May 16, 2025

Triveni Engineering & Industries Ltd.: Long-term rating continues on watch with developing implications; short-term rating reaffirmed and assigned for enhanced amount of CP

Summary of rating action

Instrument*	Previous rated amount (Rs. crore)	Current rated amount (Rs. crore)	Rating action
Long term – Fund-based - Term loan	326.93	326.93	[ICRA]AA+; continues on rating watch with developing implications
Long term - Fund-based - Working capital facilities	1,825.00	1,825.00	[ICRA]AA+; continues on rating watch with developing implications
Short term - Non-fund based - Working capital facilities	958.44	958.44	[ICRA]A1+; reaffirmed
Commercial paper**	0.00	175.00	[ICRA]A1+; assigned
Commercial paper**	125.00	125.00	[ICRA]A1+; reaffirmed
Total	**3,235.37**	**3,410.37**	

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

Rationale

The long-term rating continues to be on watch with developing implications, given the announcement of a composite scheme of arrangement between Triveni Engineering and Industries Limited (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, shall be amalgamated with TEIL. After the amalgamation, the power transmission business (PTB) of TEIL shall be transferred to TPTL on a going-concern basis. 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. 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 appointed date of amalgamation is April 1, 2025, and the appointed date of demerger is the effective date- the date, when the order of NCLT approving the Scheme of Arrangement is filed with ROC. As per the present estimate, approval of the scheme is expected by Q4 FY26/Q1 FY27. ICRA would continue to monitor the developments related to the transaction and take an appropriate rating action, as required. The rating action for the short-term rating factors in the adequate liquidity position supported by cushion available in the form of unutilised working capital limits.

The ratings continue to positively factor in TEIL's forward-integrated operations into distillery and co-generation that provide alternative revenue streams and act as a cushion against the cyclicality in the sugar business to some extent. Further, the engineering and country liquor businesses also act as alternative revenue streams. ICRA notes that the increased contribution from the distillery and engineering segments lends more stability to the cash flows. The ratings continue to draw comfort from TEIL's large scale of operations with a crushing capacity of 70,500 tonnes (including SSEL) of cane per day (TCD).

The company's profitability is likely to moderate in FY2025 mainly due to the capping of ethanol diversion, which impacted H1 FY2025, along with lower crushing in Q1 FY2025 on account of red rot infestation. Nevertheless, the profitability is expected to improve, going forward, supported by firm sugar realisations and higher volumes from the distillery operations. Overall, the company's credit metrics are expected to moderate in FY2025 mainly due to the increased debt levels and an expected decline in operating profitability; however, they will continue to be healthy. The ratings also remain constrained by the vulnerability of TEIL's profitability to the cyclical nature of the sugar industry and agro-climatic risks related to cane production. Further, the profitability of sugar mills, including TEIL, is exposed to the policies of the Government of UP (GoUP) and the Central Government on cane prices, international trade, domestic quota, sugar and ethanol pricing and interest subvention loan for distillery capacity expansion.

Key rating drivers and their description

Credit strengths

One of the largest sugar producers in India with efficient operations - TEIL is one of the largest sugar manufacturers in the country with 70,500 TCD of sugar capacity, and it continues to have healthy gross recovery rates at 11.49% in SY2024 (PY: 11.47%) along with a net recovery rate of 10.78% in SY2024 (PY: 10.23%). The net recovery rate stood higher in SY2024, mainly due to lower sugar diversion towards B-heavy molasses. Going forward, the cane crushing and recovery rates are expected to remain comfortable.

Forward-integrated operations and engineering business guard against cyclicality in sugar business - TEIL's operations are forward-integrated with a distillery capacity of 860 KLPD and a co-generation capacity of 104.5 megawatt (MW), which provide alternative revenue streams and offer cushion against the cyclicality in the sugar business. Moreover, a steady revenue contribution from the power transmission and water businesses has diversified the revenue stream and an outstanding order backlog of ~Rs. 377.1 crore and Rs. 1979.2 crore respectively as on December 31, 2024, provides healthy medium-term revenue visibility.

