INDIA GLYCOLS LIMITED

SYSTEM CERTIFICATION
DNV GL
ISO 9001
ISO 14001; ISO 45001;
ISO 50001

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1st October, 2021

The Manager (Listing)	**The Manager (Listing)**
BSE Limited	**National Stock Exchange of India Limited**
1st Floor, New Trading Ring,	**Exchange Plaza, C-1, Block G,**
Rotunda Building, P.J. Towers,	**Bandra Kurla Complex,**
Dalal Street,	**Bandra (East),**
Mumbai- 400 001	**Mumbai – 400 051**
Scrip Code: 500201	**Symbol: INDIAGLYCO**

Dear Sirs,

Sub: Disclosure under Regulation 30 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 ("SEBI Listing Regulations") - Credit Rating

Re: India Ratings & Research upgrades Long-term Issuer Ratings of the Company

Pursuant to Regulation 30 of the SEBI Listing Regulations, we wish to inform you that India Ratings & Research ("Ind-Ra"), credit rating Agency, has **upgraded Company's Long-term Issuer Ratings to 'IND A/Stable' from 'IND A-/Stable' while resolving the Rating Watch Positive (RWP).** The instrument-wise ratings are as follows:

Instrument Type	Amount (in Rs. Crores)	Rating/Outlook	Rating Action
Term Loan	399.05	IND A/Stable	Upgraded; Off RWP
Fund-based limit	280.00	IND A/Stable/IND A1	Upgraded; Off RWP
Non-fund-based limit	959.06	IND A/Stable/IND A1	Upgraded; Off RWP

The release as issued by Ind-Ra dated 30th September, 2021 is enclosed.

We request you to take the above information on record.

Thanking you,

Yours truly,
For **India Glycols Limited**

ankur jain
Digitally signed by ankur jain
Date: 2021.10.01 16:01:21 +05'30'

Ankur Jain
Head (Legal) & Company Secretary

Encl: A/a

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CIN : L24111UR1983PLC009097

India Ratings & Research

A Fitch Group Company

India Ratings Upgrades India Glycols to 'IND A'/Stable; Off RWP

30

SEP 2021

By Aravind B

India Ratings and Research (Ind-Ra) has upgraded India Glycols Limited's (IGL) Long-Term Issuer Rating to 'IND A' from 'IND A-' while resolving the Rating Watch Positive (RWP). The Outlook is Stable. The instrument-wise rating actions are given below:

Instrument Type	Date of Issuance	Coupon Rate (%)	Maturity Date	Size of Issue (million)	Rating/Outlook	Rating Action
Term loan	-	-	January 2022-March 2028	INR3,990.5 (reduced from INR6,524.3)	IND A/Stable	Upgraded; Off RWP
Fund-based limit	-	-	-	INR2,800 (reduced from INR4,150)	IND A/Stable/IND A1	Upgraded; Off RWP
Non-fund-based limit	-	-	-	INR9,590.6 (reduced from INR11,533.45)	IND A/Stable/IND A1	Upgraded; Off RWP

The upgrade and RWP resolution follows the completion of IGL's stake divestment in June 2021, its resultant improvement in the company's liquidity and credit profile.

KEY RATING DRIVERS

Divestment-led Debt Reduction and Improved Liquidity: The company divested 51% of its stake through the issuance of subscription share in its previously wholly-owned subsidiary Clariant IGL Specialty Chemicals Private Limited (CISCPT) to Switzerland-based Clariant International Limited (Clariant), which resulted in CISCPT becoming a joint venture (JV) in the ratio of 51:49. As per the JV agreement, IGL has transferred its bio-ethylene oxide derivatives (bio-EOD) business, to CISCPT and Clariant has infused INR5.88 billion in CISCPT as a consideration for the same. Out of the total consideration received, CISCPT has paid INR4.51 billion to IGL upfront and the balance is held in the CISCPT as an 10% interest-bearing shareholders loan, which will be repayable to IGL in three years.

The proceeds from the divestment have been used to deleverage the balance sheet (INR1.66 billion for term loan pre-payment and the balance towards reduction in working capital limits), reducing the debt to around INR9 billion at end-August 2021 (FY21: INR13.4 billion; FY20: INR12.86 billion). Along with debt reduction, the divestment has also boosted IGL's liquidity profile, providing a buffer of around INR1 billion, while the utilisation of its fund-based working capital moderated to around 75% in July and August 2021 (as against 93% during the last 12 months ended June 2021).

Limited Impact of Divestment on Profits: The bio-EOD business's contribution to overall revenue and EBITDA declined 22.7% yoy and 25%, respectively, in FY21 to INR6.67 billion and INR889.6 million owing to COVID-19 led operational disruptions..

As per the terms of JV agreement, IGL has entered into a long-term raw material supply agreement with CISCPT for ethylene oxide made from bio-ethanol. According to the management, apart from the mark-up on the supply, an inflow of around INR600 million is expected in the next three years; the amount will be paid towards the interest on the shareholder's loan and the balance towards the repayment of the loan, post which IGL will be entitled to its share of profits in the JV. Ind-Ra believes that these income streams coupled with interest savings from debt pre-payment will largely mitigate the loss of profit from the business transfer.

