6th March, 2024

The Manager (Listing)
BSE Limited
1st Floor, New Trading Ring,
Rotunda Building, P.J. Towers,
Dalal Street,
Mumbai- 400 001

Scrip Code: 500201

The Manager (Listing)
National Stock Exchange of India Limited
Exchange Plaza, C-1, Block G,
Bandra Kurla Complex,
Bandra (East)
Mumbai – 400 051

Symbol: INDIAGLYCO

Dear Sirs,

Sub: Disclosure under Regulation 30 of Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 ("SEBI Listing Regulations") – Revision in Credit Rating.

Pursuant to Regulation 30 of the SEBI Listing Regulations, we wish to inform you that CARE Ratings Limited ("CARE"), credit rating Agency, has revised ratings to the long-term and short-term bank loan facilities of the Company, the instrument-wise details whereof are as follows:

Name of the Instrument	Amount (in Rs. Crores)	Rating Assigned along with Rating Outlook	Rating Action
Fund-based - LT-Bank Guarantee	113.41	CARE A-; Stable	Revised from CARE A; Stable
Fund-based - LT-Cash Credit	350.00	CARE A-; Stable	Revised from CARE A; Stable
Fund-based - LT-Term Loan	846.51	CARE A-; Stable	Revised from CARE A; Stable
Non-fund-based - ST-BG/LC	850.00	CARE A2+	Revised from CARE A1

Rating Rationale: As per CARE, the rating revision is largely due to higher-than-envisaged debt-funded capital expenditure (capex) undertaken by the Company over the last 12 months, which is expected to continue at-least till next fiscal year (mainly on account of enhancement of grain based distillery capacities and establishment of New Specialty Unit). However, the total debt to PBILDT is estimated to improve in FY 24 and further in FY 25.

The release as issued by CARE dated 5th March, 2024 is enclosed.

This is for your information and record.

Thanking you,

Yours truly,
For **India Glycols Limited**

ANKUR JAIN

Digitally signed by ANKUR JAIN
Date: 2024.03.06 16:22:59 +05'30'

Ankur Jain
Head (Legal) & Company Secretary
Encl: As above

India Glycols Limited

March 5, 2024

Facilities/Instruments	Amount (₹ crore)	Rating[1]	Rating Action
Long Term Bank Facilities	1,309.92 (Enhanced from 1,259.92)	CARE A-; Stable	Revised from CARE A; Stable
Short Term Bank Facilities	850.00	CARE A2+	Revised from CARE A1

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

CARE Ratings Limited (CARE Ratings) has revised ratings on bank loan facilities of India Glycols Limited (IGL) from 'CARE A; Stable/CARE A1' to 'CARE A-; Stable/CARE A2+'.

The rating revision is largely considering significantly higher-than-envisaged debt-funded capital expenditure (capex) undertaken over the last 12 months, which is expected to continue at-least till next fiscal year. The company had average debt coverage metrics, particularly total debt to profit before interest, lease, depreciation, and taxes (PBILDT), ranging 5.53x to 6.86x between FY20 and FY22. However, it was previously expected to significantly deleverage with no major stated capex other than 110 Kilo Litres Per Day (KLPD) in Gorakhpur, Uttar Pradesh and 180 KLPD capacity in Kashipur, Uttarakhand as backward integration. This was expected to substitute imported ethanol, leading to lower reliance on letter of credit (LC) apart from no major debt funded capex over the medium term. However, over the last 12 months, the company has added grain-based distillery capacities over the stated capex plan. The grain-based distillery capacity increased to 400 KLPD by December 2023 in Kashipur and is expected to further enhance to 500 KLPD. The company is also undertaking work to enhance distillery capacity from current 110 KLPD to 290 KLPD in Gorakhpur. Apart from the grain-based distillery capacity, the company has undertaken capex to establish a new division, New Specialities Unit (NSU), where performance-chemicals based on ethanol and amine chemistry used across sectors, such as petrochemicals, surface care, agrochemicals, and more will be manufactured. The company has incurred around ₹140-150 crore on NSU unit spread across two phases. The incremental un-envisaged capex was about ₹190 crore in FY23 and estimated at around ₹125 crore in FY24. This was largely funded by debt. The company is now importing ethanol for glycol manufacturing, while ethanol from new facilities is being sold to oil marketing companies (OMCs), leading to continued high utilisation of LC against previous expectation of lowering it. Though, total debt to PBILDT is estimated to improve year-on-year around 4.05x-4.15x by FY24 from 5.91x in FY23-end and further expected to improve to 3.50x-3.60x by FY25. However, it has missed the earlier guidance given by the management and CARE Ratings' expectation, hence breaching negative rating sensitivity. Further, due to higher-than-expected term-loan, repayment obligations significantly increased in FY24 compared to previous expectation, leading to thin debt service coverage ratio for FY24, which is expected to stay moderate in FY25. The company is also foraying into new business through the NSU, which may require further working capital investment and its impact on debt profile will remain key monitorable, going forward.

