



INDIA GLYCOLS LIMITED



Plot No. 2-B, Sector -126, NOIDA-201304, Distt. Gautam Budh Nagar, Uttar Pradesh, Tel. : +91 120 6860000, 3090100, 3090200
Fax : +91 120 3090111, 3090211 E-mail : iglho@indiaglycols.com, Website : www.indiaglycols.com

29th December, 2022

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”) – Intimation of withdrawal of Credit Rating

Pursuant to Regulation 30 of the SEBI Listing Regulations and in furtherance to our earlier disclosure letter dated 13th December, 2022 (copy enclosed as **Annexure ‘A’**) intimating about assignment of ratings to the long-term/short-term bank facilities of the Company by CARE Ratings Limited, credit rating Agency, we wish to inform you that India Ratings & Research (“Ind-Ra”), credit rating Agency has withdrawn Company’s long-term/short-term Issuer Ratings on the request of the Company which were granted vide their release dated 30th September, 2021. The requisite communication/release as issued by Ind-Ra dated 28th December, 2022 is enclosed as **Annexure ‘B’**.

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

Annexure 'A'



INDIA GLYCOLS LIMITED



Plot No. 2-B, Sector -126, NOIDA-201304, Distt. Gautam Budh Nagar, Uttar Pradesh, Tel. : +91 120 6860000, 3090100, 3090200
Fax : +91 120 3090111, 3090211 E-mail : iglho@indiaglycols.com, Website : www.indiaglycols.com

13th December, 2022

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

The Manager (Listing)
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Sub: Disclosure under Regulation 30 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 ("SEBI Listing Regulations") - 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 assigned ratings to the long-term/short-term bank 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	186.06	CARE A; Stable	Assigned
Fund-based - LT-Cash credit	350.00	CARE A; Stable	Assigned
Fund-based - LT-Term loan	723.86	CARE A; Stable	Assigned
Non-fund-based - ST-BG/LC	850.00	CARE A1	Assigned

The release as issued by CARE dated 12th December, 2022 is enclosed.

We request you to take the above information on record.

Thanking you,

Yours truly,

For **India Glycols Limited**

ankur
Digitally signed
by ankur jain
Date: 2022.12.13
18:33:38 +05'30'

Ankur Jain

Head (Legal) & Company Secretary

Encl: A/a

India Glycols Limited

December 12, 2022

Ratings

Facilities/Instruments	Amount (₹ crore)	Rating ¹	Rating Action
Long-term bank facilities	1,259.92 (Enhanced from 500.00)	CARE A; Stable (Single A; Outlook: Stable)	Assigned
Short-term bank facilities	850.00	CARE A1 (A One)	Assigned
Total bank facilities	2,109.92 (₹ Two thousand one hundred nine crore and ninety-two lakh only)		

Details of instruments/facilities in Annexure-1.

Detailed rationale and key rating drivers

The rating assigned to the bank facilities of India Glycols Limited (IGL) factors in its diversified revenue profile which continues to provide alternate revenue streams. Furthermore, the rating also draws comfort from IGL's experienced promoters and management team and long track record of operations, established market position in the potable alcohol and Mono Ethylene Glycol (MEG) segment along with moderate financial risk profile. The ratings also derive comfort from IGL's foray into grain-based ethanol segment which is expected to drive growth and shall aid in margin improvement for the company by being a substitute for the feedstock requirement instead of imported ethanol. This shall also aid IGL in reducing its dependence on non-fund-based limits which currently is high and improve its overall debt position and coverage indicators going forward.

These rating strengths are, however, partially offset by its improved but high debt position and susceptibility of profitability to foreign currency fluctuation risk and cyclicity in raw material prices.

Rating sensitivities

Positive factors – Factors that could lead to positive rating action/upgrade:

- Ability of the company to increase its scale of operations by more than 15-20% from its current levels on a sustained basis along with improvement in its PBILDT margins to 12% or more on sustained basis.
- Total debt/PBILDT below 3x on a sustained basis.

