'CareEdge B-/Stable' rating assigned to TCI Sanmar Chemicals S.A.E.

USD 611.5 Mn bank loan facilities	**CareEdge B-/Stable**
USD 117.2 Mn non-convertible debentures	**CareEdge B-/Stable**

CareEdge Global Ratings has assigned a **'CareEdge B-/Stable'** long-term foreign currency rating to the bank loan facilities and non-convertible debentures (NCDs) of TCI Sanmar Chemicals S.A.E. (TCI/ the company), which is part of the India-based Sanmar Group.

Rating rationale

The rating derives strength from TCI's established integrated chlor-vinyl manufacturing platform, leading market position in Egypt, healthy plant utilisation, and competitive operating costs. Integration across caustic soda, chlorine, VCM (vinyl chloride monomer), and PVC (polyvinyl chloride) supports operating efficiency and productive chlorine utilisation, while the Port Said location provides access to feedstock imports and export markets. The operating asset has remained resilient through the recent industry downcycle, with earnings pressure largely reflecting weak product spreads rather than a material deterioration in plant operations.

The rating also benefits from TCI's long-standing association with the Sanmar Group and the latter's demonstrated record of support since its acquisition in 2007. Support has been extended through capital funding infusions, corporate guarantees, raw material procurement support, as well as extended trade credit across periods of project disruption, industry downturns, the Covid-19 pandemic, and foreign currency stress in Egypt. The continued availability of these support mechanisms, together with CareEdge Global's expectation of timely group support whenever required, results in a one-notch uplift over TCI's core credit profile.

However, these strengths are offset by TCI's weak standalone financial risk profile, characterised by high leverage, negative net worth, weak debt protection metrics, and stretched liquidity. Although operating profitability improved in FY26, the recovery has not yet translated into a commensurate enhancement in the financial risk profile. Leverage remains elevated at ~13x, while sub-1x interest coverage continues to constrain standalone debt-servicing capacity, resulting in steady reliance on external liquidity support.

TCI's credit profile is also exposed to the cyclicality of PVC and caustic soda prices, movement in the PVC-EDC spread, competition from low-priced Chinese exports, and volatility in imported feedstock costs. Its sizeable US dollar debt and dependence on imported EDC (ethylene dichloride) increase sensitivity to foreign currency availability and external financing conditions in Egypt. These risks are partly mitigated by export-linked US dollar inflows and an offshore collection mechanism for export proceeds.

Outlook: Stable

The stable outlook reflects the expectation that TCI will continue to receive timely support from the Sanmar Group, maintain healthy plant utilisation, and gradually improve its operating performance. The outlook also factors in that TCI will service its restructured debt in accordance with the agreed schedule and maintain access to working capital and trade credit arrangements.

Rating sensitivities

Upward factors

- Sustained improvement in operating profitability and lower interest costs, resulting in interest coverage improving to well above 1.5x on a sustained basis along with improvement in other credit metrics
- Meaningful reduction in debt, resulting in a material improvement in leverage and financial risk profile.

Downward factors

- Weakening in the Sanmar Group's willingness or ability to provide timely support to TCI.
- Further weakening in the debt-servicing capacity, deterioration in the liquidity profile, or reduced access to working capital funding.

Analytical approach

TCI's business and financial risk profiles have been analysed on a standalone basis. CareEdge Global's 'Group Rating Methodology' has also been applied to factor in the demonstrated financial and operational support from the Sanmar Group.

Key rating drivers

Strengths

Long-standing presence of the Sanmar Group and demonstrated support to TCI

TCI benefits from its association with the Sanmar Group, which has over five decades of experience in the PVC and chlor-alkali businesses and effectively holds approximately 89% in the company. TCI is the group's principal overseas chlor-vinyl platform and receives strategic and managerial oversight from senior group executives.

The Sanmar Group has demonstrated its commitment through capital infusions, corporate guarantees and need-based liquidity assistance, including during periods of operational, economic and industry stress. Sanmar Shipping Limited and Vibrant Trading also facilitate TCI's ongoing EDC procurement arrangements, supporting continuity of feedstock supply and plant operations.

The group's industry experience and demonstrated financial and operational linkages reflect its willingness to support TCI. However, the rating benefit remains calibrated, as future discretionary assistance is not contractually committed and remains subject to the supporting entities' own financial obligations and liquidity requirements.

Established market position in Egypt, integrated operations, and cost advantage
TCI is the largest producer of PVC and chlor-alkali products in Egypt as well as in the MENA region. The company operates an integrated chemical manufacturing complex at Port Said, with installed capacities of 400 KTPA each for VCM and PVC, along with facilities for caustic soda, EDC, and calcium chloride.

The integrated manufacturing setup enables TCI to use chlorine generated during caustic soda production within the PVC manufacturing chain, supporting efficient chlorine utilisation, better operating control, and healthy capacity utilisation. TCI also benefits from competitive electricity costs in Egypt, which support the cost position of its power-intensive chlor-alkali operations.