As of 9M FY2025, TEIL's revenue diversification has improved with the sugar business (including co-generation) accounting for ~55% of the company's gross revenue in 9M FY2025, compared to 75-80% historically. Distillery accounted for ~35% of the gross revenue in 9M FY2025 and the balance was derived from the water/power transmission business. However, the impact of the planned demerger of the power transmission business on the credit profile of TEIL remains a key monitorable.

Strong capital structure and healthy coverage metrics - The company has a healthy capital structure with debt to equity of 0.5 times as on March 31, 2024 (PY: 0.4 times), which is estimated to increase to 0.6 times as on March 31, 2025, with higher utilisation of working capital limits on account of increased inventory holding. A strong capital structure and comfortable operating profitability ensured that the coverage metrics continued to be healthy in FY2024 with interest cover of 11.3 times (PY: 10.9 times), total debt/OPBDITA of 2.3 times (PY: 1.5 times), TOL/TNW of 0.8 times (PY: 0.7 times) and DSCR of 2.5 times (PY: 9.5 times; mainly due to extraordinary gain of ~Rs. 1,400 crore). The company's credit metrics are expected to moderate in FY2025, mainly due to the increased debt levels and an expected decline in operating profitability, though they will continue to be healthy.

Credit challenges

Profitability vulnerable to policy interventions by the Government - TEIL's profitability, along with that of the other sugar mills, continues to be vulnerable to the GoUP and the Central Government's policy on cane prices. Thus, the company's performance can be adversely impacted by a disproportionate increase in cane prices in any particular year. Further, the profitability remains vulnerable to the Government's policies on international trade, domestic quota, sugar MSP, remunerative ethanol prices and interest subvention loan for distillery capacity expansion. The continuation of Government support in the form of remunerative ethanol prices and interest subvention for the debt-funded distillery capex is likely to prevent the piling up of cane arrears. Further, the UP state-advised price (UP-SAP) remained unchanged for SY2025, which is likely to support the company's profitability, along with firm domestic prices and increased contribution from ethanol supplies.

Exposed to industry cyclicality and agro-climatic risks - Being an agri-commodity, the sugarcane crop is dependent on climatic conditions and is vulnerable to pests and diseases that may not only impact the yield per hectare but also the recovery rate. These factors can have a significant impact on the company's profitability. Further, high dependence on a single crop variety may affect the yield and recovery rate. However, TEIL has been exploring other varieties to mitigate this risk to a certain extent. In addition, the cyclicality in sugar production results in a volatility in sugar prices. However, the sharp downfall in sugar prices has been curtailed after the introduction of MSP by the Central Government in June 2018. Over the long term, the forward-integrated operations act as a cushion against the cyclicality and support the company's cash flows.

Environmental and social risks

Environmental considerations - Sugar entities like TEIL are directly exposed to climate risks, which affect sugarcane production and yield. Further, excessive or deficient rainfall affects cane availability. However, the company's sugar facilities are in UP, having high sugar recovery rates and longer crushing season with adequate availability of cane, thereby mitigating the climatic risks to a certain extent. Nevertheless, the company remains exposed to raw material availability which can be impacted by red rot and unseasonal and heavy rainfall, as was seen in the recent past.

Social considerations - The worldwide societal shift to less sugar-intensive food products, considering the health issues related to high sugar consumption, could structurally reduce the demand for sugar products. However, such changes in consumer behaviour or any other drivers of change are expected to be relatively slow-paced. Therefore, while TEIL remains exposed to the aforementioned social risk, it is not likely to materially affect its credit profile in the medium term, given the increasing sucrose diversion towards ethanol.

Liquidity position: Adequate

TEIL's liquidity position remains adequate, driven by a healthy cash flow from operations against the debt obligation. Also, the company had an average cushion of around Rs. ~500 crore in drawing power (DP) for the 11 months ended February 2025 indicating comfortable liquidity position. ICRA expects comfortable cushion to be available over the near term as well, though higher inventory holding requirements had increased the working capital requirements in the recent past. ICRA expects TEIL to comfortably meet its annual consolidated debt repayment obligations of Rs. ~96 crore in FY2026 through cash accruals.

Rating sensitivities

Positive factors – The rating watch will be resolved after the completion of the proposed composite scheme of arrangement among TEIL (amalgamated company/demerged company), Sir Shadi Lal Enterprises Limited (SSEL; amalgamating company) and Triveni Power Transmission Limited (TPTL; resulting company) and its impact on the operating and financial performance of the company.

