

December 19, 2024

## Triveni Engineering & Industries Ltd.: Ratings placed on watch with developing implications

### Summary of rating action

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Long term – Fund-based - Term loan	321.93	321.93	[ICRA]AA+; placed on rating watch with developing implications
Long term - Fund-based - Working capital facilities	1,825.00	1,825.00	[ICRA]AA+; placed on rating watch with developing implications
Short term - Non-fund based - Working capital facilities	963.44	963.44	[ICRA]A1+; placed on rating watch with developing implications
Commercial paper*	300.00	300.00	[ICRA]A1+; placed on rating watch with developing implications
<b>Total</b>	<b>3,410.37</b>	<b>3,410.37</b>	

\* Instrument details are provided in Annexure-I; \* carved out of working capital limits

### Rationale

#### Material Event

On December 10, 2024, Triveni Engineering and Industries Limited (TEIL) announced that the board has approved a composite scheme of arrangement among TEIL (amalgamated company/demerged company), Sir Shadi Lal Enterprises Limited (SSEL; amalgamating company), Triveni Power Transmission Limited (TPTL; resulting company) and their respective shareholders/creditors.

As part of the scheme, SSEL, which is a subsidiary of TEIL<sup>1</sup>, shall be amalgamated with TEIL. Post amalgamation, the shares held by TEIL in SSEL shall be cancelled and SSEL shall stand dissolved. For every 137 equity shares of SSEL with a face value of Rs. 10 each, the shareholders will be entitled to receive 100 equity shares with a face value of Re. 1 each in TEIL. There will be no cash consideration in the transaction.

After the amalgamation, the power transmission business (PTB) of TEIL shall be transferred to TPTL on a going-concern basis. For every 3 equity shares of Re. 1 each held in TEIL, the shareholder will be entitled to receive one equity share of Rs. 2 each of TPTL. There will be no cash consideration in the transaction. Further, TPTL shall be listed on the stock exchanges, subject to necessary approvals.

As per the company management, the rationale behind the amalgamation of TEIL and SSEL is because both the companies are in the same line of business i.e. sugar and distillery. Hence, the proposed amalgamation would lead to operational and financial synergies for the company. Further, the PTB business caters to a different market segment/customers compared to the sugar business. Hence, the demerger will enable the sugar and the PTB businesses to grow separately.

<sup>1</sup> TEIL holds 61.77% in SSEL

## Impact of Material Event

The PTB business reported revenue of ~Rs. 292 crore (4.75% of TEIL's revenue) and profit before interest and tax (PBIT) of Rs. 107 crore (~17% of TEIL's PBIT) in FY2024. Hence, it provides a cushion against the cyclicity of the sugar business and stability to TEIL's cash flows in case of any downturn in sugar business.

However, the extent of the impact on the credit profile of TEIL would be ascertained upon successful completion of the above scheme of arrangement. The amalgamation is expected to be completed by April 2025 and the demerger is expected to be completed in 15 months, subject to the receipt of the requisite approvals. ICRA would continue to monitor the developments related to the transaction and take appropriate rating action, as required.

Please refer to the following link for the previous detailed rationale that captures the key rating drivers and their description, liquidity position, rating sensitivities: [Click here](#)

## Analytical approach

Analytical Approach	Comments
Applicable rating methodologies	<a href="#">Corporate Credit Rating Methodology</a> <a href="#">Sugar</a>
Parent/Group support	Not Applicable
Consolidation/Standalone	For arriving at the ratings, ICRA has considered the consolidated financial statement of TEIL; the list of entities consolidated are enlisted in Annexure II

## About the company

TEIL is an integrated sugar manufacturing company with a current cane crushing capacity of 70,500 TCD (including SSEL's capacity which is a subsidiary of TEIL), a distillery capacity of 860 kilolitres per day (KLPD) (not including SSEL's distillery capacity of 100 KLPD) and a co-generation capacity of 104.5 megawatt (MW) spread across seven locations in Uttar Pradesh (UP). TEIL forayed into the production of country liquor in FY2021, thus facilitating forward integration. The company runs engineering businesses that include a gear division in Mysore, manufacturing high-speed gears. It also has a water business division in Noida, which is involved in water treatment equipment and plants.

