

TCI Sanmar Chemicals (S.A.E)

March 20, 2025

Facilities/Instruments	Amount (₹ crore)	Rating ¹	Rating Action
Long-term bank facilities	4,756.47* (Reduced from 4,786.11)	CARE BB+; Stable	Downgraded from CARE BBB-; Negative
Non-convertible debentures	974.92# (Reduced from 975.91)	CARE BB+; Stable	Downgraded from CARE BBB-; Negative

Details of instruments/facilities in Annexure-1.

*INR equivalent to US\$ 573.07 million.

#INR equivalent to US\$ 117.46 million.

Rationale and key rating drivers

Revision in the rating assigned to bank facilities and non-convertible debenture (NCD) issue of TCI Sanmar Chemicals (S.A.E.) (TCIS) mainly factors significantly weaker-than-expected performance in FY24 (FY refers to April 1 to March 31) and 9MFY25 where its profit before interest, lease rentals, depreciation and taxation (PBILDT) was not sufficient for its interest servicing leading to its stretched liquidity position. Weaker-than-expected performance was mainly attributed to reduction in profitability in polyvinyl chloride (PVC) & caustic soda business, increase in interest servicing obligation on the back of rise in Secured Overnight Financing Rate (SOFR), challenges in availability of dollar in Egypt and heavy dumping of PVC products in Egypt due to low duty protection. On the back of sizeable cash losses in FY24 and 9MFY25, TCIS had been managing its liquidity from customer advances and stretched credit period from its creditors on the back of delay in tie-up of enhanced working capital limit. As a part of the lender's condition, promoters infused equity of US\$ 12 million out of committed total US\$ 58 million where balance equity of US\$ 46 million is scheduled to be infused by December 2025 as term debt repayments are now stepping up from FY26. With recent tie-up of enhanced working capital limits, it has reduced its reliance on customer advances and creditors to meet its working capital requirement.

Ratings continue to remain constrained by its negative net worth arising from losses incurred in the past due to multiple external and internal challenges encountered by TCIS in the implementation of its S-PVC project and also impacted considering the COVID-19 pandemic, entailed its lenders to implement the RP. The inherent cyclicity associated with the caustic-chlorine and PVC businesses, profitability susceptible to volatile raw material prices, foreign exchange risk, and the risk of dumping by China further constrain its ratings.

Ratings continue to derive strength from its integrated operations in the caustic-chlorine and suspension PVC (S-PVC) products, its dominant market position in Egypt and the proximity to key export markets, support from its group company Sanmar Shipping Ltd. (SSL), which had provided extended credit period to TCIS. Ratings also consider the improvement in capacity utilisation levels and efforts in cost-efficiencies. Moreover, the significant pre-payment of its debt per the terms of the Resolution Plan (RP), leading to minimal principal term debt repayment obligations for TCIS until FY25, further underpins its ratings.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors

- Total operating income (TOI) over US\$ 600 million with PBILDT margin of over 15% on a sustained basis.
- Reduction in term debt below US\$ 500 million and improvement in the debt coverage indicators.
- Significant improvement in the payable days, leading to a positive operating cycle.
- Improvement in the capital structure and overall strengthening of the financial risk profile of the company, with total debt (TD)/PBILDT below 5x on a sustained basis.

Negative factors

- TOI remaining less than US\$ 500 million with a PBILDT margin of less than 15% on a sustained basis.
- Managing liquidity by elongating its creditors period from the existing level.
- Delay in infusion of required equity capital of US\$ 46 million.
- Unavailability of adequate US Dollar in Egypt, putting pressure on the smooth running of its operations.

Analytical approach: Standalone, and factoring group linkages.

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

Outlook: Stable

The Stable outlook on ratings reflects that while TCIS's operational profitability is expected to remain under stress in the near term, its liquidity is expected to be supported by infusion of additional equity and support available from group companies.

Detailed description of key rating drivers:

Key weaknesses

Significantly weaker and expected profitability in FY24 and 9MFY25

Post implementation of RP, its performance stood healthy in FY22 marked by TOI of US\$ 626 million with PBILDT of US\$ 115 million on the back of good product prices for both PVC & Caustic soda. However, its performance started moderating from FY23 on the back of decline in product prices and dumping from China and got significantly impacted in FY24 and 9MFY25. In FY24, it reported TOI of US\$ 450 million with PBILDT of US\$ 62 million, whereas in 9MFY25 it reported TOI of US\$ 304 million with PBILDT of US\$ 31 million. Along-side moderation in its operating profitability, its finance cost went up significantly from US\$ 35 million in FY23 to US\$ 86 million in FY24 and US\$ 71 million in 9MFY25 due to interest rate reset and increase in interest rates which led to stretched liquidity position.

