

## Trivatinath Sugars & Chemicals Private Limited

July 31, 2024

Facilities/Instruments	Amount (₹ crore)	Rating <sup>1</sup>	Rating Action
Long Term Bank Facilities	77.68	CARE BB-; Stable	Assigned
Long Term / Short Term Bank Facilities	2.32	CARE BB-; Stable / CARE A4	Assigned

Details of instruments/facilities in Annexure-1.

### Rationale and key rating drivers

The ratings assigned to the bank facilities of Trivatinath Sugars and Chemicals Private Limited (TSCPL) are constrained on account of project implementation and stabilization risk, inexperience of promoters in the sugar industry, and cyclical and regulated nature of sugar industry. However, these rating weaknesses are partially offset by locational advantage of the plant in terms of availability of raw material, favourable industry prospect and advance stage of funding tie-up with around 90% of total equity already infused and term loan sanctioned.

### Rating sensitivities: Factors likely to lead to rating actions

#### Positive factors

- Timely commencement of operations and stabilization of project along with achievement of envisaged revenue and profitability

#### Negative factors

- Any higher-than-expected debt funded capex resulting in deterioration in overall financial risk profile of the company.
- Any delay in commencement of operations or lower than envisaged revenue and profitability
- Adverse regulatory changes having significant impact on the operations/ financials.

### Analytical approach: Standalone

#### Outlook: Stable

Stable outlook reflects CARE's expectation of timely completion of the project within the envisaged cost.

### Detailed description of the key rating drivers:

#### Key weaknesses

#### Project Implementation and Stabilization Risk

The company is setting-up a sugar manufacturing plant with an installed capacity of 2,000 TCD (tons of cane per day) in Bahadur Ganj, Bareilly, Uttar Pradesh. The total cost of the project is envisaged at Rs 80.95 crores which would be funded through term loan of Rs.54.00 crores (sanctioned), equity infusion of Rs.18.00 crore from promoters, and remaining through unsecured loans from promoters. The scheduled date of commencement of operation is in October, 2024. The project is in the advance stage of completion and the ability of the company to complete the project without any cost or time overrun with timely infusion of funds will remain critical.

#### Cyclical nature of the sugar business

The industry is cyclical in nature on account of variations in the sugarcane production in the country. The farmers reduce the area under cultivation for sugarcane in the country on delays in sugarcane payments to the farmers by the mill owners. The reduction in area results in lower sugarcane availability thus driving the sugar prices to higher levels. The farmers increase the area under sugarcane cultivation on expectation of higher sugar prices.

<sup>1</sup>Complete definition of the ratings assigned are available at [www.careedge.in](http://www.careedge.in) and other CARE Ratings Ltd.'s publications

### Regulated nature of sugar business

The industry is cyclical by nature and is vulnerable to the government policies for various reasons like its importance in the Wholesale Price Index (WPI) as it is classified as an essential commodity. The government on its part resorts to various regulations like fixing the raw material prices in the form of State Advised Prices (SAP) and Fair & Remunerative Prices (FRP). All these factors impact the cultivation patterns of sugarcane in the country and thus affect the profitability of the sugar companies.

### Inexperience of promoters in the Sugar Industry

The promoters though having intensive experience of 15+ years have no experience in the sugar industry as they were earlier associated with manufacturing and trading of plywood. The experience though does provide the necessary entrepreneurial experience but will be critical to provide the visibility and market accessibility enabling early stabilization of the operations.

### Key strengths

#### Favourable Location of the Plant:

The plant is located in Bahadur ganj, Bareilly, and the area has high productivity in the sugarcane growing, so there would be large amount of availability of raw material at reasonable price. Of the total production of sugar around the area, only 12% to 17% from will be required for the proposed project.

#### Advance stage of execution of project with funding tied-up

TSCPL is in the advance stage of execution of project with funding already tied up. Of the Rs 18 crores of proposed equity infusion, Rs 16.20 crores has been infused in the project and Rs 66 lac of unsecured loan has also been received as on July 23, 2024. Also, of the term loan sanctioned amount of Rs 54 crores, Rs 10.50 crores has been disbursed in the project as on July 23, 2024. Also, all the required clearances have been done at the company's end and the company expect to begin its operations in October 2024.

#### Liquidity: Adequate

TSCPL liquidity profile is supported by the adequate equity infusion of ~Rs 18 crores by the promoters and ~Rs 8.95 crores in the form of unsecured loans. Further, the debt has been tied-up for both phases for term loan of Rs. 54 crores. The liquidity profile will be driven by resourceful promoters and commissioning of the project as per the scheduled time and the company's ability to successfully ramp up its operations. Also, the company has nil repayment obligations in FY25 against projected gross cash accruals of Rs 8.43 crores.

