IVP LIMITED
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Tel. : +91-22-2378 7300
Email : ivp@ivpindia.com
Website : www.ivpindia.com
CIN : L 74999MH1929PLC001503

IVPSEC/Compliance/165/09/2021-22

20th September, 2021

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**

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 20th September, 2021 (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-/Negative/IND A3' to 'IND BBB-/Stable/IND A3'for Rs. 1125 million (reduced from Rs. 1190 million) limit of Fund-based working capital limits of the Company.

- India Ratings & Research has reaffirmed the Credit Rating of IND A3 (Short-term bank facilities) for Rs. 565 million (Increased from Rs. 500 million) limit of Non-Fund-based working capital limits 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

IVP LIMITED MUMBAI-33

Rakesh Joshi
Chief Financial Officer

Encl. as above

India Ratings & Research
A Fitch Group Company

India Ratings Revises IVP’s Outlook to Stable; Affirms ‘IND BBB-’

20

SEP 2021

By Saumil Shah

India Ratings and Research (Ind-Ra) has revised the Outlook on IVP Limited (IVP) to Stable from Negative while affirming the 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 limit	-	-	-	INR1,125 (reduced from INR1,190)	IND BBB-/Stable/IND A3	Affirmed; Outlook revised to Stable from Negative
Non-fund-based working capital limit	-	-	-	INR565 (increased from INR500)	IND A3	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.

The Stable Outlook reflects IVP's strong financial recovery in FY21, supported by a healthy increase in the volume sales of polyurethane (PU) and an improvement in the realisations of the division. The company reported a comfortable interest coverage ratio of 2.3x in FY21 (FY20: not meaningful), supported by a better-than-Ind-Ra-expected operating performance, and also received timely support of INR200 million in the form of inter-corporate deposits (ICDs) from its parent.

KEY RATING DRIVERS

Diversification into PU Division to Support Revenue Growth: IVP’s operations recovered sharply in 2HFY21 as the overall economic activity normalised and demand for footwear and foundry chemicals increased during 3QFY21, leading to the revenue growing 26.6% yoy to INR2,897 million in FY21. The strong demand in 2HFY21 enabled the overall capacity utilisation to reach over 50%.

Ind-Ra expects revenue growth of 15%-20% yoy in FY22, supported by improved volume sales of the PU division and improved realisations of PU and foundry chemicals divisions. PU is a fairly new division for the company. The operations were affected by the second covid wave, however the impact was softer than in 1QFY21, leading to the company reporting a revenue of INR774 million in 1QFY22 (1QFY21: INR204 million; 1QFY20: INR683 million).

Improved Profitability: IVP's EBITDA margin rose to 5.6% in FY21 (FY20: 0%), as an increase in the prices of raw materials led to the company reporting inventory gains during year, and thus improved gross margins of 22.5% (21.5%). Additionally, the margins were supported by the ramp-up in the PU division and improved realisation which led to better absorption of fixed costs. The operations in 1HFY21 were impacted by the pandemic, due to disruptions in demand in both divisions. However, a recovery in 2HFY21 enabled the company to report an EBITDA margin of 7.9% during 2HFY21 (2HFY20: negative 0.7%).

While the operations and thus volumes were impacted in 1QFY22 in both divisions, the improved realisations for the quarter for PU and foundry chemicals divisions enabled the company to report an EBITDA of INR29 million for 1QFY22 (1QFY21: negative INR34 million). Ind-Ra expects the overall profitability of the company to be supported by higher realisations for both divisions despite the subdued 1QFY22.

Improved Credit Metrics; Likely to Sustain over Medium Term: IVP's interest coverage (EBITDA/gross interest expense) improved significantly to 2.3x in FY21 (FY20: not meaningful) on the back of a lower interest expense of INR70 million (INR102 million) and higher operating profitability of INR163 million (negative INR1 million). The overall reduction in the interest expense resulted from a decrease in the interest rate charged on the ICDs to 6% since October 2019 and the overall reduction in interest rates charged by the banks. The interest coverage for 1QFY22 stood at 1.3x (1QFY21: negative 2x) as a result of the operations being impacted by the second covid wave and a higher interest expense of INR23 million because of higher utilisation of working capital facilities.

The company's net leverage ratio also improved to 7.4x in FY21 (FY20: not meaningful; FY19: 14.9x) despite the increase in gross debt levels to INR1,223 million (INR993 million, INR1,426 million) as a result of the improved absolute EBITDA. Ind-Ra expects the credit metrics to remain comfortable over the medium term as the PU division of the company continues to scale up and support the overall profitability.

