

## IVP LIMITED

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CIN : L 74999MH1929PLC001503

IVPSEC/Compliance/236/11/2019-20

23<sup>rd</sup> November, 2019

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

Dear Sir,

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 to the said Regulations, we wish to inform you that India Ratings & Research Private Limited ('India Ratings & Research') - the credit rating agency has vide its letter dated 22<sup>nd</sup> November, 2019 (Enclosed for your reference), has informed us the following revision in Credit Ratings of IVP Limited ('the Company'):

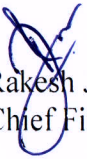
- India Ratings & Research has revised the Credit Rating of Long-term/Short-term bank facilities from 'IND BBB-/Stable/IND A3' to 'IND BBB-/Negative/IND A3' for Rs. 1190 million limit of Fund-Based Facilities of the Company.
- India Ratings & Research has reaffirmed the Credit Rating of IND A3 (Short-term bank facilities) for Rs. 500 million limit of Non-Fund Based Facilities of the Company.

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

Thanking You,

Yours faithfully,

For IVP Limited

  
Rakesh Joshi  
Chief Financial Officer

Encl. as above

## India Ratings Revises IVP's Outlook to Negative; Affirms 'IND BBB-'

22

By **Manish Basawante**

NOV 2019

India Ratings and Research (Ind-Ra) has revised IVP Limited's (IVP) Outlook to Negative from Stable while affirming its Long-Term Issuer Rating at 'IND BBB-'. The instrument-wise rating actions are as follows:

Instrument Type	Date of Issuance	Coupon Rate (%)	Maturity Date	Size of Issue (million)	Rating/Outlook	Rating Action
Fund-based working capital limits	-	-	-	INR1,190	IND BBB-/ Negative/ IND A3	Affirmed; Outlook revised to Negative from Stable
Non-fund-based working capital limits	-	-	-	INR500	IND A3	Affirmed

### KEY RATING DRIVERS

**Negative Outlook:** The Negative Outlook reflects likely deterioration in IVP's FY20 operational performance owing to weak demand outlook in domestic market; sharp deterioration in its 1HFY20 operational performance; weak demand outlook for foundry chemicals and delay in pick-up of polyurethanes division sales. The company reported 17% decline in 1HFY20 revenue to INR1,230.1 million (1HFY19: INR1,484 million) on overall slowdown in domestic economy. Foundry chemicals sales are mainly affected by automobile slowdown while polyurethanes (PU) sales were affected due to slowdown in domestic footwear demand. Consequently, profitability was also impacted wherein EBITDA margin declined to 0.6% in 1HFY20 (1HFY19: 3.7%) due to weaker realisations.

**Allana Group Support:** Incorporated in 1929, IVP was originally promoted by the Tata Group. It was acquired by the Allana Group in 1983. The Allana Group holds a 70% shareholding in IVP and provides frozen and chilled meat, aseptic and frozen fruit, vegetable products, coffee and spices. IVP is run by a professional management. In the past, the Allana Group's entities have supported IVP through intercorporate deposits. Its noteworthy that about 35% of the company's interest outgo in 1HFY20 and about 44% of the outstanding debt at September 2019 was towards the intercorporate deposits (ICDs) from Allana Group companies. IVP is a relatively small company compared with group entities. IVP derives inherent support from the group, which is likely to continue, if required.

**Change in Business Model:** IVP has five decades of vintage and established presence in the foundry chemicals business. In FY18, IVP diversified into the polyurethanes (PU) business. In FY16, the company inducted a new senior management team, including current CEO Mr Mandar Joshi, with expertise in the chemical industry. The CEO has experience in the PU business.

**Liquidity Indicator- Adequate:** IVP's working capital borrowing use was 64% of the limits in the 12 months ended September 2019, although the utilisation of working capital is more than 95% of the drawing power over past six months. The fund-based working capital limits were at INR1,190 million by September-end 2019.