#### Assumptions/Covenants: NA

#### Environment, social, and governance risks: NA

### Applicable criteria

[Definition of Default](#)  
[Liquidity Analysis of Non-financial sector entities](#)  
[Rating Outlook and Rating Watch](#)  
[Manufacturing Companies](#)  
[Sugar](#)  
[Financial Ratios – Non financial Sector](#)  
[Project stage companies](#)  
[Short Term Instruments](#)

### About the company and industry

#### Industry classification

Macro-Economic Indicator	Sector	Industry	Basic Industry
Fast Moving Consumer Goods	Fast Moving Consumer Goods	Agricultural Food & other Products	Sugar

TSCPL was incorporated on April 17,2023, to set up a greenfield plant for production of sugar with a capacity of 2,000 TCD. The total projected cost of setting up the plant is estimated at Rs 80.95 Cr and the commencement of operations are expected by October, 2024.The company is promoted by experienced individuals, who have 15+ years of experience in the trading and manufacturing business. The promoters also have extensive entrepreneurship experience and currently hold many companies under their umbrella.

**Brief Financials:** Not applicable as operations of the company have not begun yet.

**Status of non-cooperation with previous CRA: Not applicable**

**Any other information:** Not applicable

**Rating history for last three years:** Please refer Annexure-2

**Covenants of rated instrument / facility:** Detailed explanation of covenants of the rated instruments/facilities is given in Annexure-3

**Complexity level of various 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 along with Rating Outlook
Fund-based - LT-Cash Credit		-	-	-	23.68	CARE BB-; Stable
Fund-based - LT-Term Loan		-	-	01-04-2033	54.00	CARE BB-; Stable
Non-fund-based - LT/ ST-Bank Guarantee		-	-	-	1.00	CARE BB-; Stable / CARE A4
Non-fund-based - LT/ ST-Derivative Limits		-	-	-	1.32	CARE BB-; Stable / CARE A4

## Annexure-2: Rating history for the 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	Non-fund-based - LT/ ST-Derivative Limits	LT/ST	1.32	CARE BB-; Stable / CARE A4				
2	Fund-based - LT-Cash Credit	LT	23.68	CARE BB-; Stable				
3	Fund-based - LT-Term Loan	LT	54.00	CARE BB-; Stable				
4	Non-fund-based - LT/ ST-Bank Guarantee	LT/ST	1.00	CARE BB-; Stable / CARE A4				

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

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

## Annexure-4: Complexity level of the various 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	Non-fund-based - LT/ ST-Bank Guarantee	Simple
4	Non-fund-based - LT/ ST-Derivative Limits	Simple

## Annexure-5: Lender details:

To view the lender wise details of bank facilities please [click here](#)

**Note on the complexity levels of the rated instruments:** CARE Ratings has classified instruments rated by it on the basis of complexity. Investors/market intermediaries/regulators or others are welcome to write to [care@careedge.in](mailto:care@careedge.in) for any clarifications.

## Contact Us:

<b>Media Contact</b>  Mradul Mishra Director <b>CARE Ratings Limited</b> Phone: +91-22-6754 3596 E-mail: <a href="mailto:mradul.mishra@careedge.in">mradul.mishra@careedge.in</a>	<b>Analytical Contacts</b>  Puneet Kansal Director <b>CARE Ratings Limited</b> Phone: 120-4452018 E-mail: <a href="mailto:puneet.kansal@careedge.in">puneet.kansal@careedge.in</a>
<b>Relationship Contact</b>  Ankur Sachdeva Senior Director <b>CARE Ratings Limited</b> Phone: 91 22 6754 3444 E-mail: <a href="mailto:Ankur.sachdeva@careedge.in">Ankur.sachdeva@careedge.in</a>	Dhruv Mittal Assistant Director <b>CARE Ratings Limited</b> Phone: 91-120-4452050 E-mail: <a href="mailto:dhruv.mittal@careedge.in">dhruv.mittal@careedge.in</a>
	Meenal Gupta Analyst <b>CARE Ratings Limited</b> E-mail: <a href="mailto:Meenal.gupta@careedge.in">Meenal.gupta@careedge.in</a>

## 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.

## Disclaimer:

The ratings issued by CARE Ratings are opinions on the likelihood of timely payment of the obligations under the rated instrument and are not recommendations to sanction, renew, disburse, or recall the concerned bank facilities or to buy, sell, or hold any security. These ratings do not convey suitability or price for the investor. The agency does not constitute an audit on the rated entity. CARE Ratings has based its ratings/outlook based on information obtained from reliable and credible sources. CARE Ratings does not, however, guarantee the accuracy, adequacy, or completeness of any information and is not responsible for any errors or omissions and the results obtained from the use of such information. Most entities whose bank facilities/instruments are rated by CARE Ratings have paid a credit rating fee, based on the amount and type of bank facilities/instruments. CARE Ratings or its subsidiaries/associates may also be involved with other commercial transactions with the entity. In case of partnership/proprietary concerns, the rating/outlook assigned by CARE Ratings is, inter-alia, based on the capital deployed by the partners/proprietors and the current financial strength of the firm. The ratings/outlook may change in case of withdrawal of capital, or the unsecured loans brought in by the partners/proprietors in addition to the financial performance and other relevant factors. CARE Ratings is not responsible for any errors and states that it has no financial liability whatsoever to the users of the ratings of CARE Ratings. The ratings of CARE Ratings do not factor in any rating-related trigger clauses as per the terms of the facilities/instruments, which may involve acceleration of payments in case of rating downgrades. However, if any such clauses are introduced and triggered, the ratings may see volatility and sharp downgrades.