Negative factors – Factors that could lead to negative rating action/downgrade:

- Any further envisaged debt or debt-funded capex resulting in increase in total debt to PBILDT above 3.5x beyond FY23 end.
- Deterioration in interest coverage indicators below 3.5x on sustained basis.

Detailed description of the key rating drivers

Key rating strengths

Diversified revenue streams mitigating the impact of volatility in any one segment:

IGL primarily has three operating segments: Bio-based Specialities and Performance Chemicals Segment (BSPC) comprises Glycols, Specialty Chemicals, Natural Gum & other related goods etc. Potable Spirits Segment (PS) comprises manufacture and sale of Ethyl Alcohol (Potable). Ennature Biopharma (EB) comprises manufacture and sale of Nutraceutical Products. Each of the segment contributed 31%, 67% and 2% to the gross revenue respectively in FY22 & 70%, 24% and 5% to the net revenue respectively. Bio-MEG sales accounted around 54% of the company's total MEG sales in FY22 (PY: 45%). Furthermore, until Q1FY22, IGL was also selling bio-ethylene oxide derivatives (bio-EOD) which contributed around ₹668 crore to TOI & ₹ 89 crore to PBILDT of the total TOI & PBILDT of the company in FY21.

However, in June 2021 (FY22), 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 (51% held by Clariant and 49% by IGL). As per the JV agreement, IGL has transferred its bio-ethylene oxide derivatives (bio-EOD) business,

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

to CISCPT and Clariant has infused ₹650 crore in CISCPT as a consideration for the same. Out of the total consideration received, CISCPT has paid ₹455 to IGL upfront and the balance is held in the CISCPT as an 10% interest-bearing shareholders loan, which will be repayable to IGL within three years. Going forward, IGL will continue to supply the key raw material which is ethylene oxide (EO) to the JV.

Established market position in potable spirits segment:

IGL has two distilleries (Kashipur-Uttarakhand and Gorakhpur-Uttar Pradesh) with a total distillery capacity of 770 KLPD (290 KLPD is grain-based and 460 KLPD is molasses based) for the production of ethyl alcohol, out of which, 80,000 KLPA is for potable alcohol. The company has the license for operations and sale of branded Country Liquor (CL) in the States of Uttar Pradesh and Uttarakhand. In Uttar Pradesh IGL's "Bunty Babli" brand is the highest selling brand in the country liquor segment. IGL continues to hold the commanding position as the largest supplier of CL in UP with a significantly high market share.

IGL is a registered supplier to the Indian Defense forces through CSD & Para Military Forces with the flagship brand "Beach House XXX Premium Rum". The company now also plans to introduce premium new Whisky and Vodka brands, thus further strengthening the company's brand portfolio in CSD & Para Military market.

The Uttar Pradesh government's policy of reservation of 18% molasses for liquor manufacturing provides raw material security for IGL's liquor business but 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.

Foray into Ethanol Segment to aid margin improvement:

IGL has forayed 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 ₹304 crore (₹171 crore & ₹133 crore respectively). The project is funded by term loan of ₹223 crore and balance through internal accruals. Captive consumption of this ethanol will result in reduced reliance of ethanol imports and also lower reliance on LCs which shall positively impact the overall cost of production and aid in margin improvement. Consequently, IGL can also provide the ethanol for blending purposes as there is robust demand potential for the ethanol produced by IGL with the government's target to achieve 20% ethanol blending by 2025.

Both the projects are completed, and production has started from mid-September 2022 and the capacities are presently 85-90% utilised as informed by the management. The ramp-up of production and its impact on the total operating income & profitability of the company is expected to be seen from H2FY23 and this shall be a key monitorable going forward.

Moderate financial risk profile:

The total operating income (TOI) of IGL witnessed a growth of 24% to reach ₹2,856.13 crore in FY22 as against ₹2,300.15 crore in FY21 driven by significant revenue growth across all segments. The BSPC segment witnessed a growth of 32% in its TOI in FY22 and the segmental margin also improved to 6% in FY22 from 4% in FY21. Bio-MEG sales accounted around 54% of the company's total MEG sales in FY22 (PY: 45%).