Weakening of capital structure and debt coverage indicators due to large amount of losses in FY24 and 9MFY25

The capital structure and debt coverage indicators of TCIS are weak due to its high debt level on the back of challenges faced in the stabilisation of its plants in the past and the downturn in the caustic chlorine and PVC industry in the past. Post implementation of its RP, the company's net worth improved as on March 31, 2023, despite the same remains negative. In FY24 and 9MFY25, the profitability of the company was adversely impacted owing to significant moderation in caustic and PVC prices globally. The company reported net loss of US\$ 142 million and US\$ 91 million in FY24 and 9MFY25, respectively, leading to further weakening of its capital structure and debt coverage indicators.

Inherent cyclical associated with the caustic-chlorine business and susceptibility to volatile PVC prices

The profitability of PVC and chlor-alkali manufacturing companies depends on the prevailing PVC and caustic soda prices. Cyclical downturns in the industry result in variations in operating profitability of the players. There was a sharp rise in the caustic soda prices in FY22 and further in FY23. The increase in power costs in Europe led to caustic soda production becoming unviable there, resulting in a demand-supply mismatch, consequently leading to a substantial increase in caustic realisations. However, caustic soda prices normalised globally from Q1FY24 onwards, largely due to the normalisation of power cost in Europe. This led to normalisation of caustic realisations in FY24. Following the normalisation of caustic realisations in FY24 from their peak levels in FY23, the current realisations have improved.

S-PVC prices also dipped sharply in FY24 owing to increase in dumping from China due to slow recovery of its domestic demand. The prices of EDC (key raw material for PVC) have shown cyclical in the past. Any sharp volatility in the raw material prices will have a bearing on TCIS's profitability. PVC-EDC spread is expected to improve with expectation of softening of EDC prices in the medium term. The demand outlook for PVC remains strong with demand of end-user industries in the target countries and no fresh capacities coming up in the target markets.

Exposure to forex risk considering US Dollar denominated debt and dependence on import of raw materials

TCIS is exposed to the foreign exchange fluctuations, since it fulfils ~80-90% of its EDC requirement through imports, which is managed partially with its export earnings. TCIS has debt obligations also in US Dollar. On the back of the COVID-19 pandemic-related disturbances in Egypt, the Russia-Ukraine war, and further due to the global economic slowdown, the Central Bank of Egypt had limited availability of US Dollar from February 2022. Accordingly, from February/March 2022, to meet its minimum US Dollar pay-out requirement, TCIS increased its PVC exports, despite having better realisation in Egypt's domestic market. However, recent significant positive developments in Egypt since March 2024 regarding full floating of EGP by the Central Bank of Egypt, significant foreign direct investments in Egypt from Government of United Arab Emirates (Abu Dhabi Developmental Holding Company) and support by way of several long-term financing from International Monetary Fund, World Bank and other investments committed to Egypt in the private sector are expected to bring substantial forex inflows to the country and improve the economy dynamics. The increase in US Dollar availability in Egypt is expected to aid TCIS in focusing more on the PVC sales in domestic market and earning better realisations in the medium term once the backlog of export orders is fulfilled where the company received advances from export customers. CARE Ratings will continue to monitor developments in this regard.

Exposure to interest rate risk

TCIS is exposed to interest rate risk since its borrowings are linked to SOFR where its effective cost of borrowing went up significantly in FY23 and FY24 on the back of sharp increase in SOFR entailing higher interest servicing obligation. However, since August 2024, SOFR has decreased by ~1% following a 100bps rate cut by the FED since September 2024. Going forward, TCIS is also expected to engage with its lenders to get interest spread reduced to some extent so as to have reduction of overall interest servicing obligations.

Liquidity: Stretched

On the back of significant losses in FY24 and 9MFY25, liquidity position of TCIS is stretched. The company has been managing its liquidity by way of customer advances and stretched creditors. Its utilisation of working capital limits remained almost full in the last 12 months ended January 2025. The company had made prepayment of its debt amounting to US\$ 33.76 million in FY23

(aggregate of US\$ 75 million debt prepaid up to September 2022), leading to minimal principal term debt repayment obligations until FY25. It has no major capex planned in the medium term.

