TGV SRAAC LIMITED

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http://www.tgvgroup.com **CIN : L24110AP1981PLC003077**

REF:TGVSL:SECL:BSE:2024-25: January 07, 2025

M/s. BSE Limited
Phirioze Jeejeebhoy Towers
25th Floor, Dalal Street
Mumbai - 400 001

Kind Attn : DCS - CRD

Dear Sir / Madam,

Sub : Renewal of Credit Rating of the Company by M/s. CARE Ratings Ltd. - Reg.
Ref : Regulation 30 of SEBI (LODR) Regulations, 2015 - Scrip Code : 507753

% % %

It is submitted that CARE Ratings Limited (Credit Rating Agency) during their review has renewed the same/existing rating of the company through their Press Release dtd. 06.01.2025 (copy enclosed) as under.

S. No	Facilities	Amount (Rs.in Crore)	Existing Rating	Renewed Rating
01	Long Term Bank Facilities	111.96 (Reduced from 127.29)	CARE A; Stable (Single A; Outlook : Stable)	CARE A; Stable (Single A; Outlook : Stable) Reaffirmed
02	Long- Term / Short Term Bank Facilities	382.18 (Enhanced from 283.80)	CARE A; Stable / CARE A1 (Single A; Outlook : Stable / A One)	CARE A; Stable / CARE A1 (Single A; Outlook : Stable / A One) Reaffirmed
03	Short Term Bank Facilities	5.21 (Reduced from 13.45)	CARE A1	CARE A1 Reaffirmed

Further, in compliance of Regulation 46 (2) of SEBI (LODR) Regulations, 2015 the information is being hosted on the Company's website www.tgvgroup.com

Kindly take the above on record.

Thanking You

Yours faithfully
For **TGV SRAAC LIMITED**

Vemula Radha Krishna Murthy
Digitally signed by Vemula Radha Krishna Murthy
Date: 2025.01.07 16:07:36 +05'30'

(V. Radhakrishna Murthy)
CGM & Company Secretary

Encl : As Above

TGV SRAAC Limited

January 06, 2025

Facilities/Instruments	Amount (₹ crore)	Rating[1]	Rating Action
Long-term bank facilities	111.96 (Reduced from 127.29)	CARE A; Stable	Reaffirmed
Long-term / Short-term bank facilities	382.18 (Enhanced from 283.80)	CARE A; Stable / CARE A1	Reaffirmed
Short-term bank facilities	5.21 (Reduced from 13.45)	CARE A1	Reaffirmed

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

The ratings assigned to the bank facilities of TGV SRAAC Limited (TGV SRAAC) continue to derive strength from its experienced promoters, its integrated manufacturing plant with proven track record in manufacturing chlor-alkali products, the captive power arrangement leading to relatively better control over its power cost, its established relationships with key clients and suppliers, diversified end-user industries, and the synergies derived from group companies. The ratings also factor in its comfortable capital structure and strong debt coverage indicators despite moderation in FY24 (FY refers to the period from April 1 to March 31).
The ratings are, however, constrained by significant decline in its scale of operations and profitability due to cyclical downturn in caustic soda industry during FY24 despite partial recovery observed in H1FY25, susceptibility to volatility in the prices of its raw materials and the exposure to stringent pollution control and fire safety norms.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors

- Scale of operations marked by TOI of more than Rs. 2000 crore with PBILDT margins of more than 20% on a sustained basis
- Total debt/ PBILDT at less than 1 time on sustained basis
- Ability to significantly reduce its power & fuel cost, which is one of the major cost components by timely expanding its renewable power capacity

Negative factors

- PBILDT margin remaining below 15% on a sustained basis
- Heavy dumping of caustic soda products significantly impacting its ECU realizations
- Any tightening of prevailing pollution control/ environmental norms and/or regulatory ban on production & sales of certain major products thereby significantly impacting its business and profitability
- Total debt/ PBILDT remaining above 2 times on a sustained basis

Analytical approach: Standalone

Outlook: Stable

The 'Stable' outlook assigned to the long-term rating of TGV SRAAC factors steady operating performance with comfortable capital structure of the company and expectation of sustenance of its improved performance of H1FY25.

