IVP LIMITED
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Email : ivp@ivpindia.com
Website : www.ivpindia.com
CIN : L74999MH1929PLC001503

IVPSEC/SE/37/07/2023-24

27th July, 2023

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 Upgradation 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 27th July, 2023 (Enclosed for your reference), has informed us the following upgradation in Credit Ratings of IVP Limited ('the Company'):

- For Long-term/Short-term bank facilities from 'IND BBB/Stable/IND A3+' to 'IND BBB+/Stable/IND A2'for Rs. 1,740 million (increased from Rs. 1,520 million) limit of Fund-based working capital limits of the Company.

- For Short-term bank facilities from 'IND A3+' to 'IND A2' for Rs. 1,080 million (Increased from Rs. 1,000 million) limit of Non-Fund-based working capital limits of the Company.

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

Thanking You,

Yours faithfully,

For IVP Limited

RAKESHKUMAR TILAKBABU JOSHI
Digitally signed by RAKESHKUMAR TILAKBABU JOSHI
Date: 2023.07.27 14:10:40 +05'30'

Rakesh Joshi
Chief Financial Officer

Encl. as above

India Ratings Upgrades IVP to ‘IND BBB+’/Stable; Limits Enhanced

India Ratings and Research (Ind-Ra) has upgraded IVP Limited’s Long-Term Issuer Rating to ‘IND BBB+’ from ‘IND BBB’. The Outlook is Stable. The instrument-wise rating actions are as follows:

Instrument Type	Date of Issuance	Coupon Rate	Maturity Date	Size of Issue (million)	Rating	Rating Action
Fund-based working capital limits	-	-	-	INR1,740 (increased from INR1,520)	IND BBB+/Stable/IND A2	Upgraded
Non-fund-based working capital limits	-	-	-	INR1,080 (increased from INR1000)	IND A2	Upgraded

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 upgrade reflects the continued improvement in IVP’s financial and operational performance in FY23 and the likelihood of sustained improvement in the same over the near term.

Key Rating Drivers

Growth in Revenue: IVP’s revenue grew at a CAGR of 32% during FY21-FY23 and by 18.75% yoy to INR6,609.5 million in FY23, on the back of increased volume sales and improved overall realisations across the chemical’s business. The company manufactures foundry chemicals and polyurethanes (PU). The absolute EBITDA increased to INR396.5 million in FY23 (FY22: INR349.9 million), due to the increased scale of operations. The sales rose due to a healthy demand for the end-products across major markets, leading to increased capacity utilisation and improved profitability for the year. Foundry chemicals are used in the automobile industry, railways, construction, mining and general engineering goods sectors while PUs are used in the footwear and flexible packaging industry. The revenue is likely to grow in the near-to-medium term.

Improvement in Net Leverage in FY23; Credit Metrics Likely to Moderate but Remain Comfortable: The net leverage (net debt/ EBITDA) improved to 3.00x in FY23 (FY22: 4.45x), due to the higher absolute EBITDA and reduced borrowings. The gross debt levels, consisting of working capital debt as well as inter-corporate deposits (ICDs) from parent, decreased to INR1,196 million at FYE23 (FYE22: INR1,566 million). IVP’s interest coverage ratio (EBITDA/gross interest expense) however deteriorated slightly to 3.24x in FY22 (FY22: 3.52x), owing to an increase in the interest expenses. Ind-Ra expects the credit metrics to moderate, while remaining at comfortable levels, over the near-to-medium term, primarily because of a slight moderation in the margins due to higher input costs.

Liquidity Indicator - Adequate: IVP's average combined fund-based & non-fund-based utilisation of was 58% for the 12 months ended June 2023. Moreover, it has ICDs from its group companies, with no fixed repayment schedule. The company's cash flow from operations turned positive at INR285 million (FY22: negative INR312 million) owing to the improvement in absolute EBITDA along with favourable changes in working capital. Also, its overall net working capital cycle improved to 97days in FY23 (FY22: 116days), supported by stable inventory levels and a fall in receivable days to 115 (137). As per the management, the company offers long credit periods to its customers in line with the industry norms, leading to an elongated receivable cycle of about 120-140 days; Ind-Ra, therefore, expects IVP's receivable cycle to remain elongated over the medium term. IVP also made provisions of INR17.9 million for doubtful debts in FY23 (FY21: INR3 million), which accounted for only 0.9% (0.1%) of the outstanding receivables. In FY23, the company paid out a dividend of INR15.5 million (FY22: 10.3).