However, the profitability was impacted due to increase in prices of raw materials. The potable spirits segmental margin moderated significantly due to sharp escalation in ethanol cost & material cost and inability of the company to increase the selling price as it is controlled by the government. The margin from this segment has reduced to 13% in FY22 as against 24% in the previous years and further to 12% in H1FY23. The company level PBILDT margin stood at 8.51% in FY22 as against 10.92% in FY21.

Furthermore, IGL has registered 3% growth in its TOI in H1FY23 to ₹1,490.25 crore vis-à-vis H1FY22 of ₹1,440.52 crore. The PBILDT margin improved marginally to 9.58% in H1FY23 as against 9.08% in H1FY22.

Experienced promoters and long track record of operations: Shri US Bhartia is the Chairman and Managing Director of IGL. Bhartia has a graduate degree in commerce, with honors, from Kolkata University. Under Bhartia's dynamic leadership, IGL pioneered the manufacturing of BioMEG, BioEO and derivatives from renewable agro feedstock, with a low carbon footprint. He is assisted with a dynamic team of well-qualified and experienced professionals.

Bhartia has two daughters – Ms. Pooja and Ms. Pragya. Pragya is also an ED on IGL's Board and is likely to succeed Bhartia.

IGL is a professionally-run company, and its current CEO is Shri Rupark Saraswat, who is a Chemical Engineer from IIT-BHU, Varanasi.

Key rating weaknesses

High debt levels, improvement in debt metrics expected by FY23-end:

The proceeds received from the divestment of Bio-EOD division was entirely utilised to reduce bank borrowings of ₹455 crore (TL-₹166.50 crore; CC: ₹135 crore & NFB: ₹153.50 crore). Thus, the overall gearing (including acceptances & EPBG) improved as on March 31, 2022 and stood at 1.04x as against 1.83x as on March 31, 2021. The total debt outstanding (including LC acceptances & EPBG) which then reduced to ₹1,847.59 crore as on March 31, 2022 (PY: 2,130.72) increased to ₹1,942.95 crore

as on November 30, 2022 (including ₹186 crore as EPBG & ₹696.92 crore as LC acceptances) on account of drawdown of additional debt for its grain-based distillation projects and increase in LC acceptances. Other debt coverage indicators like total net debt to PBILDT (including LCs and Advances from customers) though improved still continue to remain high at 7.17x as on March 31, 2022. The company also draws unsecured loans from body corporates. These are interest earning similar to the outstanding interest rate of the banks. Apart from the aforementioned capex of distillery which will be completed in FY23 and the maintenance and de-bottlenecking capex, the management does not estimate any major capex. With the completion of distillery project and the same being captively used, the reliance of IGL on non-fund-based limits should gradually come down and reduce the debt levels going forward.

Furthermore, IGL has sold its 42.31% stake in KIFTPL with a total purchase consideration of ₹66 crore. These funds are likely to be received by December'22 and would be utilised to reduce the debt as per management.

Also, for the sale of EO business division to Clariant, ₹191 crore was receivable from Clariant over a period of three years, the company has received ₹20 crore in June 2022 and additional ₹40-50 crore is expected to be received by March 2023 which will also be utilised for debt reduction. Thus, the debt levels are expected to reduce by end of FY23 and the reduction of the same would be the key rating monitorable.

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.

Foreign exchange fluctuation risk:

For the production of MEG, IGL imports alcohol primarily from USA & Brazil. As per the company management, their imports are to the tune of ₹1,100-1,500 crore out of which around ₹100 crore is for chemical and catalyst while the rest are for alcohol. All the imports are LC-backed, hence, high NFB requirements are there. The imports stood at ₹1,476.54 crore in FY22 as against ₹1,173.86 crore in FY21. As IGL also exports, some portion of forex is naturally hedged and for the balance the company enters into forward contracts. In FY22, IGL reported a forex loss of ₹19.07 crore in FY22 as against ₹17.86 crore in FY21.