However, ratings continue to benefit from its diversified revenue streams, which mitigate volatility impact in one segment and healthy market position in bio-based glycols, potable spirit, and nutraceutical segment, leading to large scale of operations.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors

- Improvement in debt coverage metric, particularly, total debt to PBILDT (including LC acceptances) below 3.00x on a sustainable basis.
- Significant liquidity buffer building up from cash and cash equivalents, or moderate unutilised bank limits, which will be sustained.

Negative factors

- Detrimental impact on one of the business segments, leading to reducing diversification of business risk profile.
- Incremental debt programme or deteriorating profitability, leading to sustained deterioration in total debt to PBILDT above 4.25x.

Analytical approach: Consolidated.

For analysing IGL, consolidated financials have been considered due to common management. The entities consolidated are mentioned in Annexure-6.

Outlook: Stable

The 'Stable' outlook is driven by company's healthy market position in its business segments, mainly, bio-based glycols and potable spirit segment along with expectation of sustainability in the margin improvement observed in FY24.

[1]Complete definition of the ratings assigned are available at www.careedge.in and other CARE Ratings Ltd.'s publications

Detailed description of the key rating drivers:

Key strengths

Diversified revenue streams mitigating volatility impact of particular segments

IGL primarily operates in three segments: Bio-based Specialities and Performance Chemicals Segment (BSPC) comprises Glycols, Specialty Chemicals, Natural Gum, and other related goods. Potable Spirits Segment (PS) comprises manufacturing and selling Ethyl Alcohol (Potable). Ennature Biopharma (EB) comprises manufacturing and selling Nutraceutical Products. Overall, the BSPC segment contributed 64% (70%) of its revenue in FY23 (FY22), while potable spirit and Ennature Biopharma contributed 28% (24%) and 6% (5%) of its revenue. Against this, contribution towards profit before interest and tax (PBIT) in BSPC, Potable Spirit and Ennature Biopharma segments was 55% (61%), 43% (46%) and 21% (20%) respectively in FY23 and FY22. About 19% (27%) of EBIT was un-allocable towards a particular segment in FY23 (FY22).

The diversified revenue streams protect against significant volatility in business performance from sharp downturn in a single segment.

Large scale of operations supported by healthy market position in its area of operations

IGL is the largest manufacturer of bio-based glycols in India and globally. Within the potable spirit segment, it holds a commanding position in the country liquor segment in Uttar Pradesh and Uttarakhand. The company has healthy market position in whiskey, vodka, and rum categories through its key alcohol brands. IGL is also the global leader in Thiocolchicoside API sales, a highly potent muscle relaxant. The company's healthy market position across product verticals leads to its large scale of operations. The company's total operating income (TOI) was ₹2641 crore in FY23, declining by 8% year-on-year (y-o-y). The decline was largely from dip in BSPC segment, where revenue from glycol-based products witnessed pressure from share decline substitute product prices, lower demand in Chinese and South-East Asian markets, and the management decision to restrict supply to domestic markets due to subdued pricing. Demand for bio-based glycols continue to remain subdued in FY24. However, the revenue profile diversity restricted severe dip in TOI. The company started selling biofuels to OMCs in India through its recently established grain-based distillery capacities. The revenue from biofuels increased from ₹9 crore in FY22 to ₹126 crore in FY23. The company is witnessing growth in potable spirit segment, with net sales rising to ₹754 crore in FY23 from ₹686 crore in FY22. In FY24, revenue from biofuel is estimated to show multi-fold growth from significant built up of grain-based distillery capacities and healthy growth in potable spirit segment due to price hikes from Uttar Pradesh and Uttarakhand government. These factors are expected to provide further impetus in FY25 along with incremental revenue from the newly formed NSU unit.

Key weaknesses

Moderate operating profitability, vulnerable to input costs volatility

Frin FY20-FY23, the company's operating margins (PBILDT margin) were 8.5-11% which is moderate. The company's profit before interest and taxes (PBIT) margin in BSPC segment was 8% (6%), PS segment was 13% (13%) and EB segment was 25% (25%) in FY23 (FY22). The company's PBILDT margin improved to 13.35% in 9MFY24 from better operating profitability in PS segment supported by allowance of price hikes in country liquor by Uttar Pradesh government at the start of FY24. In Q4FY24, Uttarakhand government also allowed hike in country liquor prices, which may further improve operating profitability. However, the impact of NSU unit on operating profitability will be key monitorable, which is expected to be ramped up from Q1FY25 onwards.