TCI's Port Said location provides access to domestic and export markets, and facilitates the import of feedstock and export of finished products. Its export presence also provides diversification across markets and generates foreign currency inflows that partly offset the company's foreign currency requirements for feedstock imports and debt servicing. Healthy capacity utilisation through the recent PVC downcycle also demonstrates the operating resilience of the manufacturing platform despite pressure on product realisations and profitability.

The 13% anti-dumping duty on specified US-origin PVC imports provides some protection to domestic manufacturers in Egypt. In addition, China's withdrawal of the export VAT rebate on PVC products from April 1, 2026 may reduce the pricing advantage of Chinese exports. However, TCI remains exposed to lower-priced imports from markets not covered by Egyptian anti-dumping measures and volatility in global PVC prices.

Weaknesses
Highly leveraged financial risk profile and inadequate debt-service coverage
TCI's financial risk profile is weak, characterised by sizeable debt, negative net worth, sub-unity interest coverage, and inadequate internal cash generation. Total debt remained elevated at ~USD 763 million as of March 2026, while total debt-to-EBITDA was around 13.1x. Interest coverage remained weak at approximately 0.6x, indicating that operating earnings were insufficient to fully cover finance costs.

The elevated debt level reflects investments undertaken in the integrated manufacturing complex, development of an alternative ethanol-based feedstock facility and expansion of PVC capacity to address the earlier mismatch between VCM and PVC capacities. Regulatory and political disruptions delayed the expected benefits from these investments and constrained timely deleveraging.

The debt restructuring completed in 2021 extended TCI's repayment profile and reduced near-term debt-servicing pressure. Scheduled repayments have subsequently been made regularly, and debt has reduced through repayments and prepayments. However, the absolute debt level remains high, while accumulated losses continue to constrain the capital structure.

Although operating profitability improved in FY26, leverage remains elevated and interest coverage continues to be below 1x, indicating limited standalone debt-servicing capacity. The improvement in operating performance has, therefore, not yet translated into a meaningful strengthening of the company's financial risk profile.

Stretched liquidity and continuing dependence on external support

TCI's standalone liquidity is stretched. Working capital utilisation was around 95.6% as of May 2026, leaving limited undrawn bank-line headroom. In March 2026, the company met interest obligations of around USD 35 million through a combination of operating cash flows, customer advances, and a USD 17.1 million draw from its debt service reserve account (DSRA). The DSRA has subsequently been substantially replenished, but its utilisation underscores the limited cushion available from internal cash generation.

TCI also relies on customer advances and extended trade credit to support working capital requirements. The EDC procurement arrangement through Sanmar Shipping and Vibrant Trading reduces the immediate cash requirement for feedstock purchases but increases dependence on continued group-supported trade finance. Given weak standalone cash generation and sizeable debt-service requirements, timely availability of group support and working capital funding remains a key monitorable.

Exposure to PVC cyclicality and global oversupply

TCI's earnings are exposed to the inherent cyclicality of the PVC industry, with profitability driven by global demand-supply conditions, PVC realisations, and the PVC-EDC spread. PVC is the company's principal product and contributes a significant share of revenue, increasing sensitivity to a prolonged downturn in prices and spreads.

The global PVC market has remained under pressure since 2022, particularly following weakness in China's property and construction sectors. Surplus Chinese production was increasingly redirected to export markets, adding to global oversupply, and pressuring PVC prices. While China's withdrawal of the export VAT rebate on specified PVC products from April 2026 may reduce some of this pricing advantage, competitive pressure from global excess capacity remains.

TCI's margins are also sensitive to feedstock costs. Although EDC prices declined during the downturn, the reduction did not fully offset the fall in PVC realisations, while the relatively higher cost, captive ethanol-based EDC route further constrained spreads. Operating profitability improved in FY26, with EBITDA margin recovering to around 15.9% from 9.1% in FY25, supported by lower raw material costs and improved PVC-EDC spreads.

TCI is seeking to optimise its feedstock mix by increasing the use of competitively priced imported EDC and reducing reliance on the captive route. Over the medium term, feedstock security and costs could also benefit from the proposed arrangement with strategic low-cost suppliers for long-term EDC procurement.

Imported feedstock and foreign currency risks

TCI depends on imported EDC for a significant portion of its feedstock requirement, which exposes it to EDC-price volatility, international freight costs, trade-credit availability and supply chain disruptions.

A substantial portion of TCI's borrowings and feedstock purchases is denominated in US dollars. Export sales provide foreign currency inflows for feedstock imports and debt servicing, partially mitigating this exposure.

During Egypt's foreign exchange shortage, TCI increased exports to generate US-dollar liquidity. However, export PVC generally earns lower realisations than domestic sales, reducing blended realisations and profitability.

Liquidity

TCI's liquidity is stretched, as reflected in high working capital utilisation, limited cash buffers, and continued dependence on external liquidity arrangements. Working capital utilisation was about 95.6% as of May 2026, limiting the headroom to absorb volatility in operating cash flows and working capital requirements.

Liquidity is supported by customer advances and extended trade-credit arrangements for raw-material procurement. The EDC procurement arrangement through Sanmar Shipping and Vibrant Trading materially extends the payment period for feedstock purchases, reducing TCI's immediate working capital requirement and supporting continuity of operations. However, this also results in continued dependence on the availability of group-supported trade finance.