Furthermore, with IGL's foray into grain-based ethanol production, its dependence on import of alcohol is projected to reduce in the future years, thus, reducing its utilisation of its non-fund-based limits.

Cyclicality in raw material prices:

The profitability of the company is impacted with the cyclicality in the raw material prices which have increased significantly in FY22 & H1FY23. The PBILDT margins have reduced from 10.92% in FY21 to 8.51% in FY22 and 9.58% in H1FY23. IGL's chemical segment profitability remains susceptible to volatility in the spread between MEG and IGL's raw material ethyl alcohol, since the two may not move in tandem. Furthermore, margins from PS segment also moderated in FY22 due to sharp escalation in ethanol cost & material cost and inability of the company to increase the selling price as it is controlled by the government. The power & fuel expenses have increased to 13% of the total cost of sales in FY22 vis-à-vis 10% in FY21. This is mainly on account of increase in coal prices. Going forward, the prices of the raw materials and its impact on the profitability of the company will remain the key rating monitorable. In FY23, CARE Ratings Limited (CARE Ratings) expects, IGL's margin to remain rangebound and expects to improve further with the commencement of grain distilleries.

Liquidity: Adequate

The liquidity profile of the company remains adequate with stable cash accruals from diversified revenue streams. The cash accruals as envisaged are in the range of ₹230 crore as of FY23-end, against which the repayment obligations are around ₹198.35 crore in FY23 (₹64.47 crore in H2FY23). The average CC utilisation stood at 89% for the 12-month period ended October 2022. The operating cycle is comfortable at 30 days in FY22 which increased to 52 days in H1FY23. The unencumbered cash & bank balance stood at ₹4.92 crore as on September 30, 2022.

Furthermore, IGL has sold its 42.31% stake in KIFTPL with a total purchase consideration of ₹66 crore. These funds are likely to be received by December'22 and would be utilised to reduce the debt as per the management. Also, for the sale of EO business division to Clariant, ₹191 crore was receivable from Clariant over a period of three years, the company has received ₹20 crore in June 2022 and additional ₹40-50 crore is expected to be received by March 2023 which will also be utilised for debt reduction, thus, aiding the liquidity of IGL.

Analytical approach- Consolidated.

The entities considered in consolidation are mentioned in Annexure-6 below.

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](#)

[Policy on Withdrawal of Ratings](#)

About the company

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). Each of these segments contributed 68%, 25% and 7% respectively to the net revenue of the company.

Brief Financials (₹ crore)	March 31, 2021 (A)	March 31, 2022 (A)	H1FY23 (UA)
Total operating income	2300.15	2856.13	1490.25
PBILDT	251.24	243.13	142.80
PAT	109.20	329.58	51.17
Overall gearing (times)	1.83	1.04	1.09
Interest coverage (times)	3.01	4.48	3.08

A: Audited; Prov.: Provisional

Status of non-cooperation with previous CRA: Not Applicable

Any other information: Not Applicable

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

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

Complexity level of various instruments rated for this company: Annexure-4

Annexure-1: Details of instruments/facilities

Name of the Instrument	Maturity Date (DD-MM-YYYY)	Size of the Issue (₹ crore)	Rating Assigned along with Rating Outlook
Fund-based - LT-Bank guarantee	-	186.06	CARE A; Stable
Fund-based - LT-Cash credit	-	350.00	CARE A; Stable
Fund-based - LT-Term loan	31/03/2027	723.86	CARE A; Stable

Name of the Instrument	Maturity Date (DD-MM-YYYY)	Size of the Issue (₹ crore)	Rating Assigned along with Rating Outlook
Non-fund-based - ST-BG/LC	-	850.00	CARE A1

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 2022-2023	Date(s) and Rating(s) assigned in 2021-2022	Date(s) and Rating(s) assigned in 2020-2021	Date(s) and Rating(s) assigned in 2019-2020
1	Fund-based - LT-Term loan	LT	723.86	CARE A; Stable				
2	Fund-based - LT-Cash credit	LT	350.00	CARE A; Stable				
3	Non-fund-based - ST-BG/LC	ST	850.00	CARE A1				
4	Fund-based - LT-Bank guarantee	LT	186.06	CARE A; Stable				

*Long term/Short term.