Detailed description of key rating drivers:

Key strengths

Integrated operations and improving operational performance

The operations of SRAAC are highly integrated, with the by-product of one process being used as a raw material for another product, enabling the company to optimally utilise its production capacity. This also protects the company from the effects of cyclicality in the demand for certain of its products to some extent, given a diversified product basket. The operational performance of the company continued to remain healthy marked by high capacity utilisation for its key products during FY24. However, its revenue and profitability were affected during FY24 by a significant decline in Electro Chemical Unit (ECU) realizations, driven by global demand-supply dynamics.

Comfortable capital structure and debt coverage indicators

[1]Complete definition of ratings assigned are available at www.careedge.in and other CARE Ratings Limited's publications.

The company's total debt increased marginally in FY24 to support the chloromethane expansion project leading to some moderation in its overall gearing from 0.22x as on March 31, 2023, to 0.29x as on March 31, 2024. Its debt coverage indicators marked by total debt / PBILDT however moderated significantly from 0.43x in FY23 to 2.38x in FY24 mainly due to significant decline in its PBILDT in FY24. However, with improved ECU realisations in H1FY25, its total debt/PBILDT is expected to remain comfortable at below 2x by end FY25. Its capex plans are moderate and even after partial funding of the same by debt, its capital structure and debt coverage indicators are expected to remain comfortable in the near to medium term.

Better control over power cost
The caustic soda industry is highly power intensive, whereby power cost constitutes ~50% of the production cost. TGV SRAAC has access to diversified pool to meet its total power requirement. The average cost of power to the company in FY24 declined to ₹6.69 per kilowatt hour (kWh) against ₹6.93 per kWh in FY23 due to an increase in the contribution from solar power, power sourcing under open access arrangement, and increase in contribution of power from Andhra Pradesh Southern Power Distribution Company Limited (APSPDCL). Also, it has plan to further expand its solar power capacity, which is likely to augur well for its long-term prospects.

Established relationships with key clients and benefits of diversified end-user industry application
The company has a long and established manufacturing track record of almost four decades in manufacturing chemicals. Over the years, TGV SRAAC has established long-term relationships with over 200 clients. The products of the company have varied application across a diverse range of industries, including textile, pulp and paper, alumina, soaps and detergents, petroleum, fertilisers, pharmaceuticals, agrochemicals, and water treatment, among others. Internally, caustic soda is used for castor oil preparation, soap noodles, and chloromethane operations. Moreover, TGV SRAAC also benefits from the synergies brought ~by the presence of group companies in related businesses, wherein, it procures certain raw materials from its group entities and sells some of its finished products to group concerns.

Experienced promoters
TGV SRAAC is the flagship company of the group, promoted by TG Venkatesh, a commerce graduate with a background in both industry and politics. He founded the TGV group and successfully diversified its operations, expanding from manufacturing industrial chemicals to other sectors such as healthcare products, aquaculture, real estate, pharmaceuticals, and hospitality.

Liquidity: Adequate
The liquidity position of the company is adequate, marked by sufficient cash accruals against its repayment obligations and current ratio of 1.06x as on March 31, 2024. The operating cycle of the company remained comfortable at 38 days in FY24. The average utilisation of the fund-based working capital limits and non-fund-based limits remained moderate at 82% and 79%, respectively, for the last 12 months ended September 30, 2024. The liquidity of the company is also supported by positive cash flows from operations on a sustained basis.

Key weaknesses

Significant decline in its scale of operations and profitability during FY24, however partial recovery seen in H1FY25
The caustic soda industry is inherently cyclical. The industry witnessed a cyclical downturn in FY24 post high ECU realisation till FY23. Compared to average ECU realisation of ₹55,000-₹60,000 /MT in FY23, it declined to ₹35,000/MT by end-FY24 which significantly impacted TOI and PBILDT margin of the company in FY24. PBILDT margin declined from 23.20% in FY23 to 8.69% in FY24. However, there was partial recovery in ECU realisation in H1FY25 leading to improvement in PBILDT margin to 14.24% in H1FY25.