## Key financial indicators (audited)

Consolidated	FY2023	FY2024	H1 FY2025*
Operating income	5,616.8	5,220.1	2,791.6
PAT#	1,775.5	395.0	8.6
OPBDIT/OI	11.0%	12.0%	3.3%
PAT/OI	31.6%	7.6%	0.3%
Total outside liabilities/Tangible net worth (times)	0.7	0.8	0.5
Total debt/OPBDIT (times)	1.5	2.3	3.0
Interest coverage (OPBDIT/Interest expense) (times)	10.9	11.3	2.1

Source: Company, ICRA Research; All ratios as per ICRA's calculations; Amount in Rs. crore; PAT: Profit after tax; OPBDIT: Operating profit before depreciation, interest, taxes and amortisation; #PAT excluding share of profits from associates; \*provisional financials

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

### Rating history for past three years

Instrument	Current (FY2025)			Chronology of rating history for the past 3 years					
	Type	Amount rated (Rs. crore)	19-Dec-2024	FY2024		FY2023		FY2022	
				Date	Rating	Date	Rating	Date	Rating
Long term loan-fund based	Long term	321.93	[ICRA]AA+; Rating watch with developing implications	28-MAR-2024	[ICRA]AA+ (Stable)	24-JUN-2022	[ICRA]AA (Stable)	07-APR-2021	[ICRA]AA- (Positive)
				-	-	24-MAR-2023	[ICRA]AA (Stable)	11-NOV-2021	[ICRA]AA (Stable)
				-	-	-	-	18-JAN-2022	[ICRA]AA (Stable)
Fund based - Working capital facilities	Long term	1825.00	[ICRA]AA+; Rating watch with developing implications	28-MAR-2024	[ICRA]AA+ (Stable)	24-JUN-2022	[ICRA]AA (Stable)	07-APR-2021	[ICRA]AA- (Positive)
				-	-	24-MAR-2023	[ICRA]AA (Stable)	11-NOV-2021	[ICRA]AA (Stable)
				-	-	-	-	18-JAN-2022	[ICRA]AA (Stable)
Non-fund based - Working capital facilities	Short term	963.44	[ICRA]A1+; Rating watch with developing implications	28-MAR-2024	[ICRA]A1+	24-JUN-2022	[ICRA]A1+	07-APR-2021	[ICRA]A1+
				-	-	24-MAR-2023	[ICRA]A1+	11-NOV-2021	[ICRA]A1+
				-	-	-	-	18-JAN-2022	[ICRA]A1+
Commercial paper*	Short term	300.00	[ICRA]A1+; Rating watch with developing implications	28-MAR-2024	[ICRA]A1+	24-JUN-2022	[ICRA]A1+	07-APR-2021	[ICRA]A1+
				-	-	24-MAR-2023	[ICRA]A1+	11-NOV-2021	[ICRA]A1+
				-	-	-	-	18-JAN-2022	[ICRA]A1+

\* carved out of working capital limits

### Complexity level of the rated instruments

Instrument	Complexity Indicator
Long term – Fund-based - Term loan	Simple
Long term – Fund-based - Working capital facilities	Simple
Short term - Non-fund based - Working capital facilities	Very Simple
Commercial paper	Very Simple

The Complexity Indicator refers to the ease with which the returns associated with the rated instrument could be estimated. It does not indicate the risk related to the timely payments on the instrument, which is rather indicated by the instrument's credit rating. It also does not indicate the complexity associated with analysing an entity's financial, business, industry risks or complexity related to the structural, transactional or legal aspects. Details on the complexity levels of the instruments are available on ICRA's website: [Click Here](#)

**Annexure I: Instrument details**

ISIN	Instrument Name	Date of Issuance	Coupon Rate	Maturity	Amount Rated (Rs. crore)	Current Rating and Outlook
NA	Long term - Fund based - Term loan	2018-2023	4.0%-5.0%*	2023-2028	321.93	[ICRA]AA+; rating watch with developing implications
NA	Long term – Fund-based - Working capital facilities	NA	NA	NA	1825.00	[ICRA]AA+; rating watch with developing implications
NA	Short term - Non-fund based - Working capital facilities	NA	NA	NA	963.44	[ICRA]A1+; rating watch with developing implications
Yet to be placed	Commercial paper	NA	NA	NA	300.00	[ICRA]A1+; rating watch with developing implications