Annexure-3: Detailed explanation of the covenants of the rated instruments/facilities: NA

Annexure-4: Complexity level of various instruments rated for this company

Sr. No.	Name of 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: Bank lender details for this company

To view the lender-wise details of bank facilities please [click here](#)

Annexure-6: Entities considered in consolidation

Name of Entity	Relationship	Country of Incorporation	% of holding
Shakumbari Sugar & Allied Industries Limited (SSAIL)	Subsidiary company	India	51.03%
IGL Chem International PTE. LTD	Wholly-owned subsidiary company	Singapore	100%
IGL Chem International USA LLC (IGLCHEM US)	Wholly-owned subsidiary company	USA	100%
IGL Finance Limited (IGLFL)	Wholly-owned subsidiary company	India	100%
IGL Chemicals and Services Private Limited	Wholly-owned subsidiary	India	100%

Name of Entity	Relationship	Country of Incorporation	% of holding
	company		
Ennature Bio Pharma Private Limited	Wholly-owned subsidiary company	India	100%
Kashipur Infrastructure and Freight Terminal Private Limited (KIFTPL)	Joint Venture	India	42.31%
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%

Note on 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

Media contact

Name: Mradul Mishra

Phone: +91-22-6754 3596

E-mail: mradul.mishra@careedge.in

Analyst contact

Name: Ravleen Sethi

Phone: 9818032229

E-mail: ravleen.sethi@careedge.in

Relationship contact

Name: Swati Agrawal

Phone: +91-11-4533 3200

E-mail: swati.agrawal@careedge.in

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.

Disclaimer:

The ratings issued by CARE Ratings are opinions on the likelihood of timely payment of the obligations under the rated instrument and are not recommendations to sanction, renew, disburse, or recall the concerned bank facilities or to buy, sell, or hold any security. These ratings do not convey suitability or price for the investor. The agency does not constitute an audit on the rated entity. CARE Ratings has based its ratings/outlook based on information obtained from reliable and credible sources. CARE Ratings does not, however, guarantee the accuracy, adequacy, or completeness of any information and is not responsible for any errors or omissions and the results obtained from the use of such information. Most entities whose bank facilities/instruments are rated by CARE Ratings have paid a credit rating fee, based on the amount and type of bank facilities/instruments. CARE Ratings or its subsidiaries/associates may also be involved with other commercial transactions with the entity. In case of partnership/proprietary concerns, the rating/outlook assigned by CARE Ratings is, inter-alia, based on the capital deployed by the partners/proprietors and the current financial strength of the firm. The ratings/outlook may change in case of withdrawal of capital, or the unsecured loans brought in by the partners/proprietors in addition to the financial performance and other relevant factors. CARE Ratings is not responsible for any errors and states that it has no financial liability whatsoever to the users of the ratings of CARE Ratings. The ratings of CARE Ratings do not factor in any rating-related trigger clauses as per the terms of the facilities/instruments, which may involve acceleration of payments in case of rating downgrades. However, if any such clauses are introduced and triggered, the ratings may see volatility and sharp downgrades.