Exposure to raw material price volatility and foreign currency fluctuation risk
The company's main raw materials, such as potassium chloride, palm fatty acids, related oils, and castor oil, make up 25–35% of production costs and are prone to price fluctuations, affecting profitability. In FY24, the company imported raw materials and capital goods worth ₹247.31 crore and exported goods worth ₹72.90 crore, offering partial natural hedging. Additionally, the lag between changes in raw material prices and the resetting of finished goods prices impacts the company's profitability.

Stringent pollution control and fire safety norms
Being part of the chemical industry, the company's operations are subject to stringent environmental regulations. Additionally, pollution and fire safety norms in India are evolving continuously. As a result, strict compliance with these regulations is mandatory for seamless operations. The company actively takes measures to ensure adherence to these norms. To reduce its carbon footprint, it is gradually expanding its renewable energy portfolio.

Environment, Social and Governance (ESG) risks:

Risk Factors	Actions taken by the company
Environmental	• The manufacturing plant of the company is in compliance with the defined pollution control norms and has all the requisite approvals in place. • The company was awarded the ISO 9002, 14001 certification by the renowned institution, Det norske veritas (DNV). It implies that the company is adhering to standard procedures to ensure pollution control, balance, and the implementation of safety-related aspects. • In order to reduce its carbon footprint, the company is gradually expanding its renewable energy portfolio by increasing its solar power capacity.
Social	• The company's industrial relations continue to be harmonious and cordial. The company ensures coverage of 100% of its permanent employees with health and accident insurance. • Notably, 97 training programmes on occupational health, safety, and skill development were organised for all categories of employees. • As against the CSR obligation of ₹3.00 crore for FY24, the company incurred actual expenses of ₹5.52 crore.
Governance	• The company is managed by a professional board of directors who have extensive experience in industry. The board comprises six directors. There is 50% representation of women in board. The independent directors are more than 50% of the total number of directors. • There is an audit committee, nomination and remuneration committee, stakeholder relationship committee, and risk management committee in place.

Applicable criteria

Definition of Default
Liquidity Analysis of Non-financial sector entities
Rating Outlook and Rating Watch
Manufacturing Companies
Financial Ratios – Non financial Sector
Short Term Instruments

About the company and industry

Industry classification

Macroeconomic indicator	Sector	Industry	Basic industry
Commodities	Chemicals	Chemicals & petrochemicals	Commodity chemicals

Incorporated on July 24, 1981, TGV SRAAC is a part of the TGV Group of Industries, promoted by TG Venkatesh. The company is primarily engaged in manufacturing chemicals such as caustic soda, caustic potash, sodium hypochlorite, chlorine, hydrochloric acid, hydrogen gas, and chloromethane products, among others. Additionally, TGV SRAAC produces castor oil derivatives, fatty acids, and consumer products, including toilet soaps. The company is also involved in power generation. Its manufacturing plant is certified under ISO 9002, ISO 14001, and OHSAS 18001 standards.

Brief Financials (₹ crore)	FY23 (A)	FY24 (A)	H1FY25 (UA)
Total operating income	2,325.73	1,545.96	812.26
PBILDT	539.45	134.39	115.70
PAT	361.62	61.76	46.61
Overall gearing (times)	0.22	0.29	0.31
Interest coverage (times)	17.75	5.31	10.85

A: Audited, UA: Unaudited; Note: these are latest available financial results

Status of non-cooperation with previous CRA: Not applicable

Any other information: Not applicable

Rating history for last three years: Annexure-2

Detailed explanation of covenants of rated instrument / facility: Annexure-3

Complexity level of instruments rated: Annexure-4

Lender details: Annexure-5

Annexure-1: Details of instruments/facilities

Name of the Instrument	ISIN	Date of Issuance (DD-MM-YYYY)	Coupon Rate (%)	Maturity Date (DD-MM-YYYY)	Size of the Issue (₹ crore)	Rating Assigned and Rating Outlook
Fund-based - LT-Cash credit		-	-	-	50.15	CARE A; Stable
Fund-based - LT-Term loan		-	-	31/03/2027	61.81	CARE A; Stable
Fund-based - ST-Bill discounting/ Bills purchasing		-	-	-	4.41	CARE A1
Fund-based - ST-FBN / FBP		-	-	-	0.80	CARE A1
Non-fund-based - LT/ ST-Bank guarantee		-	-	-	14.05	CARE A; Stable / CARE A1
Non-fund-based - LT/ ST-Letter of credit		-	-	-	368.13	CARE A; Stable / CARE A1

