



# IOL CHEMICALS AND PHARMACEUTICALS LIMITED

The General Manager  
National Stock Exchange of India Ltd.  
Exchange Plaza, Plot no. C/1, G Block,  
Bandra-Kurla Complex, Bandra (E)  
Mumbai - 400 051

The General Manager  
BSE Limited  
Phiroze Jeejeebhoy Towers,  
Dalal Street  
Mumbai- 400 001

IOLCP/CGC/2018  
14 March 2018

Dear Sir,

**Sub: Credit rating**

Pursuant to Regulation 30 and any other provisions of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, this is to inform you that CARE Ratings Limited has improved the credit rating by 2 notch for Long term Bank Facilities of the Company to '**CARE BBB-; Stable**' (**Triple B Minus; Outlook: Stable**) from 'CARE BB; Stable (Double B; Outlook: Stable)'. The CARE Ratings Limited has also improved the credit rating for Short term Bank Facilities of the Company to '**CARE A3**' (**A Three**) from 'CARE A4' (**A Four**).

Copy of the letter from CARE Ratings Limited is enclosed herewith.

You are requested to kindly take the same on record.

Thanking you,

Yours faithfully,

For IOL Chemicals and Pharmaceuticals Limited



Vice President and Company Secretary

**CARE/DRO/RL/2017-18/3305**  
**Mr. Rakesh Mahajan**  
Director  
**IOL Chemicals and Pharmaceuticals Limited**  
85, Industrial Area 'A'  
Ludhiana, Punjab – 141 003

March 13, 2018

**Confidential**

Dear Sir,

**Credit rating for bank facilities**

On the basis of recent developments including operational and financial performance of your company for FY17 (A) and 9MFY18 (Prov.), our Rating Committee has reviewed the following ratings:

Facilities	Amount (Rs. crore)	Ratings <sup>1</sup>	Rating Action
Long-term Bank Facilities	447.43	CARE BBB-; Stable (Triple B Minus; Outlook: Stable)	Revised from CARE BB; Stable (Double B; Outlook: Stable)
Short-term Bank Facilities	150.00 (enhanced from 136.99)	CARE A3 (A Three)	Revised from CARE A4 Stable (A Four)
<b>Total Facilities</b>	<b>597.43</b> <b>(Rupees Five hundred Ninety Seven crore and Forty Three lakh only)</b>		

1. Refer Annexure 1 for details of rated facilities.
2. The rationale for the rating will be communicated to you separately. A write-up (press release) on the above rating is proposed to be issued to the press shortly, a draft of which is enclosed for your perusal as Annexure-2. We request you to peruse

<sup>1</sup>Complete definition of the ratings assigned are available at [www.careratings.com](http://www.careratings.com) and other CARE publications

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**CARE Ratings Limited**  
(Formerly known as Credit Analysis & Research Limited)

the annexed document and offer your comments if any. We are doing this as a matter of courtesy to our clients and with a view to ensure that no factual inaccuracies have inadvertently crept in. Kindly revert as early as possible. In any case, if we do not hear from you by March 14, 2018, we will proceed on the basis that you have no any comments to offer.

3. CARE reserves the right to undertake a surveillance/review of the rating from time to time, based on circumstances warranting such review, subject to at least one such review/surveillance every year.
4. CARE reserves the right to revise/reaffirm/withdraw the rating assigned as also revise the outlook, as a result of periodic review/surveillance, based on any event or information which in the opinion of CARE warrants such an action. In the event of failure on the part of the entity to furnish such information, material or clarifications as may be required by CARE so as to enable it to carry out continuous monitoring of the rating of the bank facilities, CARE shall carry out the review on the basis of best available information throughout the life time of such bank facilities. In such cases the credit rating symbol shall be accompanied by "ISSUER NOT COOPERATING". CARE shall also be entitled to publicize/disseminate all the afore-mentioned rating actions in any manner considered appropriate by it, without reference to you.
5. CARE ratings do not take into account the sovereign risk, if any, attached to the foreign currency loans, and the ratings are applicable only to the rupee equivalent of these loans.
6. Users of this rating may kindly refer our website [www.careratings.com](http://www.careratings.com) for latest update on the outstanding rating.
7. CARE ratings are not recommendations to sanction, renew, disburse or recall the concerned bank facilities.