Credit Metrics to Improve: With a significant reduction in debt; recovery in demand in chemical segments and the limited impact of divestment on profits on account of income streams from the JV, Ind-Ra expects IGL's credit metrics to improve over the near-term, despite the company's ongoing capex of around INR3.2 billion over FY22-FY23 to set up two grain-based distilleries.

During FY21, IGL's net leverage (including discontinued operations) increased to 3.9x (FY20: 3.3x) due to a decline in the overall EBITDA to INR3.5 billion (INR3.9 billion). Ind-Ra expects the company's net leverage (total adjusted net debt/operating EBITDAR) to moderate to around 3x in FY22 and improve to around 2x in FY23 owing to increased EBITDA generation from the distilleries.

The company's interest coverage (operating EBITDA/gross interest expense) improved slightly to 3x in FY21 (FY20: 2.8x) and further to 3.2x in 1QFY22 due to lower interest costs. Ind-Ra expects the same to improve in FY22 owing to the reduction in debt. Apart from the aforementioned capex and the maintenance and de-bottlenecking capex at around INR500 million per annum, , the management does not estimate any major capex.

Foray into Ethanol Segment to Drive Growth: IGL is foraying into grain-based ethanol by installing two grain-based distilleries of 180 kilo litres per day and 110 kilo litres per day in Kashipur (Uttarakhand) and Gorakhpur (Uttar Pradesh) at a cost of INR3.1 billion- 3.2 billion; the management expects the same to be completed September 2022 and March 2022, respectively, and to be funded through a debt of INR2.23 billion and the balance from internal accruals. The company has tied up loans for INR950 million and is in the advanced stages of tying-up the balance INR1,280 million.

As per the government's ethanol incentivisation schemes, the company's loans would be eligible for 50% interest subvention if it supplies at least 75% of ethanol produced from the added distillation capacity to oil marketing companies for the blending with petrol. The balance produce could also be used captively, based on the profitability. Ind-Ra believes that there exists robust demand potential for the ethanol produced by IGL with the government's target to achieve 20% ethanol blending by 2025 (from current levels of 7%-7.5%). According to the management, the distilleries' capex has a revenue potential of INR5 billion-6 billion with robust EBITDA margins of over 20%.

Liquidity Indicator- Adequate: IGL's cash flow from operations (computed as per Ind-Ra's Corporate Rating Methodology criteria) was positive over FY17-FY21 (FY21: INR0.7 billion; FY20: INR2.1 billion); the fall in FY21 was mainly due to adjustments arising from the reclassification of bio-EOD business to discontinued operations. The company incurred about INR1.5 billion of capex during FY21 towards its nutraceutical and liquor business. According to the management, the distillery capex is expected to be funded through a term debt of INR2.23 billion and the balance from internal accruals.

With the divestment proceeds, IGL has prepaid some its high-cost term debt also and refinanced a few others in addition to reduction in interest rates for fund-based limits. The average month-end utilisation of IGL's fund-based working capital limits was about 82% and non-fund-based limits utilisation was 90% during the 12 months ended August 2021. Ind-Ra expects the scheduled repayments of around INR1.8 billion each in FY22 and FY23 to be met via accruals including cash flows from IGCPL.

Robust Market Position in Alcohol: IGL is the largest country liquor supplier in Uttar Pradesh with a market share of about 26% (as of FY21 & FY20) of the total country liquor supplies of the state, according to the management. IGL's liquor volumes grew 8% to 176.3 million litres in FY21 and the division contributed to around 44% of the total EBITDA (36%). The Uttar Pradesh government's policy of reservation of 18% molasses for liquor manufacturing SS2020-21 onwards (SS2019-20: 16%) provides raw material security for IGL's liquor business.

The management expects robust growth in the alcohol segment with the stabilisation of its new boiler to increase the capacity to 2.5 million cases per month (mcpm) -2.8 mcpm in 4QFY22 (FY21: 1.9mcpm -2.2 mcpm per month; and new product launches such as whisky, rum, vodka in Indian made foreign liquor (IMFL) segment. Though currently small, the IMFL segment has reported 71% yoy growth to INR1,092 million in FY21 with the extension of its country liquor brand to the IMFL segment. However, Ind-Ra believes that increasing reliance on the liquor segment exposes IGL to regulatory risks arising from change in policies, particularly in UP, which accounts for a major portion of the company's liquor revenue.

Diversified Business Profile: IGL has a diversified product mix, comprising industrial chemicals (FY21: 56% of net revenue; FY20: 54% of net revenue; includes monoethylene glycol (MEG, 12%) & ethylene oxide derivatives (EOD: 31%), liquor (21.5%) and nutraceuticals (5.1%). The other segments, namely power alcohol, guar gum, industrial gases segment contributed to the balance revenues. Though the revenue from chemical segment declined 20.7% yoy in FY21, the same was partially offset by 13% yoy growth from liquor segment, limiting the overall decline to 15% to INR29.5 billion (including discontinued operations; FY20: INR34.7 billion) . While the divestment of the bio-EOD business has reduced IGL's diversification and scale, Ind-Ra expects the ethanol business to adequately compensate for the same. Ind-Ra expects IGL to register a revenue growth of 10%-15% during FY22 on the back of increasing revenue from liquor division and a rebound of chemicals division with the resumption of industrial activity worldwide. During 1QFY22, IGL recorded 9.3% quarter-on-quarter decline in revenue to INR8,646 million.