IGL's BSPC segment profitability remains susceptible to volatility in the spread between glycol products and IGL's raw material ethyl alcohol, since they may not move in tandem. Margins from PS segment also moderated in FY22 due to sharp escalation in ethanol and material cost, and the company's inability to increase selling price as it is controlled by the government. Inversely, the current margin improvements in the PS segment is largely from hike in country liquor prices by the government.

Moderately leveraged capital structure and average debt coverage metrics

IGL has a moderately leveraged capital structure and average debt coverage metrics. Overall gearing (including LC acceptances) stood at 0.89x (0.93x) as on March 31, 2023 (2022), while total debt to PBILDT was 5.91x (6.79x) in FY23 (FY22). Due to improving profitability margin in FY24, the total debt to PBILDT is estimated to improve from 4.05x-4.15x in FY24, which continues to remain higher than earlier envisaged. The company has been undertaking significant debt-funded capex in the recent past. The recent capex was largely to fund grain-based distillery capacity. The company has also invested now in a new division NSU, which is expected to manufacture performance chemicals. Higher-than-envisaged debt-funded capex, led to significant increase in term-loan repayments in FY24. It also led to thin Debt Service Coverage Ratio (DSCR) in FY24 and moderate DSCR for FY25. As majority of cashflows were required to fund repayments, the company continued to have high working capital utilsation and higher LC usage to import ethanol is expected over the medium term.

Even in FY24 and FY25, the company is expected to undertake capex of around ₹175 crore and ₹190 crore respectively, funded majorly through term loan. This capex is towards enhancement in distillery capacities and NSU unit. Further, with additional bio-fuel capacities and ramp up of NSU unit, further working capital investment may be required. Hence, with continuous debt-funded capex, the company's debt coverage metrics are expected to remain average despite sustained improvement in profitability. Additional debt may further stress its financial risk profile.

Highly regulated liquor industry: The liquor industry is highly regulated in India, with each state controlling the production, sales, and duty structure, independently. As a result, there are difficulties in the transfer of production from one state to another along with the huge burden of duties and taxes. The states control the licenses for production, distributorship, and retailing as well. Furthermore, there is also the risk of the introduction of prohibition laws in states, with negative connotations associated with the liquor industry in India.

Liquidity: Adequate

IGL has scheduled repayment obligations of around ₹298.71 crore in FY24, against which gross cash accruals is estimated at around ₹300-305 crore. In FY25, the company is expected to generate gross cash accrual of around ₹350-370 crore against scheduled repayment of ~₹251 crore. The company has modest free cash and cash equivalents of ₹2 crore as on March 31, 2023, and ₹2.7 crore as on Sept 30, 2023. Further, the company has working capital limits, which are highly utilised at around 94% over 12-months through January 2024, with instances of 99%-100% utilisation. The company has below unity current ratio and moderately leveraged capital structure, which limits headroom for raising additional debt without adversely impacting credit profile. The company has deferred sale consideration receivable from Clariant IGL Specialty Chemicals Private Limited of ₹101 crore as on March 31, 2023, of which ₹15 crore was received till date in FY24. The rest is expected by end of FY24 and in FY25 on or before the due date.

Environment, social, and governance (ESG) risks: IGL through its bio-based glycols provides sustainable solutions for customers to identify, evaluate and select right materials and confidently choose high-performance materials that advance their environmental and business goals. The company produces bio-based glycols against crude-based glycols prevalent at a larger scale due cheaper price. Its foray into ethanol for biofuels partly reduces greenhouse gas emissions. Hence, risk from environmental impact of operations are limited. The company has been undertaking programmes under its corporate social responsibility (CSR) activities in areas of sanitation and safer drinking water, health care, and promoting education, among others and has spent on CSR in line with statutory requirement. However, social risk arises largely out of its liquor business, which is highly regulated due to its harmful impact on human health. The company has complied with statutory conditions of corporate governance as required.

Applicable criteria

Policy on default recognition
Consolidation
Financial Ratios – Non financial Sector
Liquidity Analysis of Non-financial sector entities
Rating Outlook and Credit Watch
Short Term Instruments
Manufacturing Companies

About the company and industry

Industry classification

Macro-economic indicator	Sector	Industry	Basic industry
Commodities	Chemicals	Chemicals and petrochemicals	Commodity chemicals

IGL manufactures green technology-based bulk, specialty, and performance chemicals and natural gums, spirits, industrial gases, sugar, and nutraceuticals. IGL operates under three broad segments: Bio-based specialities & Performance Chemicals (BSPC), Potable Spirits (PS), and Ennature Biopharma (EB). These segments contributed 64%, 28% and 6% respectively to the company's net revenue.