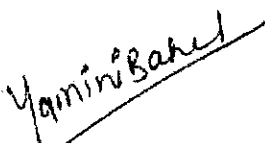
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**CARE Ratings Limited**  
(Formerly known as Credit Analysis & Research Limited)

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If you need any clarification, you are welcome to approach us in this regard.

Thanking you,  
Yours faithfully,



**[Yamini Bahel]**  
Analyst  
[yamini.bahel@careratings.com](mailto:yamini.bahel@careratings.com)



**[Ajay Dhaka]**  
Senior Manager  
[ajay.dhaka@careratings.com](mailto:ajay.dhaka@careratings.com)

Encl.: As above

**Disclaimer**

CARE's ratings are opinions on credit quality and are not recommendations to sanction, renew, disburse or recall the concerned bank facilities or to buy, sell or hold any security. CARE has based its ratings/outlooks on information obtained from sources believed by it to be accurate and reliable. CARE does not, however, guarantee the accuracy, adequacy or completeness of any information and is not responsible for any errors or omissions or for the results obtained from the use of such information. Most entities whose bank facilities/instruments are rated by CARE have paid a credit rating fee, based on the amount and type of bank facilities/instruments.

In case of partnership/proprietary concerns, the rating/outlook assigned by CARE is based on the capital deployed by the partners/proprietor and the financial strength of the firm at present. The rating/outlook may undergo change in case of withdrawal of capital or the unsecured loans brought in by the partners/proprietor in addition to the financial performance and other relevant factors.

**Annexure 1  
Details of Rated Facilities**

**1. Long-term facilities**

**1.A. Rupee term loans**

Sr. No	Lender	Rated Amount (Rs. Crore)	Remarks
1.	Punjab National Bank	149.76	Outstanding as on Feb 20, 2018
2.	Allahabad bank	57.16	Outstanding as on Feb 20, 2018
3.	Oriental Bank of Commerce	22.64	Outstanding as on Feb 20, 2018
4.	State Bank of India	10.53	Outstanding as on Feb 20, 2018
5.	EXIM Bank	27.34	Outstanding as on Feb 20, 2018
	<b>Total Facility</b>	<b>267.43</b>	

**1.B. Fund Based limits**

Sr. No.	Name of Bank	Fund Based Limits (Rs. Crore)		
		CC*	Others	Total fund-based limits
1.	Punjab National Bank	106.29	-	106.29
2.	Allahabad bank	46.07	-	46.07
3.	Oriental Bank of Commerce	27.64	-	27.64
	<b>TOTAL</b>	<b>180.00</b>	<b>-</b>	<b>180.00</b>

\*CC=Cash credit

**Total long-term facilities (1.A + 1.B) = Rs.447.43 crore**

**2. Short-term facilities**

**2.A. Non fund based limits**

Sr. No.	Name of Bank	Non Fund Based Limits	
		LCs/ BGs* (Rs. Crore)	Others
1	Punjab National Bank	93.93	-
2	Allahabad bank	28.56	-
3	OBC	27.51	-
	<b>TOTAL</b>	<b>150.00</b>	

\*LC=Letter of credit; BG=Bank guarantee

**Total short-term facilities (2.A.)= Rs.150.00 crore**

**Total facilities rated (1+2): Rs.597.43 crore**

**Annexure 2**  
**Press Release**  
**IOL Chemicals and Pharmaceuticals Limited**

**Ratings**

Facilities	Amount (Rs. crore)	Ratings <sup>1</sup>	Rating Action
Long-term Bank Facilities	447.43	CARE BBB-; Stable (Triple B Minus; Outlook: Stable)	Revised from CARE BB; Stable (Double B; Outlook: Stable)
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<b>Total Facilities</b>	<b>597.43</b> <b>(Rupees Five hundred Ninety Seven crore and Forty Three lakh only)</b>		

