



INDIA GLYCOLS LIMITED



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23rd March, 2021

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

The Manager (Listing)
National Stock Exchange of India Limited
Exchange Plaza, C-1, Block G,
Bandra Kurla Complex,
Bandra (East),
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 places India Glycols Limited on Rating Watch Positive (“RWP”)

Pursuant to Regulation 30 of the SEBI Listing Regulations, we wish to inform you that India Ratings & Research (“Ind-Ra”), credit rating Agency, has **placed Company’s Long-term Issuer Ratings of ‘IND A-’ on Rating Watch Positive (“RWP”)**. The instrument-wise ratings are as follows:

Instrument Type	Amount (in Rs. Crores)	Rating/Rating Watch	Rating Action
Term Loan	452.43	IND A-/RWP	Placed on RWP
Proposed term loan	200.00	IND A-/ RWP	Placed on RWP
Fund-based limit	415.00	IND A-/RWP/IND A2+/RWP	Placed on RWP
Non-fund-based limit	1,153.35	IND A-/RWP/IND A2+/RWP	Placed on RWP

The release as issued by Ind-Ra dated 22nd March, 2021 is enclosed.

We request you to take the above information on record.

Thanking you,

Yours truly,
For **India Glycols Limited**


Ankur Jain
Head (Legal) & Company Secretary

Encl: A/a

India Ratings Places India Glycols on RWP

22

MAR 2021

By Bhavana Bhavarkar

India Ratings and Research (Ind-Ra) has placed India Glycols Limited's (IGL) Long-Term Issuer Ratings of 'IND A-' on Rating Watch Positive (RWP). The instrument-wise rating actions are as follows:

Instrument Type	Date of Issuance	Coupon Rate	Maturity Date	Size of Issue (million)	Rating/Rating Watch	Rating Action
Term loan	-	-	January 2022-March 2028	INR4,524.3	IND A-/RWP	Placed on RWP
Proposed term loan	-	-	-	INR2,000	IND A-/RWP	Placed on RWP
Fund-based limit	-	-	-	INR4,150	IND A-/RWP/IND A2+/RWP	Placed on RWP
Non-fund-based limit	-	-	-	INR11,533.45	IND A-/RWP/IND A2+/RWP	Placed on RWP

Ind-Ra has placed the ratings on RWP on account of a likely improvement in IGL's financial profile and liquidity, post the divestment of its bio-ethylene oxide derivatives (Bio-EO) business.

KEY RATING DRIVERS

Stake Divestment: In March 2021, IGL has entered into a joint venture (JV) agreement with IGL Green Chemicals Pvt Ltd (IGCPL; wholly-owned subsidiary of IGL) and Clariant International Ltd. (Clariant), in connection with, inter alia, investment by Clariant in IGCPL and issuance of subscription shares by IGCPL to Clariant, which will result in IGCPL becoming a 51:49 joint venture, in which 51% stake will be held by Clariant and 49% stake by IGL. The total consideration is INR6,460 million, of which approximately INR4,549 million will be paid by IGCPL to IGL at the time of transfer of the Bio-EO business and the remaining amount will remain payable by IGCPL to IGL over a period of three years and will carry interest. On 24 June 2020, IGL's board of directors approved the transfer of IGL's Bio-EO business to IGCPL; the said decision of the board was approved by IGL's members on 24 September 2020.

IGL has initiated the transfer of Bio-EO business during March 2021, which includes transfer of a multipurpose production facility including an alkoxylation plant located in Kashipur, Uttarakhand (India). IGCPL will also be engaged in the distribution of Clariant's industrial and consumer specialties products with exclusive right in India, Bangladesh, Nepal and Sri Lanka. IGL has also entered into a long-term supply agreement for EO made from bio-ethanol and certain utilities. The transaction is subject to environmental clearances, and approval of shareholders, bankers, among others. The company expects to complete the transaction by June 2021.

Both IGL and Clariant would appoint three directors each on the board of IGCPL and IGL's Chairman will be the Chairman of IGCPL. There would be a lock-in period of seven years for both shareholders, during which, no transfer of IGCPL's shares shall be permitted, without the prior consent of the non-transferring shareholder. The shareholders of IGL and Clariant have agreed for call and put options to be exercised upon the expiry of the lock-in period. During the term of the JV agreement, both Clariant and IGL will not compete with IGCPL and three years thereafter, once IGL ceases to be a shareholder of IGCPL.

On successful execution of the deal and the subsequent receipt of the proceeds, IGL's overall liquidity will improve, thereby leading to a reduction in debt levels by FYE22, which will strengthen its balance sheet.