Negative factors – ICRA could revise the ratings downwards if there is any sharp decline in revenue and profitability along with a significant drop in the ethanol business that would weaken the debt coverage metrics. A specific metric for an unfavourable rating action could be a TOL/TNW above 1.2 times on a sustained basis.

Analytical approach

Analytical approach	Comments
Applicable rating methodologies	Rating Methodology for Sugar Corporate Credit Rating Methodology
Parent/Group support	Not Applicable
Consolidation/Standalone	To arrive 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 eight locations (including SSEL) in Uttar Pradesh (UP). TEIL forayed into the production of country liquor in FY2021, thus facilitating forward integration. The company runs power transmission 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	9M FY2025*
Operating income	5,616.8	5,220.1	4,060.0
PAT#	1,775.5	395.0	51.1
OPBDIT/OI	11.0%	12.0%	4.1%
PAT/OI	31.6%#	7.6%	1.3%
Total outside liabilities/Tangible net worth (times)	0.7	0.8	-
Total debt/OPBDIT (times)	1.5	2.3	-
Interest coverage (OPBDIT/Interest expense) (times)	10.9	11.3	3.1

*Source: Company, ICRA Research; * Provisional numbers; 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; #Includes exceptional income

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

Instrument	Current (FY2026)			Chronology of rating history for the past 3 years							
	Type	Amount Rated (Rs Crore)	May 16, 2025	FY2026		FY2025		FY2024		FY2023	
				Date	Rating	Date	Rating	Date	Rating	Date	Rating
Fund based - Working capital facilities	Long Term	1,825.00	[ICRA]AA+ Rating Watch with Developing Implications	04-APR-2025	[ICRA]AA+ Rating Watch with Developing Implications	19-DEC-2024	[ICRA]AA+ Rating Watch with Developing Implications	28-MAR-2024	[ICRA]AA+ (Stable)	24-JUN-2022	[ICRA]AA (Stable)
				-	-	-	-	-	-	24-JUN-2022	[ICRA]AA (Stable)/[ICRA]A1+
Long term-term loan-fund based	Long Term	326.93	[ICRA]AA+ Rating Watch with Developing Implications	04-APR-2025	[ICRA]AA+ Rating Watch with Developing Implications	19-DEC-2024	[ICRA]AA+ Rating Watch with Developing Implications	28-MAR-2024	[ICRA]AA+ (Stable)	24-JUN-2022	[ICRA]AA (Stable)
				-	-	-	-	-	-	24-MAR-2023	[ICRA]AA (Stable)

Non-fund based - Working capital facilities	Short Term	958.44	[ICRA]A1+	04-APR-2025	[ICRA]A1+	19-DEC-2024	[ICRA]A1+ Rating Watch with Developing Implications	28-MAR-2024	[ICRA]A1+	24-JUN-2022	[ICRA]A1+
				-	-	-	-	-	-	24-MAR-2023	[ICRA]A1+
Commercial paper	Short Term	175.00	[ICRA]A1+	-	-	-	-	-	-	-	-
Commercial paper	Short Term	125.00	[ICRA]A1+	04-APR-2025	[ICRA]A1+	19-DEC-2024	[ICRA]A1+ Rating Watch with Developing Implications	28-MAR-2024	[ICRA]A1+	24-JUN-2022	[ICRA]A1+
				-	-	-	-	-	-	24-MAR-2023	[ICRA]A1+

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/Sanction	Coupon Rate	Maturity Date	Amount Rated (Rs. crore)	Current Rating and Outlook
NA	Long term - Fund based - Term loan	2018-2023	4.0%-5.0%	2023-2028	326.93	[ICRA]AA+; rating watch with developing implications
NA	Long term – Fund-based - Working capital facilities	NA	NA	NA	1,825.00	[ICRA]AA+; rating watch with developing implications
NA	Short term - Non-fund based - Working capital facilities	NA	NA	NA	958.44	[ICRA]A1+
Yet to be placed	Commercial paper	NA	NA	NA	175.00	[ICRA]A1+
Yet to be placed	Commercial paper	NA	NA	NA	125.00	[ICRA]A1+

Source: Company

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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