Source: Company; \*effective as interest rates are subvention

[Please click here to view details of lender-wise facilities rated by ICRA](#)

**Annexure II: List of entities considered for consolidated analysis**

Company Name	Ownership	Consolidation Approach
Triveni Engineering Ltd	100.00%	Full Consolidation
Triveni Energy Systems Ltd	100.00%	Full Consolidation
Svastida Projects Limited	100.00%	Full Consolidation
Triveni Entertainment Ltd	100.00%	Full Consolidation
Triveni Industries Limited	100.00%	Full Consolidation
Triveni Sugar Limited	100.00%	Full Consolidation
United Shippers & Dredgers Limited	100.00%	Full Consolidation
Gaurangi Enterprises Limited	100.00%	Full Consolidation
Triveni Foundation	100.00%	Full Consolidation
Mathura Wastewater Management Private Limited	100.00%	Full Consolidation
PALI ZLD PVT LTD (PALI)	100.00%	Full Consolidation
Triveni Sports Private Limited	50.00%	Equity Method
Sir Shadi Lal Enterprises Limited	61.77%	Full Consolidation

Source: Company

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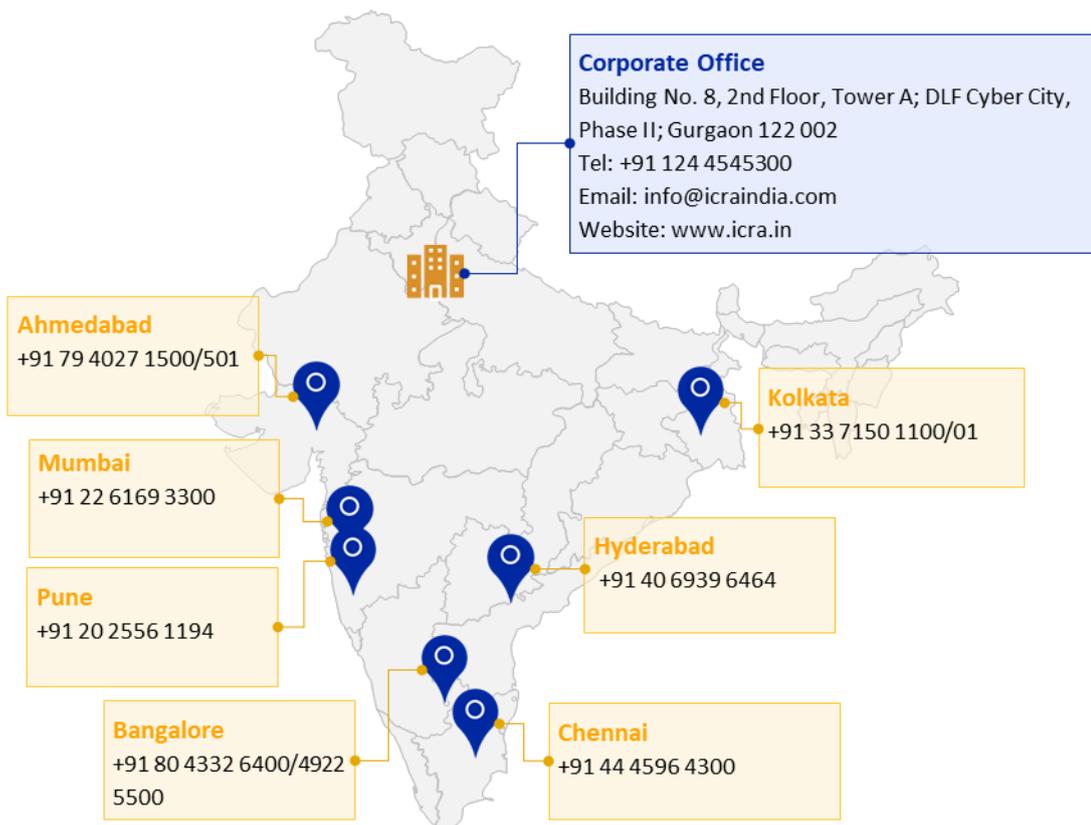
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