*Details of facilities in Annexure-1*

**Rating Rationale**

*The revision in ratings assigned to the bank facilities of IOL Chemicals and Pharmaceuticals Limited (IOL) takes into account improvement in the company's operational performance marked by growth in total income and cash accruals backed by healthy capacity utilization levels and resultant improvement in debt coverage indicators. The ratings continue to derive comfort from the extensive experience of the promoters, long track of operations, well-established market position, diversified product portfolio and integrated manufacturing facilities leading to cost advantages. However, the ratings are constrained by high gearing, working capital intensive nature of the operations and ongoing capex resulting in modest liquidity position.*

*Going forward, the ability of the company to report growth in total operating income, sustain its profitability margins, effectively manage its working capital cycle and reduce the debt levels shall remain the key rating sensitivities.*

**Detailed description of the key rating drivers**

**Key Rating Strengths**

**Improvement in operational performance**

Total operating income (TOI) grew by 23.29% y-o-y in FY17 (refers to the period from April 1 to March 31) to Rs.713.75 crore, driven by increase in sales volumes and average realization of

<sup>1</sup>Complete definition of the ratings assigned are available at [www.careratings.com](http://www.careratings.com) and other CARE publications

Ibuprofen and higher capacity utilization for chemicals division. Further, during 9MFY18 (refers to the period from April 1 to Dec 31) IOL has reported a TOI of Rs.714.46crore (PY: Rs.566.66 crore), backed by expansion in manufacturing capacity of Ibuprofen coupled with higher capacity utilization under chemicals segment. As a result, PBILDT and PAT has also registered significant growth during FY17, although there is some moderation in PBILDT margin during 9MFY18 in view of IOL's focus on higher sales volumes.

***Extensive experience of the promoters and long track record of operations***

Key promoter - Mr. Varinder Gupta has more than three decades of experience including the experience with IOL and other group companies. The company has a long track record of operations of nearly 32 years, which coupled with promoters' extensive experience helps in better understanding of the business cycle and develop established relationships with the customers and suppliers.

***Well established market position and diversified product portfolio***

IOL has a market presence across more than 50 countries with the sales contribution from the exports forming around 30% of the total sales in FY17 (PY:26%). Its product portfolio includes chemicals like Ethyl acetate, acetic anhydride and Iso Butyl Benzene and API's (mainly life style drugs like Ibuprofen). Diversified product portfolio helps the company to capitalize various opportunities present in the market and reduces the dependence on a single product.

***Integrated manufacturing facilities leading to cost benefits***

IOL has an integrated manufacturing facility for chemicals and APIs. The backward integrated plants adds to the strength of IOL as major raw materials for Ibuprofen like Iso Butyl Benzene, Acetyl Chloride and Mono Chloro Acetic Acid are produced by the company in house, leading to cost advantage over its competitors.

**Key Rating Weaknesses**

***Working capital intensive nature of operations and modest liquidity position***

IOL's operations are working capital intensive as reflected by working capital cycle of 119 days on March 31, 2017 (PY: 125 days), driven by inventory and debtors of 150 days and 47 days, respectively. Inventory holding is high as the company has an integrated manufacturing plant. Further, the company is in the process of increasing its capacity in API segment thereby resulting in lower free cash flows and modest liquidation position as reflected by average fund based limit utilization standing high at 90.59% for trailing 12 months ending January 2018.

***Leveraged capital structure***

The overall gearing remained high at 2.49x as on March 31, 2017 (PY: 2.61x), driven by sizeable term loans availed for capex in the past and large working capital borrowings. Interest coverage ratio improved to 1.53x during FY17 (PY: 0.86x) and 1.83x in 9MFY18 (PY: 1.51x), owing to higher TOI and resultant increase in PBILDT. Total debt to gross cash accruals (GCA) also improved but remained high at 15.54x as on March 31, 2017 (PY: 35.26x).

Analytical approach: Standalone

## Applicable Criteria

Criteria on assigning Outlook to Credit Ratings

CARE's Policy on Default Recognition

CARE's methodology for manufacturing companies

Criteria for Short Term Instruments

Financial ratios – Non-Financial Sector

## About the company

IOL Chemicals and Pharmaceuticals Ltd (IOL) was incorporated as a public limited company in September 29, 1986 by Mr. Varinder Gupta and Mr. Rajinder Gupta to setup acetic acid manufacturing facility. It's manufacturing facility is located at Barnala, Punjab, having total capacity of 114600 Metric Tonne Per Annum (MTPA) as on March 31, 2017. IOL is involved in manufacturing of Chemicals (~43.71% of total sales in FY17) and Active Pharmaceutical Ingredients (~53.74% of total sales in FY17) which primarily includes Ibuprofen.