Liquidity Indicator - Adequate: Ind-Ra believes the overall liquidity to be adequate over the medium term with limited capital expenditure and no scheduled repayments of ICDs to Allana Group companies. IVP's average utilisation of fund-based working capital facilities was 56% of the drawing power (40% of sanction limits) for 12 months ended August 2021. While the cash accruals during the year turned positive to INR148 million (FY20: negative INR35 million) on the back of improved profitability, the cash flow from operations turned to negative INR213 million (INR471 million) as the company witnessed a significant increase in receivables to INR1,393 million (INR923 million). IVP's net working capital cycle increased to 148 days in FY21 (FY20: 130 days) due to the lower revenue base because of the impact of the pandemic in 1QFY21 and subsequent growth in business towards the end of the financial year, leading to higher inventory and receivables at FYE21. The company reported a provision for bad debts of INR33.9 million in FY21 (FY20: INR24.7 million) which accounted for 2.4% (2.7%) of the total receivables. ICDs received from the Allana Group during FY21 enabled the company to maintain sufficient liquidity during the year.

Ind-Ra expects the working capital cycle to remain long, as the company continues to extend a longer payment cycles of 90-120 days coupled with further scaling up of the PU division.

The company has large aggregate contingent liabilities of INR517 million on account of a couple of legal matters related to rentals being paid to Mumbai Port Trust and sub-letting charges for an MIDC land in Aurangabad. The company believes that both the demands are without any merit, and does not expect the liabilities to materialise and accordingly has not created any liquidity provisioning.

Continued Support from Allana Group: The shareholding of the Allana group and its promoters in IVP at FYE21 stood at 71.32% (FYE20: 70.86%). During 2QFY21, the company received timely support from the group in the form of ICDs worth INR200 million; these funds were utilised to meet working capital requirements, resulting in reduced utilisation of the sanctioned fund-based limits. The interest rate charged on these ICDs is 6%. Historically, the company has been able to defer quarterly interest payments on these ICDs without any penalty levied. Moreover, the ICDs do not have a fixed repayment schedule. IVP, however, continues to incur interest expense on these ICDs, which constituted 62% of the total interest cost in FY21 (FY20: 37.5%)

Commodity Price Risk and Forex Risk: IVP's margins are susceptible to the raw material price risk. Prices of raw materials used by IVP are linked to crude oil. There have been significant fluctuations in raw material prices in the past and overall realisations of end-products are market driven. The company imports 50%-55% of the raw material requirements. While company hedges forex risks through derivatives, it runs commodity price risk due to the nature of the business. Gross margins have been in the range of 17.5%-22.5% over FY17-FY21.

RATING SENSITIVITIES

Positive: A ramp-up in the operations of the PU business, while maintaining the current level of profitability and the interest coverage remaining above 1.75x, both on a sustained basis, could lead to a positive rating action

Negative: Any decline in the operating performance leading to a weakened liquidity profile and weaker credit metrics with interest coverage declining below 1.25x, could lead to a negative rating action.

COMPANY PROFILE

Established in 1929, IVP manufactures foundry chemicals and PUs. It is a listed company and promoted by Allana Group with 71.32% shareholding. T. K. Gowrishankar is the chairman of the board. The company has two manufacturing plants, one each in Tarapur and Bangalore, with a combined installed capacity of 50,000MTPA.

FINANCIAL SUMMARY

Particulars	FY21	FY20
Net revenue (INR million)	2,897	2,288
EBITDA (INR million)	163	-0.8

EBITDA margin (%)	5.6	-0.03
Interest coverage (x)	2.3	Not meaningful
Net leverage (x)	7.4	Not Meaningful
Source: IVP, Ind-Ra		

RATING HISTORY

Instrument Type	Current Rating/Outlook			Historical Rating/Outlook		
	Rating Type	Rated Limits (million)	Rating	27 July 2020	22 November 2019	22 May 2019
Issuer rating	Long-term	-	IND BBB-/Stable	IND BBB-/Negative	IND BBB-/Negative	IND BBB-/Stable
Fund-based bank facilities	Long-term/Short-Term	INR1,125	IND BBB-/Stable/IND A3	IND BBB-/Negative/IND A3	IND BBB-/Negative/IND A3	IND BBB-/Stable/IND A3
Non-fund-based working capital facilities	Short-Term	INR565	IND A3	IND A3	IND A3	IND A3

BANK WISE FACILITIES DETAILS

Click here to see the details

COMPLEXITY LEVEL OF INSTRUMENTS

Instrument Type	Complexity Indicator
Fund-based bank facilities	Low
Non-fund based working capital facilities	Moderate

For details on the complexity levels 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.

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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