TCI utilised USD17.1 million from its DSRA in March 2026 towards scheduled debt servicing, with the reserve being subsequently replenished to a substantial extent. While scheduled debt obligations have been serviced on time, near-full utilisation of working capital limits, limited liquidity buffers, and sizeable debt-servicing requirements relative to internal cash generation continue to constrain TCI's liquidity profile.

Environmental, social, and governance (ESG) considerations

TCI operates in the environmentally sensitive chemical manufacturing sector and manages associated risks through closed-system handling of hazardous chemicals, emissions monitoring, waste-management controls, and zero liquid discharge operations. The company has also implemented energy-efficiency and process-optimisation initiatives.

Social considerations are supported by an ISO 45001-certified occupational health and safety management system covering employees and contractors. TCI also undertakes workforce development and community initiatives focused on education, employability, and healthcare in Port Said.

Governance considerations are supported by Board oversight and dedicated committees responsible for environment, health and safety, corporate social responsibility, and risk management. The company also maintains compliance monitoring, internal audit, and grievance management processes. Its sustainability report has been prepared in accordance with the GRI Universal Standards and has received limited assurance from an independent external assurance provider.

About the company

TCI is an Egypt-based chemical manufacturer acquired by the Sanmar Group in March 2007. The company operates an integrated chemical manufacturing complex at Port Said, Egypt, which produces PVC, VCM, EDC, caustic soda, and calcium chloride.

TCI has installed capacities of 400 KTPA each for PVC and VCM and is the largest producer of PVC and chlor-alkali products in Egypt as well as in the MENA region. The company serves its domestic market and exports across the MENA and Mediterranean regions.

About the group

The Sanmar Group, established in 1967, is a diversified business group with operations across chemicals, shipping, engineering, and metals in India and overseas markets. The group has over five decades of experience in the PVC and chlor-alkali businesses. Its principal operating entities include Chemplast Sanmar Limited, the group's listed Indian chemicals platform, and Sanmar Shipping Limited, which operates across shipping and chemical trading.

TCI is held through the group's overseas ownership chain, with Sanmar Overseas Investments AG holding ~89% in the company and Indian bank lenders holding the remaining ~11% following the 2021 restructuring. TCI serves as the Sanmar Group's principal overseas chlor-vinyl manufacturing platform.

Egypt - operating environment

Egypt is a large and diversified economy in North Africa, supported by its strategic location, sizeable domestic market, and important role in global trade through the Suez Canal. The economy is driven by a broad mix of manufacturing, services, tourism, construction, and hydrocarbons. In recent years, the government has also pursued structural reforms and investment initiatives aimed at improving private sector participation, attracting foreign investment, and strengthening external resilience.

Egypt's macroeconomic conditions have improved following the shift to a more flexible exchange rate regime and stronger foreign currency inflows, which have supported reserve adequacy and eased earlier foreign exchange shortage. However, the operating environment remains constrained by high government debt and debt-servicing requirements, elevated inflation, and vulnerability to external financing and geopolitical shocks. Continued implementation of economic reforms, improvement in foreign exchange availability, and sustained capital inflows will remain important for maintaining macroeconomic stability.

Key summary financial metrics (TCI Sanmar Chemicals S.A.E.)

Particulars	Unit	March 31, 2024	March 31, 2025	March 31, 2026
Total operating income	USD Mn	450	390	367
EBITDA	USD Mn	62	35	58
PAT	USD Mn	-142	-132	-98
Total debt	USD Mn	747	794	763
Interest cover	Times	0.7	0.4	0.6

Solicitation status

The rating is solicited. The management has provided information to and held meetings with the CareEdge Global analytical team for the rating.

Details of instruments

Instrument	ISIN	Date of issuance	Maturity date	Issue size	Rating
Bank loan facilities	NA	NA	NA	USD 611.5 Mn	CareEdge B-/Stable
Non-convertible debentures	NA	NA	NA	USD 117.2 Mn	CareEdge B-/Stable

Rating history

Instrument	Type	Rating	Date
Bank loan facilities	Long-Term Foreign Currency	CareEdge B-/Stable	September 07, 2026
Non-convertible debentures	Long-Term Foreign Currency	CareEdge B-/Stable	September 07, 2026

Criteria applied
[CareEdge Global's criteria on Corporate Sector Rating Methodology]
[CareEdge Global's criteria on Group Rating Methodology]
[CareEdge Global's criteria on Transfer and Convertibility Methodology]

Analytical contacts
Ankit Kedia
ankit.kedia@careedgeglobal.com

Sanchit Arora
sanchit.arora@careedgeglobal.com

Neha Maheshwari
neha.maheshwari@careedgeglobal.com

Relationship contact
Aakash Jain
aakash.jain@careedgeglobal.com

Media contact
Mradul Mishra
mradul.mishra@careedge.in

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CareEdge Global IFSC Limited
501, FlexOne, GIFT SEZ, Block 15, Gandhinagar, Gujarat – 382050, India. Phone: +91-79-6519 0701 l www.careedgeglobal.com
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