Due to the forex challenges in Egypt in February 2022 and to ensure seamless procurement of Ethylene Di Chloride (EDC) essential for the sustenance of operations, the group company, Sanmar Shipping Limited (SSL), extended support by sourcing critical raw materials with an extended credit period. As a part of RP plan, TCIS's sanctioned working capital limits was reduced from US\$ 135 million in September 2021 to US\$ 91.70 million in April 2024. The company was expected to tie-up additional working capital limits of ~US\$ 80 million with US\$ 60 million by end of October 2024. The said additional limits were expected to bring down the elevated creditors level and the dependence on customer advances adding to improvement in its liquidity. Out of total US\$ 80 million, the company has secured bank's approval for US\$ 70 million with US\$ 60 million drawn in January 2025 and is closely working with its banks for tie-up and drawal of balance limits. Alongside, the immediate holding company also infused US\$ 12 million of equity in January 2025 and additional equity infusion of US\$ 46 million is expected before end of December 2025, which should aid its liquidity amidst weak operational performance.

Key strengths

Integrated operations in caustic-chlorine and S-PVC products and comparatively low power costs

TCIS has an integrated manufacturing facility for the production of caustic-chlorine and PVC in Egypt. In the production of caustic soda, chlorine gets generated as a by-product and its disposal is one of the major challenges. Accordingly, TCIS has set up plants for manufacturing PVC, where, a major portion of chlorine is consumed captively. TCIS has set up a plant for the production of calcium chloride, which captively consumes its chlorine as HCL. The integrated nature of its plant helps TCIS in achieving high utilisation of its manufacturing capacities. TCIS meets its power requirements from the government-owned power company. The manufacturing process of caustic soda is highly power-intensive, where, the lower cost of power acts as one of the major advantages to TCIS. However, the power cost was increased by the government in August 2024, the impact of this increase in power cost was partly off-set with devaluation of Egyptian Pound to US Dollar. Despite the increase in power cost, TCI remains one of the lowest cost producers of caustic soda.

Dominant market position in Egypt and proximity to key export markets

TCIS has the largest installed manufacturing capacity for manufacturing caustic-chlorine and PVC in Egypt and the Middle East and North African (MENA) region, and accordingly, has a dominant market position in the country. Apart from catering to the domestic requirements of Egypt, it also caters to the requirements of the nearby markets of Turkey, the rest of Africa, and a few European countries. The competitiveness of its products in its key markets is aided by the availability of relatively cheaper power and natural gas in Egypt in the medium term, which is critical, as the manufacturing of caustic soda is highly power-intensive in nature. Egypt has introduced an anti-dumping duty (ADD) of 13% on PVC imports from US subject to a minimum of US\$ 106/MT, for five years, in February 2025. This reduces the share of PVC imports in the domestic market of Egypt while maintaining a substantial share of TCIS. PVC imports from other countries, especially China, continue to be available at lower prices, without ADD protection. With effect from July 2021, the company's products – PVC, caustic soda, and calcium chloride – are eligible for export incentives granted by the Government of Egypt to incentivise exports and earn foreign exchange for the country. In June 2022, the customs duty on ethanol was reduced from 10% to 0%, which is used in manufacturing PVC. This has supported the company's margins.

Improved capacity utilisations and cost-efficiencies

In FY24, the company witnessed higher production volumes across all its product segments, with initiatives undertaken such as the replacement of certain equipment for improving its plants' efficiencies. The S-PVC plant capacity utilisation was 79% in FY23, which improved to 93% in FY24 and remained healthy at 92% in 9MFY25. The caustic plant capacity utilisation also sustained at 84% in FY24 and 9MFY25. TCIS is expected to sustain PVC and Caustic capacity utilisation levels of 90-95% in the near term to meet the demand of end-user industries in the domestic market and its target export-customer countries.

Long-standing presence of the Sanmar group in the chemical businesses and its track record to provide need-based support to TCIS

TCIS is a part of the Sanmar group, which has a long-standing presence in chemicals, engineering, and shipping. The Sanmar group began its operations with the commissioning of its first PVC plant at Mettur, Tamil Nadu, in 1967, and over the years, expanded itself into businesses. The Sanmar group is among the oldest and most prominent and reputed corporate groups in South India. Sanmar group, is headquartered in Chennai and has manufacturing facilities in India, Mexico, and Egypt. The Sanmar Chemicals group has been operating in the PVC segment for over five decades, which leads to efficient and cost saving improvements guiding TCIS even in challenging market conditions. The debt service obligations of TCIS are also backed by a corporate guarantee (CG) from Sanmar Holdings Limited, which is expected to ensure adequate liquidity support from the group in case of need.