Brief Financials (Rs. crore)	FY16 (A)	FY17 (A)
Total operating income	579.03	713.75
PBILD	52.71	103.13
PAT	-40.03	4.23
Overall gearing (times)	2.61	2.49
Interest coverage (times)	0.86	1.53

A: Audited

Status of non-cooperation with previous CRA: Not applicable

Any other information: Not Applicable

Rating History (Last three years): Please refer Annexure-2

*Note on complexity levels of the rated instrument: CARE has classified instruments rated by it on the basis of complexity. This classification is available at [www.careratings.com](http://www.careratings.com). Investors/market intermediaries/regulators or others are welcome to write to [care@careratings.com](mailto:care@careratings.com) for any clarifications.*

## Analyst Contact

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\*\*For detailed Rationale Report and subscription information, please contact us at [www.careratings.com](http://www.careratings.com)  
About CARE Ratings:



CARE Ratings commenced operations in April 1993 and over two decades, it has established itself as one of the leading credit rating agencies in India. CARE is registered with the Securities and Exchange Board of India (SEBI) and also recognized as an External Credit Assessment Institution (ECAI) by the Reserve Bank of India (RBI). CARE Ratings is proud of its rightful place in the Indian capital market built around investor confidence. CARE Ratings provides the entire spectrum of credit rating that helps the corporates to raise capital for their various requirements and assists the investors to form an informed investment decision based on the credit risk and their own risk-return expectations. Our rating and grading service offerings leverage our domain and analytical expertise backed by the methodologies congruent with the international best practices.

**Disclaimer**

CARE's ratings are opinions on credit quality and are not recommendations to sanction, renew, disburse or recall the concerned bank facilities or to buy, sell or hold any security. CARE has based its ratings/outlooks on information obtained from sources believed by it to be accurate and reliable. CARE does not, however, guarantee the accuracy, adequacy or completeness of any information and is not responsible for any errors or omissions or for the results obtained from the use of such information. Most entities whose bank facilities/instruments are rated by CARE have paid a credit rating fee, based on the amount and type of bank facilities/instruments. In case of partnership/proprietary concerns, the rating /outlook assigned by CARE is based on the capital deployed by the partners/proprietor and the financial strength of the firm at present. The rating/outlook may undergo change in case of withdrawal of capital or the unsecured loans brought in by the partners/proprietor in addition to the financial performance and other relevant factors.

**Annexure-1: Details of Instruments/Facilities**

Name of the Instrument	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. crore)	Rating assigned along with Rating Outlook
Term Loan-Long Term	-	-	March 2024	267.43	CARE BBB-; Stable
Non-fund-based - ST-BG/LC	-	-	March 2024	150.00	CARE A3
Fund-based - LT-Working Capital Limits	-	-	March 2024	180.00	CARE BBB-; Stable

**Annexure-2: Rating History of last three years**

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating history			
		Type	Amount Outstanding (Rs. crore)	Rating	Date(s) & Rating(s) assigned in 2017-2018	Date(s) & Rating(s) assigned in 2016-2017	Date(s) & Rating(s) assigned in 2015-2016	Date(s) & Rating(s) assigned in 2014-2015
1.	Term Loan-Long Term	LT	267.43	CARE BBB-; Stable	-	1)CARE BB; Stable (06-Feb-17)	1)CARE BB- (18-Mar-16) 2)CARE BB- (28-Apr-15)	-
2.	Non-fund-based - ST-BG/LC	ST	150.00	CARE A3	-	1)CARE A4 (06-Feb-17)	1)CARE A4 (18-Mar-16) 2)CARE A4 (28-Apr-15)	-
3.	Fund-based - LT-Working Capital Limits	LT	180.00	CARE BBB-; Stable	-	1)CARE BB; Stable (06-Feb-17)	1)CARE BB- (18-Mar-16) 2)CARE BB- (28-Apr-15)	-