CareEdge RATINGS

Annexure-2: Rating history for last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating History			
		Type	Amount Outstanding (₹ crore)	Rating	Date(s) and Rating(s) assigned in 2024-2025	Date(s) and Rating(s) assigned in 2023-2024	Date(s) and Rating(s) assigned in 2022-2023	Date(s) and Rating(s) assigned in 2021-2022
1	Fund-based - LT-Term loan	LT	61.81	CARE A; Stable	-	1)CARE A; Stable (18-Dec-23) 2)CARE A; Stable (03-Oct-23)	1)CARE A; Positive (06-Oct-22)	1)CARE A-; Stable (31-Dec-21)
2	Fund-based - LT-Working capital demand loan	LT	-	-	-	1)Withdrawn (03-Oct-23)	1)CARE A; Positive (06-Oct-22)	1)CARE A-; Stable (31-Dec-21)
3	Fund-based - LT-Cash credit	LT	50.15	CARE A; Stable	-	1)CARE A; Stable (18-Dec-23) 2)CARE A; Stable (03-Oct-23)	1)CARE A; Positive (06-Oct-22)	1)CARE A-; Stable (31-Dec-21)
4	Fund-based - ST-Bill discounting/ Bills purchasing	ST	4.41	CARE A1	-	1)CARE A1 (18-Dec-23) 2)CARE A1 (03-Oct-23)	1)CARE A1 (06-Oct-22)	1)CARE A2+ (31-Dec-21)
5	Fund-based - ST-FBN / FBP	ST	0.80	CARE A1	-	1)CARE A1 (18-Dec-23) 2)CARE A1 (03-Oct-23)	1)CARE A1 (06-Oct-22)	1)CARE A2+ (31-Dec-21)
6	Non-fund-based - LT/ ST-Letter of credit	LT/ST	368.13	CARE A; Stable / CARE A1	-	1)CARE A; Stable / CARE A1 (18-Dec-23) 2)CARE A; Stable / CARE A1 (03-Oct-23)	1)CARE A; Positive / CARE A1 (06-Oct-22)	1)CARE A-; Stable / CARE A2+ (31-Dec-21)
7	Non-fund-based - LT/ ST-Bank guarantee	LT/ST	14.05	CARE A; Stable / CARE A1	-	1)CARE A; Stable / CARE A1 (18-Dec-23) 2)CARE A; Stable / CARE A1 (03-Oct-23)	1)CARE A; Positive / CARE A1 (06-Oct-22)	1)CARE A-; Stable / CARE A2+ (31-Dec-21)

LT: Long term; ST: Short term; LT/ST: Long term/Short term

Annexure-3: Detailed explanation of covenants of rated instruments/facilities: Not applicable

Annexure-4: Complexity level of instruments rated

Sr. No.	Name of the Instrument	Complexity Level
1	Fund-based - LT-Cash credit	Simple
2	Fund-based - LT-Term loan	Simple
3	Fund-based - ST-Bill discounting/ Bills purchasing	Simple
4	Fund-based - ST-FBN / FBP	Simple
5	Non-fund-based - LT/ ST-Bank guarantee	Simple
6	Non-fund-based - LT/ ST-Letter of credit	Simple

Annexure-5: Lender details

To view the lender wise details of bank facilities please click here

Note on complexity levels of rated instruments: CARE Ratings has classified instruments rated by it based on complexity. Investors/market intermediaries/regulators or others are welcome to write to care@careedge.in for clarifications.

Contact us

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About us:
Established in 1993, CARE Ratings is one of the leading credit rating agencies in India. Registered under the Securities and Exchange Board of India, it has been acknowledged as an External Credit Assessment Institution by the RBI. With an equitable position in the Indian capital market, CARE Ratings provides a wide array of credit rating services that help corporates raise capital and enable investors to make informed decisions. With an established track record of rating companies over almost three decades, CARE Ratings follows a robust and transparent rating process that leverages its domain and analytical expertise, backed by the methodologies congruent with the international best practices. CARE Ratings has played a pivotal role in developing bank debt and capital market instruments, including commercial papers, corporate bonds and debentures, and structured credit.

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