

## The Travancore Cochin Chemicals Limited

Instrument	Amount	Rating Action
	(Rs. Crore <sup>1</sup> )	December 2016
Long term: Fund Based Facilities	20.0	[ICRA]B reaffirmed
Short term: Fund based	1.0	[ICRA]A4 reaffirmed
Short term: Non fund based	9.0	[ICRA]A4 reaffirmed

ICRA has reaffirmed the long term rating of [ICRA]B (pronounced as ICRA B) assigned to the Rs. 20.0 crore long term fund based facilities of The Travancore Cochin Chemicals Limited (TCCL). ICRA has also reaffirmed the short term rating of [ICRA]A4 (pronounced ICRA A four) assigned to the Rs. 9.0 crore non fund based facilities and the Rs 1.0 crore fund based facilities of TCCL.

The reaffirmation of the ratings reflects the company's continuing adverse financial position with stressed cash flows, weak profitability and negative net worth, despite signs of improvement in the first half of FY2017. The ratings also consider TCCL's significant contingent liabilities, mostly arising from disputed power charges payable to Kerala State Electricity Board. The profitability continues to remain constrained by the high cost of power due to absence of open access, increasing employee costs and TCCL's logistical disadvantage with respect to procurement of salt from Gujarat, which is the key raw material, although salt prices have decreased favourably during FY2016 and H1FY2017. The ratings are also constrained by the inherent cyclicality in the chlor-alkali industry and the vulnerability of demand for caustic soda to cost of imports, which is a factor of foreign exchange rates and government regulations.

The ratings, however, take into account the process optimisations undertaken by the company to reduce its power requirements which are expected to improve the cost structure and lead to an improvement in its profitability going forward. The ratings also favourably factor in the company's established track record in the chlor-alkali business in Kerala as the sole caustic soda manufacturer with a reputed customer profile and financial support from GoKL, arising from its status as a state-level Public Sector Undertaking.

### Company Profile

The Travancore Cochin Chemicals Ltd (TCCL) is a state-level public sector undertaking owned by Government of Kerala (GoKL) and its entities situated at Udyogamandal, Cochin. The company was originally started as Travancore & Mettur Chemical Co (TMCC) in 1949 as a partnership between FACT Limited and Mettur Chemical & Industrial Corporation Limited. In 1960, the Government of Kerala (GoKL) acquired TMCC and it was renamed as The Travancore Cochin Chemicals Limited. TCCL manufactures basic industrial chemicals viz., Caustic Soda and Chlorine products. The current licensed capacity of TCCL is 175 tpd (tons per day) of caustic soda.

### Recent Results

For FY2016, the company recorded a net loss of Rs 7.3 Cr on an operating income of Rs 166.5 Cr against a net profit of Rs 0.7 Cr on an operating income of Rs 156.6 Cr in FY2015. As per the provisional financial statements for H1FY2017, the company recorded profit before taxes of Rs 0.98 Cr on an operating income of Rs 100.29 Cr.

**December 2016**

<sup>1</sup> 100 lakhs = 1 crore = 10 million



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