Applicable criteria

[Definition of Default](#)

[Factoring Linkages Parent Sub JV Group](#)

[Liquidity Analysis of Non-financial sector entities](#)

[Rating Outlook and Rating Watch](#)

[Manufacturing Companies](#)

[Financial Ratios – Non financial Sector](#)
About the company and industry
Industry classification

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

TCIS was incorporated as Trust Chemical Industries and was operating a caustic soda and chlorine plant before the Sanmar group, based out of Chennai, acquired it in 2007 and the company's name was changed to its current form. Egypt-based TCIS is mainly engaged in producing caustic soda, calcium chloride, and S-PVC. As on March 31, 2024, TCIS had an installed capacity 275,000 metric tonne per annum (MTPA) of caustic soda, 130,000 MTPA of calcium chloride, and 400,000 MTPA of PVC. The manufacturing facility for PVC is backward intergraded into manufacturing EDC and vinyl chloride monomer (VCM).

Brief Financials (US\$ million)	FY23 (A)	FY24 (A)	9MFY25 (UA)
Total operating income	604.18	450.29	303.51
PBILDT	87.19	62.43	31.21
PAT	53.93	-141.79	-91.47
Overall gearing (times)	NM	NM	NM
Interest coverage (times)	2.50	0.72	0.44

A: Audited Prov.: Provisional NM: Not meaningful as net-worth is negative; 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
Debentures-Non-convertible debentures	EGB38F12I011	September 28, 2022	0.01	September 30, 2039	974.92	CARE BB+; Stable
Fund-based - LT-Funded Interest term Loan	-	-	-	March 31, 2027	156.04	CARE BB+; Stable
Fund-based - LT-Funded Interest term Loan	-	-	-	March 31, 2027	73.89	CARE BB+; Stable
Fund-based - LT-Term Loan	-	-	-	September 30, 2035	2821.50	CARE BB+; Stable
Fund-based - LT-Term Loan	-	-	-	March 31, 2032	1481.77	CARE BB+; Stable
Fund-based - LT-Working Capital Limits	-	-	-	-	223.27	CARE BB+; Stable

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	2821.50	CARE BB+; Stable	1)CARE BBB-; Negative (10-Oct-24) 2)CARE BBB-; Negative (02-May-24)	1)CARE BBB-; Stable (04-Oct-23)	1)CARE BBB-; Stable (30-Sep-22)	-
2	Fund-based - LT-Term Loan	LT	1481.77	CARE BB+; Stable	1)CARE BBB-; Negative (10-Oct-24) 2)CARE BBB-; Negative (02-May-24)	1)CARE BBB-; Stable (04-Oct-23)	1)CARE BBB-; Stable (30-Sep-22)	-

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
3	Fund-based - LT-Funded Interest term Loan	LT	156.04	CARE BB+; Stable	1)CARE BBB-; Negative (10-Oct-24) 2)CARE BBB-; Negative (02-May-24)	1)CARE BBB-; Stable (04-Oct-23)	1)CARE BBB-; Stable (30-Sep-22)	-
4	Fund-based - LT-Funded Interest term Loan	LT	73.89	CARE BB+; Stable	1)CARE BBB-; Negative (10-Oct-24) 2)CARE BBB-; Negative (02-May-24)	1)CARE BBB-; Stable (04-Oct-23)	1)CARE BBB-; Stable (30-Sep-22)	-
5	Fund-based - LT-Working Capital Limits	LT	223.27	CARE BB+; Stable	1)CARE BBB-; Negative (10-Oct-24) 2)CARE BBB-; Negative (02-May-24)	1)CARE BBB-; Stable (04-Oct-23)	1)CARE BBB-; Stable (30-Sep-22)	-
6	Debentures-Non-convertible debentures	LT	974.92	CARE BB+; Stable	1)CARE BBB-; Negative (10-Oct-24) 2)CARE BBB-; Negative (02-May-24)	1)CARE BBB-; Stable (04-Oct-23)	1)CARE BBB-; Stable (30-Sep-22)	-

LT: Long 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	Debentures-Non-convertible debentures	Simple
2	Fund-based - LT-Funded Interest term Loan	Simple
3	Fund-based - LT-Term Loan	Simple
4	Fund-based - LT-Working Capital Limits	Simple

Annexure-5: Lender details

To view 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.

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