Ind-Ra expects the cash flow from operations to turn negative again in FY24, primarily due to incremental funds being locked in the working capital, as the company extends long credit periods to its customers, and the scaling up of its operations.

IVP has a large aggregate contingent liability of INR811.7 million (increased from INR454.2 million), on account of legal matters related to rentals being paid to Mumbai Port Trust. The company believes that the demand arising from the matters are without any merit, and does not expect the liabilities to materialise in the near term, and accordingly, has not created any liquidity provisioning. However, Ind-Ra derives comfort from the liquidity support available to the company from its parent, the Allana group.

Continued Support from Parent: The Allana group and its promoters held a 71.32% stake in the company at FYE23 (FYE22: 71.32%). Historically, the group has supported IVP through timely infusions of ICDs, which have been used for meeting working capital requirements. The outstanding ICDs totalled INR527 million at FYE23 (FYE22: INR787 million). The interest rate on the ICDs increased to 7.5% per annum in FY23 from 6% per annum in FY22. The outstanding ICDs constituted 44% of the outstanding debt at FYE23 (FYE22: 50%), while the interest expense constituted 40% (47%) of the total interest expense. However, the company repaid ICDs of INR260 million during FY23 on the back of excess funds availability from the proceeds from sale of an investment property worth INR153.9 million and the balance from cash flow from operations.

EBITDA Margins to be Range-Bound over Medium Term: Ind-Ra expects the company's operating EBITDA margins to moderate over the medium term, amid raw material price volatility, while remaining range-bound between 5%-6%. This will be supported by higher realisations and improved operating leverage, as a stable demand would lead to efficient capacity utilisation. IVP's EBITDA margins was almost stable at 6.0% in FY23 (FY22: 6.3%). While the margins are exposed to price fluctuations in raw materials, comprising derivates of crude oil, owing to intense competition and volatile geopolitical situations, IVP has been able to pass on price increases to its customers with a time lag. Its gross margins remained 17.2%-22.5% over FY19-FY23.

Commodity Price Risk; Forex Risk: IVP's margins are susceptible to raw material price risk. The 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 the overall realisations of end-products are market driven. The company imports 50%-55% of its raw material requirements. While IVP hedges forex risks through forward contracts, it faces commodity price risk, due to the nature of the business.

Rating Sensitivities

Positive: A substantial increase in the scale of operations while maintaining the profitability, leading to an improved liquidity profile and the interest coverage remaining above 3.0x, both on a sustained basis, could lead to a positive rating action.

Negative: A deterioration in the operating performance or weakening of the liquidity profile and credit metrics, with interest coverage declining below 2.5x or weakening of linkages with the parent could lead to a negative rating action

Company Profile

Established in 1929, IVP manufactures foundry chemicals and PU chemicals. It is a listed company and is promoted by the Allana group, which held 71.32% stake in the company at FYE23. T. K. Gowrishankar is the chairman of the board. The company has two manufacturing plants, one each in Tarapur and Bengaluru, with a combined installed capacity of 50,000 metric tonnes per annum.

FINANCIAL SUMMARY

Particulars (INR million)	FY23	FY22
Revenue	6,609.50	5,566
EBITDA	396.50	349.9
EBITDA margins (%)	6.00	6.3
Gross interest coverage (x)	3.24	3.5
Net leverage (x)	3.00	4.5
Source: IVP, Ind-Ra		

Non-Cooperation with previous rating agency

Not applicable

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.

Ratings are not a recommendation or suggestion, directly or indirectly, to you or any other person, to buy, sell, make or hold any investment, loan or security or to undertake any investment strategy with respect to any investment, loan or security or any issuer.

Rating History

Instrument Type	Current Rating/Outlook			Historical Ratin	
	Rating Type	Rated Limits (million)	Rating	4 August 2022	20 Septeml 2021
Issuer rating	Long-term	-	IND BBB+/Stable	IND BBB /Stable	IND BBB-/Sta
Fund-based working capital limits	Long-term/ short-term	INR1,740	IND BBB+/Stable/IND A2	IND BBB/Stable/IND A3+	IND BBB-/Stable/ A3
Non-fund-based-working capital facilities	Short-term	INR1,080	IND A2	IND A3+	IND A3

Bank wise Facilities Details

Click here to see the details

Complexity Level of Instruments

Instrument Type	Complexity Indicator
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.

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APPLICABLE CRITERIA

Parent and Subsidiary Rating Linkage

Evaluating Corporate Governance

The Rating Process

Short-Term Ratings Criteria for Non-Financial Corporates

Corporate Rating Methodology

DETAILED FINANCIAL SUMMARY

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