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



India Ratings Downgrades India Glycols to 'IND A-' and Withdraws Ratings

Dec 28, 2022 | Specialty Chemicals

India Ratings and Research (Ind-Ra) has downgraded India Glycols Limited's (IGL) Long-Term Issuer Rating to 'IND A-' from 'IND A' and has simultaneously withdrawn it. The Outlook was Stable. The instrument-wise rating actions are given below:

Instrument Type	Date of Issuance	Coupon Rate (%)	Maturity Date	Size of Issue (million)	Rating	Rating Action
Term loan*	-	-	March 2028	INR3,990.5	WD	Downgraded and Withdrawn
Fund-based limit#	-	-	-	INR2,800	WD	Downgraded and Withdrawn
Non-fund-based limit#	-	-	-	INR9,590.6	WD	Downgraded and Withdrawn

* Downgraded to 'IND A-' from 'IND A'/Stable before being withdrawn

Downgraded to 'IND A-' /'IND A2+' from 'IND A'/Stable/'IND A1' before being withdrawn

The downgrade reflects IGL's weaker-than-expected performance in FY22 owing to decline in EBITDA and higher Capex, resulting in elevated net leverage (net debt/EBITDA).

Ind-Ra is no longer required to maintain the ratings, as it has received a no-objection certificate from the lender. This is consistent with the Securities and Exchange Board of India's circular dated 31 March 2017 for credit rating agencies.

Key Rating Drivers

Higher-than-Expected Capex leads to Sustained Increase in Leverage: IGL incurred capex of INR5.9 billion during FY22-1HFY23 (1HFY23: INR2.1 billion, FY22: INR3.8 billion), significantly higher than management's estimates of around INR4 billion over FY22-FY23 (including INR3 billion towards distilleries and INR0.5 billion annually towards maintenance and de-bottlenecking). Of the total capex of INR5.9 billion, INR 2.3billion was towards distilleries and the balance was towards the chemicals business and regular maintenance. The pending capex on distilleries, likely to be incurred over the next two-to-three quarters, mainly includes installation of turbine and boiler.

In June 2021, the company had divested 51% of its stake 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 51:49 joint venture (JV) company. The proceeds from the divestment were used for debt repayment, leading to a reduction in the debt to around INR9 billion at end-August 2021 (FY21: INR13.4 billion, FY20: INR12.86 billion). With the significant debt reduction, a recovery in demand in the chemical segments and the limited impact of divestment on profits on account of income streams from the JV, Ind-Ra had expected IGL's net leverage to improve to around 3.0x in FY22 and further to 2.0x-2.5x in FY23. However, the net leverage rose to 4.8x in FY22 (FY21: 3.9x) owing to the higher capex and decline in profitability, and remained high at around 4.5x in 1HFY23. It is likely to breach Ind-Ra's negative rating trigger of 3.0x in FY23. The interest coverage (gross interest expense/EBITDA) improved to 3.7x in FY22 (FY21: 3.0x) but declined to 3.0x in 1HFY23 owing to an increase in interest expense.

Steep Decline in Liquor Margins Affects Overall EBITDA: Despite higher volumes, IGL's liquor division EBITDA plunged to INR0.9 billion in FY22 (FY21: INR1.5 billion) and margins to 14% (26%) owing to a rise in price of key inputs including molasses, packing material, and power and fuel. The liquor division EBITDA margins remained low at 13% in 1HFY23 and are likely to remain subdued in FY23 in the absence of an increase in selling prices, which is fixed by the government. While the chemical segment margins recovered post the COVID-19-induced fall, the nutraceutical segment margins declined, leading to a fall in the overall EBITDA margin (excluding other income) to 8.5% in FY22 (FY21: 11.3%). The EBITDA margins stood at 8.7% in 1HFY23 and are likely to remain range-bound in FY23, significantly lower than Ind-Ra's earlier expectations of low teens.

The company's two grain-based distilleries (290 kilo litres per day) commenced operations in September 2022. A significant proportion of the production will be used captively owing to an increase in price of ethyl alcohol (key raw material), grain prices and ethanol. Although this will provide some cushion to the company against the high prices of externally procured ethyl alcohol, but revenue generation in the near term would be lower. With the company unlikely to supply 75% of ethanol to oil marketing companies as per the subvention requirement, it has not availed the interest subvention on debt of INR2.2 billion (INR1.7 billion drawn till end-September 2022).

