

**IVP LIMITED****Regd. Office :**Shashikant N. Redij Marg,
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CIN : L74999MH1929PLC001503

Ref: IVPSEC/SE/158/08/2024-25

August 12, 2024

BSE Limited Phiroze Jeejeebhoy Towers Dalal Street Mumbai- 400 001 Security Code: 507580	National Stock Exchange of India Limited 'Exchange Plaza', C - 1, Block G, Bandra- Kurla Complex, Bandra (E), Mumbai – 400 051 Stock Symbol: IVP
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Subject: Intimation of Affirmation in Credit Ratings

Dear Sir/Madam,

Pursuant to Regulation 30 of Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 read with Para A of Part A of Schedule III of the said Regulations, please note that India Ratings & Research Private Limited ('India Ratings & Research') - the credit rating agency, has vide its letter dated August 12, 2024 (enclosed for your reference), has informed us the following Affirmation in Credit Ratings of IVP Limited ('the Company'):

- For Long-term/Short-term bank facilities at 'IND BBB+/Stable/IND A2' for Rs. 1,490 million (decreased from Rs. 1,740 million) limit of Fund-based working capital limits of the Company.
- For Short-term bank facilities at 'IND A2' for Rs. 1080 million (Previously Rs. 1,080 million) limit of Non-Fund based working capital limits of the Company.

We request you to take on record the aforesaid affirmation in Credit Ratings of the Company.

Thanking You,

Yours faithfully,

For **IVP Limited****Jay R Mehta**
Company Secretary

Encl. as above

India Ratings Affirms IVP's Bank Facilities at 'IND BBB+'/Stable

Aug 12, 2024 | Specialty Chemicals

India Ratings and Research (Ind-Ra) has affirmed IVP Limited's (IVP) bank facilities' ratings as follows:

Details of Instruments

Instrument Type	Date of Issuance	Coupon Rate	Maturity Date	Size of Issue (million)	Rating assigned along with Outlook/Watch	Rating Action
Fund-based working capital limits	-	-	-	INR1,490 (reduced from INR1,740)	IND BBB+/Stable/IND A2	Affirmed
Non-fund-based working capital limits	-	-	-	INR1,080	IND A2	Affirmed

Analytical Approach

To arrive at the ratings, Ind-Ra continues to factor in the availability of financial and management support to IVP from its parent, Allana Group (71.32% stake in IVP), as and when required.

Detailed Rationale of the Rating Action

The affirmation reflects the continued comfortable credit metrics in FY24 despite deterioration in scale of operations, and sustained support from the parent. However, ratings are constrained by commodity price risk and forex risk.

List of Key Rating Drivers

Strengths

- Comfortable credit metrics
- Continued support from parent

Weaknesses

- Medium scale of operations; decline in revenue in FY24:
- Modest EBITDA margins
- Commodity price risk; forex risk

Detailed Description of Key Rating Drivers

Comfortable Credit Metrics: Despite reduced debt levels, IVP's credit metrics moderated slightly in FY24 owing to a decline in absolute EBITDA levels to INR278.40 million (FY23: INR396.50 million). The net leverage (net debt/ EBITDA) was 3.14x in FY24 (FY23: 3.00x), and the interest coverage ratio (EBITDA/gross interest expense) was 3.20x (3.24x). The gross debt levels, consisting of working capital debt as well as inter-corporate deposits (ICDs) from parent, decreased to INR893.20 million at FYE24 (FYE23: INR1,196.40 million). Ind-Ra expects the credit metrics to remain comfortable but

deteriorate further over the near-to-medium term, primarily because of a slight decline in the EBITDA due to higher input costs.

Continued Support from Parent: The Allana group and its promoters held a 71.32% stake in the company at FYE24 (FYE23: 71.32%). Historically, the group has supported IVP through timely infusions of ICDs, which have been used for meeting working capital requirements. The outstanding ICDs amounted to a total of INR477 million at FYE24 (FYE23: INR527 million). The interest rate on the ICDs reduced to 7.25% per annum from November 2023 from 7.50% per annum earlier. Furthermore, the company made a repayment of INR50 million on the ICDs in FY24 from its cash flow from operations.

Medium Scale of Operations; Decline in Revenue in FY24: The revenue from operations fell by 17.38% yoy during FY24 to INR5,461 million due to lower realisation per kg, resulting from lower demand and intense competition, and volatility in raw material prices. In the foundry chemicals business, the sharp slowdown in tractor and commercial vehicle sales offset the demand growth from other industry sectors. For the footwear segment, while shoes and sandals witnessed an increase in volumes, demand for PU chemicals, which are used in the manufacturing of the same, did not rise as manufacturers have been focussing on reducing the weight of footwear in line with customer demands. The agency expects the scale of operations to improve as the demand picks up over the near-to-medium term.

Modest EBITDA Margins: Ind-Ra expects the company's operating EBITDA margins to decline over the medium term, amid raw material price volatility, while remaining range-bound between 5%-6%. IVP's EBITDA margins fell to 5.10% in FY24 (FY23: 6%) due to the drop in realisations. The ROCE deteriorated to 9.8% during FY24 (FY23: 14.2%).