In 1HFY20, despite reporting cash losses, IVP's cash flow from operations (CFO) was positive over 1HFY19 due to reduction in working capital requirements backed by recovery of receivables. The company does not have any term loans and capital expenditure plan was completed in FY19. Working capital is adequately funded through additional sanction of fund-based limits from multiple banks. While Ind-Ra expects cash flows to remain impacted due to poor profitability, no major incremental requirement of working capital and capital expenditure may provide some cushion to the cash flows. The company has working capital limits from four bankers with competitive interest rates and its liquidity is supported by ICDs from Allana Group at lower interest rates.

**Weak Credit Metrics:** IVP's net leverage (net debt/EBITDA) deteriorated to 14.9x in FY19 (FY18: 3.5x; FY17: 0.6x) owing to a capex funded by ICDs from Allana Group companies and an increase in working capital loans from banks. Over FY16-FY19, IVP incurred a capex of INR812 million on the refurbishment of foundry chemicals plants (INR368 million); an investment in the PU business (INR268 million) and others. The capex was funded through internal accruals (INR225 million) and ICDs (INR587 million). IVP does not have any external long-term debt. Net leverage, excluding intercorporate deposits, was 9.0x in FY19. IVP's interest coverage (EBITDAR/interest+rent) deteriorated to 1.1x in FY19 (FY18: 6.4x) on account of an increase in interest cost and decrease in the profitability margin. The interest coverage further deteriorated to 0.1x in 1HFY20 due to poor profitability. The cash flows are supported by working capital funding from banks.

Ind-Ra expects the credit metrics to remain impacted in FY20 in view of delay in pick-up in capacity utilisation of the PU business and weak domestic demand outlook for foundry chemicals.

**Commodity Price Risk:** Prices of raw materials used by IVP are linked to crude oil. IVP has not been able to pass on the raw material price increase to end customers due to significant fluctuations in the prices of raw materials and the time difference between the actual purchase of raw materials and the sale of finished goods. IVP's margins are susceptible to the raw material price risk.

**Elongated Working Capital Cycle:** The net working capital cycle of IVP increased to 151 days in FY19 (FY18: 145 days; FY17: 112 days), due to a rise in

receivables, which were funded through fund-based limits, driven by the change in the business model. The use of working capital limits by IVP increased to INR835 million in FY19 (FY18: INR519 million; FY17: INR40 million). Furthermore, the company's reliance on fund-based working capital will increase to support revenue growth.

## RATING SENSITIVITIES

**Positive:** A ramp-up in the operations of the PU business, along with an improvement in the profitability and the interest coverage rising above 2.0x, both on a sustained basis, could lead to a positive rating action.

**Negative:** Inability to further improve operational performance, leading to weaker credit metrics, with the interest cover reducing below 1.5x, on a sustained basis, could lead to a negative rating action.

## COMPANY PROFILE

Established in 1929, IVP is a listed company that manufactures foundry chemicals and PUs at two sites in Tarapur and Bengaluru.

### FINANCIAL SUMMARY

Particulars	FY19	FY18
Revenue (INR million)	3,199	2,701
EBITDA (INR million)	94	209
EBITDA margin (%)	2.9	7.7
Interest coverage (x)	1.1	6.4
Net leverage (x)	14.9	3.5
Source: IVP, Ind-Ra		

## RATING HISTORY

Instrument Type	Current Rating/Outlook			Historical Rating/Outlook
	Rating Type	Rated Limits (million)	Rating	22 May 2019
Issuer rating	Long-term	-	IND BBB-/Negative	IND BBB-/Stable
Fund-based working capital limits	Long-term/short-term	INR1,190	IND BBB-/Negative/IND A3	IND BBB-/Stable/IND A3
Non-fund-based working capital limits	Short-term	INR500	IND A3	IND A3

## SOLICITATION DISCLOSURES

Additional information is available at [www.indiaratings.co.in](http://www.indiaratings.co.in). The ratings above were solicited by, or on behalf of, the issuer, and therefore, India Ratings has been compensated for the provision of the ratings.

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## ABOUT INDIA RATINGS AND RESEARCH

**About India Ratings and Research:** India Ratings and Research (Ind-Ra) is India's most respected credit rating agency 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

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India Ratings is a 100% owned subsidiary of the Fitch Group.

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## Applicable Criteria

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[Corporate Rating Methodology](#)

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## Analyst Names

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