Robust Market Position: IGL remains the largest country liquor supplier in Uttar Pradesh (UP) with a market share of over one-fourth of the total country liquor supplies of the state, according to management. The company has the license for operations and sale of branded country liquor in UP and Uttarakhand. IGL's liquor volumes grew 13% yoy to 199.7 million litres in FY22. However, EBITDA fell despite the UP government's policy of reservation of 18% molasses for liquor manufacturing sugar season (SS)2020-21 onwards (SS2019-20: 16%). Ind-Ra believes the company's high reliance on the liquor segment exposes it 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 bio-based specialities and performance chemicals (FY22: 65% of net revenue; FY21: 56% of net revenue) including monoethylene glycol, guar gum, other glycols and specialty chemicals. The potable spirits business accounted for 22% of the revenue in FY22 (FY21: 18%) while Ennature Biopharma (nutraceuticals) constituted around 5%.

Liquidity Indicator - Stretched: The average month-end utilisation of IGL's fund-based and non-fund based working capital limits was 90%-95% during the 12 months ended November 2022, indicating limited cushion. The company has scheduled repayments of around INR4.5 billion over FY23-FY24 in addition to interest expense of around INR1.8-2 billion. The company may need external funding in the form of sale of non-core assets or will have consider debt refinancing to meet the same.

IGL's cash flow from operations remained positive over FY16-FY22 (FY22: INR1.14 billion, FY21: INR1.42 billion) and is likely to remain so in the near term. It has entered into an agreement to sell its 42.3% stake in its JV Kashipur Infrastructure and Freight Terminal Private Limited in 3QFY23 for INR0.66 billion; management expects to receive divestment proceeds by end-December 2022, which would aid liquidity. Furthermore, IGL is likely to receive INR0.6- INR0.7 billion from CISCPT in FY23 (1HFY23: INR0.2 billion) as repayment of INR1.9 billion parked as loan at the time of stake sale.

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	FY22	FY21
Revenue (INR billion)	28.6	22.8
EBITDA (INR billion)	2.4	2.6
EBITDA margin (%)	8.5	11.3
Gross interest coverage (x)	3.7	3.4
Net leverage (x)	4.8	3.9
Source: IGL, Ind-Ra		

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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Rating History

Instrument Type	Current Rating			Historical Rating/Outlook/Rating Watch				
	Rating Type	Rated Limits (million)	Rating	30 September 2021	22 March 2021	11 January 2021	15 October 2019	15 May 2019
Issuer rating	Long-term	-	WD	IND A-/Stable	IND A-/RWP	IND A-/Stable	IND A-/Stable	IND A-/Stable
Term loans	Long-term	INR3,990.5	WD	IND A-/Stable	IND A-/RWP	IND A-/Stable	IND A-/Stable	IND A-/Stable
Fund-based limits	Long-term/Short-term	INR2,800	WD	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+
Non-fund-based limits	Long-term/Short-term	INR9,590.6	WD	IND A-/Stable/IND A1	IND A-/RWP/IND A2+/RWP	IND A-/Stable/IND A2+	IND A-/Stable/IND A2+	IND A2+

Bank wise Facilities Details

[Click here to see the details](#)

Complexity Level of Instruments

Instrument Type	Complexity Indicator
Term loans	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>.

Contact

Primary Analyst

Siddharth Rego

Senior Analyst

India Ratings and Research Pvt Ltd

Wockhardt Towers, 4th Floor, West Wing, Bandra Kurla Complex, Bandra East, Mumbai - 400051

+91 22 40356115

For queries, please contact: infogrp@indiaratings.co.in

Secondary Analyst

Rishabh Soni

Analyst

022 40001758

Chairperson

Prashant Tarwadi

Director

+91 22 40001772

Media Relation

Ankur Dahiya

Senior Manager – Corporate Communication

+91 22 40356121

APPLICABLE CRITERIA

Corporate Rating Methodology

Short-Term Ratings Criteria for Non-Financial Corporates

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