Susceptibility to Volatility in Spreads: IGL's EBITDA margins improved slightly to 11.76% in FY21 (FY20: 11.26%) mainly on account of increased EBITDA contribution at 44% (including other income; 35%) from the higher-margin liquor division. IGL's, margins remained volatile between 10%and 13% over FY17-FY21 due to fluctuations in raw material prices.

IGL's chemical segment profitability, barring cost-plus export sales, remains susceptible to volatility in the spread between MEG and IGL's raw material ethyl alcohol since the two do not move in tandem. While the prices of imported ethanol (about 93% of ethanol requirement) increased in FY21, the MEG realisations also increased due to higher proportion of exports; this has helped contain the decline in EBITDA margins to 9.80% in FY21 (FY20: 10.3%) in the chemical segment.

The EBITDA margins from liquor division remained stable at around 26% in FY21 (27%). , However owing to higher molasses prices , the EBITDA declined to 16% in 1QFY22 (FY21: 26%), resulting in a fall in overall margins to 8.9% (4QFY21: 11%). The EBITDA margins of the nutraceutical segment also remains susceptible to volatility in raw material prices and the segment has registered an improvement in margins to 38% in FY21 (FY20: 32%; including other income). In FY22, Ind-Ra expects, IGL's margin to remain rangebound and expects to improve further with the commencement of grain distilleries.

RATING SENSITIVITIES

Positive: The timely completion of the capex without significant time/cost overrun, continued improvement in operating profitability and liquidity position leading to the net leverage reducing below 2.0x on a sustained basis, would result in a positive rating action.

Negative: A significant time/cost overrun in the completion of the capex, any further unexpected debt-led capex, deterioration in operating profitability and liquidity position leading to the net leverage sustaining above 3.0x beyond FY22, on a sustained basis, could lead to a negative rating action.

COMPANY PROFILE

IGL manufactures green technology-based bulk, specialty and performance chemicals, natural gums, spirits, industrial gases and nutraceuticals. Its product offerings include glycols, glycol ethers and acetates, and various performance chemicals. The company is listed on BSE Ltd and National Stock Exchange of India Limited.

FINANCIAL SUMMARY

Particulars	FY21	FY21 (Continuing operations)	FY20

Revenue (INR billion)	29.5	22.8	34.7
EBITDA (INR billion)	3.5	2.6	3.9
EBITDA margin (%)	11.8	11.3	11.3
Gross interest coverage (x)	3.0	3.4	2.8
Net leverage (x)	3.9	3.9	3.3
Source: IGL, Ind-Ra			

RATING HISTORY

Instrument Type	Current Rating/Outlook			Historical Rating/Outlook/Rating Watch						
	Rating Type	Rated Limits (million)	Rating	22 March 2021	11 January 2021	15 October 2019	15 May 2019	18 January 2019	22 November 2018	16 August 2018
Issuer rating	Long-term	-	IND A/Stable	IND A-/RWP	IND A-/Stable	IND A-/Stable	IND A-/Stable	IND A-/Stable	IND A-/Stable	IND A-/Stable
Term loans	Long-term	INR3,990.5	IND A/Stable	IND A-/RWP	IND A-/Stable	IND A-/Stable	IND A-/Stable	IND A-/Stable	IND A-/Stable	IND A-/Stable
Fund-based limits	Long-term/Short-term	INR2,800	IND A/Stable/IND A1	IND A-/RWP/IND A2+/RWP	IND A-/Stable/IND A2+	IND A-/Stable/IND A2+	IND A-/Stable/IND A2+	IND A-/Stable/IND A2+	IND A-/Stable/IND A2+	IND A-/Stable/IND A2+
Non-fund-based limits	Long-term/Short-term	INR9,590.6	IND A/Stable/IND A1	IND A-/RWP/IND A2+/RWP	IND A-/Stable/IND A2+	IND A-/Stable/IND A2+	IND A2+	IND A2+	IND A2+	IND A2+

BANK WISE FACILITIES DETAILS

Click here to see the details

COMPLEXITY LEVEL OF INSTRUMENTS

Instrument Type	Complexity Indicator
Term loan	Low
Fund-based limits	Low
Non-fund-based limits	Low

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

SOLICITATION DISCLOSURES

Additional information is available at 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 recognised by the Securities and Exchange Board of India, the Reserve Bank of India and National Housing Bank.

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

For more information, visit www.indiaratings.co.in.

DISCLAIMER

Applicable Criteria

Corporate Rating Methodology
Short-Term Ratings Criteria for Non-Financial Corporates

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