Brief Financials (₹ crore)	March 31, 2022 (A)	March 31, 2023 (A)	9MFY24 (UA)
Total operating income	2856	2641	2389
PBILDT	243	286	319
PAT	340	141	131
Overall gearing (times)	0.93	0.89	-
Interest coverage (times)	3.49	2.86	3.62

A: Audited UA: Unaudited; Note: 'these are latest available financial results'

Status of non-cooperation with previous CRA: Not applicable

Any other information: Not applicable

Rating history for last three years: Please refer to Annexure-2

Covenants of rated instrument / facility: Detailed explanation of covenants of rated instruments/facilities is given in Annexure-3

Complexity level of instruments rated: Annexure-4

Lender details: Annexure-5

Annexure-1: Details of instruments/facilities

Name of the Instrument	ISIN	Date of Issuance (DD-MM-YYYY)	Coupon Rate (%)	Maturity Date (DD-MM-YYYY)	Size of the Issue (₹ crore)	Rating Assigned along with Rating Outlook
Fund-based - LT-Bank Guarantee		-	-	-	113.41	CARE A-; Stable
Fund-based - LT-Cash Credit		-	-	-	350.00	CARE A-; Stable
Fund-based - LT-Term Loan		-	-	March 2032	846.51	CARE A-; Stable
Non-fund-based - ST-BG/LC		-	-	-	850.00	CARE A2+

Annexure-2: Rating history for the last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating History			
		Type	Amount Outstanding (₹ crore)	Rating	Date(s) and Rating(s) assigned in 2023-2024	Date(s) and Rating(s) assigned in 2022-2023	Date(s) and Rating(s) assigned in 2021-2022	Date(s) and Rating(s) assigned in 2020-2021
1	Fund-based - LT-Term Loan	LT	846.51	CARE A-; Stable	-	1)CARE A; Stable (12-Dec-22)	-	-
2	Fund-based - LT-Cash Credit	LT	350.00	CARE A-; Stable	-	1)CARE A; Stable (12-Dec-22)	-	-
3	Non-fund-based - ST-BG/LC	ST	850.00	CARE A2+	-	1)CARE A1 (12-Dec-22)	-	-
4	Fund-based - LT-Bank Guarantee	LT	113.41	CARE A-; Stable	-	1)CARE A; Stable (12-Dec-22)	-	-

*Long term/Short term.

Annexure-3: Detailed explanation of covenants of the rated instruments/facilities: Not Applicable

Annexure-4: Complexity level of the various instruments rated

Sr. No.	Name of the Instrument	Complexity Level
1	Fund-based - LT-Bank Guarantee	Simple
2	Fund-based - LT-Cash Credit	Simple
3	Fund-based - LT-Term Loan	Simple
4	Non-fund-based - ST-BG/LC	Simple

Annexure-5: Lender details

To view the lender wise details of bank facilities please click here

Annexure-6: List of all the entities consolidated

Name of Entity	Relationship	Country of Incorporation	% of holding as on March 31, 2023
Shakumbari Sugar & Allied Industries Limited (SSAIL)*	-	India	-
IGL Chem International PTE. LTD	Susbsidiary	Singapore	100%
IGL Chem International USA LLC (IGLCHEM US)		USA	100%
IGL Finance Limited (IGLFL)		India	100%
IGL Chemicals and Services Private Limited		India	54.52%
Ennature Bio Pharma Private Limite		India	100%
Kashipur Infrastructure and Freight Terminal Private Limited (KIFTPL)**	Joint Venture	India	-
Clariant IGL Specialty Chemicals Private Limited (Erstwhile IGL Green Chemicals Private Limited) (w.e.f. 30th June 2021 from the time of allotment of equity shares to JV Partner)	Joint Venture	India	49.00%

*till 31st March 2023
** till 23rd December 2022

Note on the complexity levels of the rated instruments: CARE Ratings has classified instruments rated by it on the basis of complexity. Investors/market intermediaries/regulators or others are welcome to write to care@careedge.in for any clarifications.

Contact us

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About us:
Established in 1993, CARE Ratings is one of the leading credit rating agencies in India. Registered under the Securities and Exchange Board of India, it has been acknowledged as an External Credit Assessment Institution by the RBI. With an equitable position in the Indian capital market, CARE Ratings provides a wide array of credit rating services that help corporates raise capital and enable investors to make informed decisions. With an established track record of rating companies over almost three decades, CARE Ratings follows a robust and transparent rating process that leverages its domain and analytical expertise, backed by the methodologies congruent with the international best practices. CARE Ratings has played a pivotal role in developing bank debt and capital market instruments, including commercial papers, corporate bonds and debentures, and structured credit.

For the detailed Rationale Report and subscription information, please visit www.careedge.in