Commodity Price Risk; Forex Risk: IVP's margins are exposed to volatility in prices of raw material, which are linked to crude oil, owing to intense competition and volatile geopolitical situations. There have been significant fluctuations in raw material prices in the past and the overall realisations of end-products are market driven. While the company has been able to pass on the rise in input costs to its customers, it does so with a time lag. Furthermore, the company imports 50%-55% of its raw material requirements. While IVP hedges forex risks through forward contracts, it faces commodity price risk, due to the nature of the business.

Liquidity

Adequate: IVP's average combined average peak utilisation of the fund-based limits utilisation was 70.44% and the average utilisation of the non-fund based limits was 36.80% during the 12 months ended May 2024. The agency expects the utilisation to have remained at similar levels during June and July 2024. Furthermore, the ICDs from its group companies, which are repayable on demand, stood at INR477 million at FYE24 (FY23: INR527 million). The company's cash flow from operations improved to INR367.40 million during FY24 (FY23: INR284.60 million) owing to favourable changes in working capital. As per the management, the company offers long credit periods to its customers in line with the industry norms, leading to an elongated receivable cycle of about 120-140 days; Ind-Ra, therefore, expects IVP's receivable cycle to remain elongated over the medium term. In FY24, proposed dividend is INR10.3 million (FY23: INR15.5 million). The agency expects cash flow from operations to decline in FY25, primarily due to incremental funds being locked in the working capital, due to the long credit periods being extended to its customers, and the scaling up of its operations.

IVP had a large aggregate contingent liability of INR858.70 million at FYE24 (FYE23: INR811.70 million), on account of legal matters related to rentals being paid to the Mumbai Port Trust. The company believes that the demand arising from the matters are without any merit, and does not expect the liabilities to materialise in the near term, and accordingly, has not created any liquidity provisioning. However, Ind-Ra derives comfort from the liquidity support available to the company from its parent, the Allana group.

Rating Sensitivities

Positive: A substantial increase in the scale of operations while maintaining the profitability, leading to an improved liquidity profile and the interest coverage remaining above 3.0x, both on a sustained basis, could lead to a positive rating action.

Negative: A deterioration in the operating performance or weakening of the liquidity profile and credit metrics, with the interest coverage declining below 2.5x, or weakening of linkages with the parent could lead to a negative rating action.

About the Company

Established in 1929, IVP manufactures foundry chemicals and PU chemicals. It is a listed company and is promoted by the Allana group, which held 71.32% stake in the company at FYE23. T. K. Gowrishankar is the chairman of the board. The company has two manufacturing plants, one each in Tarapur and Bengaluru, with a combined installed capacity of 50,000 metric tonnes per annum.

Key Financials Indicators

Particulars	FY24	FY23
Revenue (INR million)	5,461.00	6,609.50
EBITDAR (INR million)	278.40	396.50
EBITDAR margin (%)	5.10	6.00
Gross interest coverage (x)	3.20	3.24
Net leverage (x)	3.14	3.00
Source: IVPL; Ind-Ra		

Status of Non-Cooperation with previous rating agency

Not applicable

Rating History

Instrument Type	Rating Type	Rated Limits (million)	Current Ratings/Outlook	Historical Rating/Outlook			
				22 September 2023	27 July 2023	4 August 2022	20 September 2021
Issuer rating	Long-term	-	-	WD	IND BBB+/Stable	IND BBB /Stable	IND BBB-/Stable
Fund-based working capital limit	Long-term/Short-term	INR1,490	IND BBB+/Stable/IND A2	-	IND BBB+/Stable/IND A2	IND BBB/Stable / IND A3+	IND BBB-/Stable / IND A3
Non-fund-based working capital limit	Short-term	INR1,080	IND A2	-	IND A2	IND A3+	IND A3

Bank wise Facilities Details

Click here to see the details

Complexity Level of the Instruments

Instrument Type	Complexity Indicator
Fund based limits	Low
Non-fund-based capital limits	Low

For details on the complexity level of the instruments, please visit <https://www.indiaratings.co.in/complexity-indicators>.

Contact

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About India Ratings and Research: India Ratings and Research (Ind-Ra) is committed to providing India's credit markets accurate, timely and prospective credit opinions. Built on a foundation of independent thinking, rigorous analytics, and an open and balanced approach towards credit research, Ind-Ra has grown rapidly during the past decade, gaining significant market presence in India's fixed income market.

Ind-Ra currently maintains coverage of corporate issuers, financial institutions (including banks and insurance companies), finance and leasing companies, managed funds, urban local bodies and project finance companies.

Headquartered in Mumbai, Ind-Ra has seven branch offices located in Ahmedabad, Bengaluru, Chennai, Delhi, Hyderabad, Kolkata and Pune. Ind-Ra is recognised by the Securities and Exchange Board of India, the Reserve Bank of India and National Housing Bank.

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APPLICABLE CRITERIA

Evaluating Corporate Governance

Short-Term Ratings Criteria for Non-Financial Corporates

Corporate Rating Methodology

The Rating Process

DETAILED FINANCIAL SUMMARY

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