Likely Improvement in Credit Metrics: IGL's net adjusted leverage (total adjusted net debt/operating EBITDAR) sustained at 3.3-4.0x during FY18-FY20 (FY20: 3.3x, FY19: 3.3x) due to continued high debt levels (INR13.1 billion, INR13.9 billion). Ind-Ra expects the net adjusted leverage to remain at similar levels in FY21, owing to the high debt to fund capex and working capital, and likely lower EBITDA owing to the COVID-19 led lockdown. However, the management expects to deleverage the balance sheet from divestment proceeds. The agency expects the net leverage to reduce below 2.5x in FY22 and further in FY23. With the reduction in the debt levels, IGL's interest expenses also likely to reduce by FY22, leading to an improvement in the interest coverage (operating EBITDA/gross interest expense) in FY22-FY23 (9MFY21: 2.8x, FY20: 2.8x).

Liquidity Indicator- Adequate, Improvement Likely in FY22: Upon receipt of the divestment proceeds, Ind-Ra expects IGL's liquidity to improve significantly. Moreover, the company expects to receive the remaining proceeds of INR1.9 billion equated over three years once the deal is concluded. It had scheduled repayments of around INR1.5 billion and INR1.9 billion in FY21 and FY22, respectively, of which INR0.24 billion was pending for FY21 as of 15 March 2021; this is likely to be met through internal accruals. The company also expects to borrow new term loans amounting INR2 billion to refinance and meet its incremental funding requirements. The company expects to incur capex of INR2 billion towards its liquor business in FY22, which likely to be funded through a mix of debt/equity or from divestment proceeds. The maximum combined utilisation of IGL's fund-based and non-fund-based working capital limits was around 90-93% during the 12 months ended February 2021, indicating a low cushion. The company was given an option of interchangeability of non-fund-based limits to fund-based limits to support the liquidity during FY21.

Impact on Operations: With the divestment of the bio-ethylene oxide business that accounted 21.7% of the net revenue and INR1.2 billion of EBITDA of INR3.9 billion of EBITDA in FY20, the overall revenue and EBITDA is likely to witness a reduction. However, the impact on net profit will be limited given the reduction in interest cost, share of profit and

Interest Income from loan extended to IGCPL. As of 9MFY21, the company reported INR19.9 billion of revenue (9MFY20: INR25.6 billion) and INR2.4 billion of EBITDA (INR3.1 billion), partly offset by lower earnings during the lockdown phase. However, the revenue was supported by a healthy growth in the liquor segment.

RATING SENSITIVITIES

The RWP indicates that the ratings may be affirmed or upgraded upon resolution. Ind-Ra will resolve the watch on completion of the divestment and receipt of further clarity on the post divestment profile.

COMPANY PROFILE

IGL manufactures green technology-based bulk, specialty and performance chemicals, natural gums, spirits, industrial gases and nutraceuticals. Its product offerings include glycols, ethoxylates, 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	9MFY21	FY20	FY19
Net revenue (INR billion)	19.9	34.7	33.6
EBITDA margin (%)	12.1	11.3	12.5
EBITDAR Interest coverage (x)	2.8	2.8	3.0
Net adjusted leverage (x)	-	3.3	3.3
Source: Ind-Ra, IGL			

RATING HISTORY

Instrument Type	Current Rating/Rating Watch			Historical Rating/Outlook				
	Rating Type	Rated Limits (million)	Rating	11 January 2021	15 October 2019	18 January 2019	8 January 2018	18 August 2017
Issuer rating	Long-term	-	IND A-/RWP	IND A-/Stable	IND A-/Stable	IND A-/Stable	IND BBB+/Stable	IND BBB/Positive
Term loans	Long-term	INR6,524.30	IND A-/RWP	IND A-/Stable	IND A-/Stable	IND A-/Stable	IND BBB+/Stable	IND BBB/Positive
Fund-based limits	Long-term/Short-term	INR4,150	IND A-/RWP/IND A2+/RWP	IND A-/Stable/IND A2+	IND A-/Stable/IND A2+	IND A-/Stable/IND A2+	IND BBB+/Stable/IND A2	IND BBB/Positive/IND A3+
Non-fund-based limits	Long-term/Short-term	INR11,533.45	IND A-/RWP/IND A2+/RWP	IND A-/Stable/IND A2+	IND A-/Stable/IND A2+	IND A2+	IND A2	IND A3+

COMPLEXITY LEVEL OF INSTRUMENTS

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

For details on the complexity level of the instruments, 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.

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Applicable Criteria

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

Analyst Names

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