct-16)	1)CARE A- (21-Oct-15)	1)CARE A- (22-Aug-14)	1)CARE BBB+ (Under Credit Watch) (29-Oct-13) 2)CARE BBB+ (13-Sep-13)

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