



## IVP LIMITED

### Regd. Office :

Shashikant N. Redij Marg,  
Ghorupdeo, Mumbai - 400 033

Tel. : +91-22-2378 7300

Email : [ivp@ivpindia.com](mailto:ivp@ivpindia.com)

Website : [www.ivpindia.com](http://www.ivpindia.com)

CIN : L 74999MH1929PLC001503

IVPSEC/Compliance/244/08/2022-23

5<sup>th</sup> August, 2022

BSE Limited Phiroze Jeejeebhoy Towers Dalal Street Mumbai- 400 001 <b>Security Code: 507580</b>	National Stock Exchange of India Limited 'Exchange Plaza', C - 1, Block G, Bandra- Kurla Complex, Bandra (E), Mumbai – 400 051 <b>Stock Symbol: IVP</b>
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### 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 4<sup>th</sup> August, 2022 (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 A3+' for Rs. 1520 million (increased from Rs. 1125 million) limit of Fund-based working capital limits of the Company.
- For Short-term bank facilities from 'IND A3' to 'IND A3+' for Rs. 1000 million (Increased from Rs. 565 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

  
Rakesh Joshi  
Chief Financial Officer



Encl. as above

## India Ratings Upgrades IVP to 'IND BBB'/Stable; Limits Enhanced

Aug 04, 2022 | Chemicals

India Ratings and Research (Ind-Ra) has upgraded IVP Limited's (IVP) 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	-	-	-	INR1,520 (increased from INR1,125)	IND BBB/Stable/IND A3+	Upgraded
Non-fund-based working capital limits	-	-	-	INR1,000 (increased from INR565)	IND A3+	Upgraded

**Analytical Approach:** To arrive at the ratings, Ind-Ra continues to factor in the availability of the 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 operations, supported by the scaling up of both the polyurethane (PU) and foundry chemical divisions. Furthermore, strong demand in the divisions led to increased volume sales, higher realisation and higher capacity utilisation, leading to an improved profitability. IVP's strong operational performance also improved its overall credit profile. Ind-Ra expects the company's credit profile to sustain over the medium term, supported by its stable profitability and demand, despite higher raw material prices as the same is passed on to customers, and gross margins per kg are maintained.

### Key Rating Drivers

**Robust Demand Supports Revenue Growth and Profitability:** IVP's revenue substantially grew 92.1% yoy to INR5,566 million in FY22, on the back of increased volume sales and improved realisation across the PU and foundry chemical division. The increased sales were due to healthy demand for its end products of each division across major markets, thus leading to an increased capacity utilisation and improved profitability for the year. IVP's EBITDA margins improved to 6.3% in FY22 (FY21: 5.6%), with a higher absolute EBITDA of INR350 million (INR163 million), due to its increased scale of operations.

Increased prices of its raw materials, comprising derivatives of crude oil, during 4QFY22 are likely to impact its margins over the near term as the prices are passed on with a lag. Ind-Ra expects the company's EBITDA margins to moderate, but remain comfortable at about 5% over the medium term, supported by higher realisations and stable demand, leading to efficient capacity utilisation, benefitting its operating leverage.

**Improved Credit Metrics; Likely to Moderate but Remain Comfortable:** The overall credit profile of the company improved in FY22, on the back of the increase in its scale of operations and improved profitability. IVP's interest coverage ratio (EBITDA/gross interest expense) improved to 3.5x in FY22 (FY21: 2.3x), on the back of higher operating profits despite an increase in the interest expense. The net leverage (net debt/ EBITDA) also reduced to 4.5x in FY22 (FY21: 7.4x), despite an increase in its gross debt levels to INR1,566 million at FYE22 (FYE21: INR1,223 million), which comprised working capital debt as well as inter-corporate deposits (ICDs) from parent, due to higher EBITDA.

Ind-Ra, however, expects the credit metrics to moderate, but remain comfortable over the near term, primarily impacted by the slight moderation in its margins due to higher input costs.

**Liquidity Indicator - Adequate:** Despite the improvement in its profitability, the company's cash flow from operations remained negative INR312 million (FY21: negative INR212 million) as incremental funds were locked up in working capital. However, the overall net working capital cycle of the company improved to 116 days in FY22 (FY21: 149 days), supported by stable inventory levels accompanied by the substantial increase in its revenue and the receivable cycle improving to 137 days (175 days). However, as per the management, the company offers extended credit period to customers in line with the industry norms, leading to an elongated receivable cycle of about 140 day; Ind-Ra thus expects IVP's receivable cycle to remain elongated over the medium term. IVP also made provisions for doubtful debts totaling INR3 million in FY22 (FY21: INR33.9 million), which accounted for only 0.1% (2.4%) of the outstanding receivables. In FY22, the company paid out a dividend of INR10.3 million (FY21: nil).

The company's average utilisation of the fund-based working capital limits was 78% (of fund-based and non-fund-based facilities) for the 12 months ended May 2022. IVP's overall liquidity is further supported by ICDs from the group companies having no fixed repayment schedule. Ind-Ra expects the cash flow from operations to remain negative in FY23, 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. Furthermore, IVP plans to incur significant capex over FY23 and FY24, towards the expansion of its capacity in the PU division. The capex will be funded entirely through internal accruals.

The company has large aggregate contingent liabilities of INR565 million, on account of a couple of legal matters related to rentals being paid to Mumbai Port Trust and sub-letting charges for a Maharashtra Industrial Development Corporation land in Aurangabad. 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 FYE22 (FYE21: 71.32%). Historically, the group has supported IVP through timely infusion of ICDs which were used for meeting working capital requirements. The outstanding ICDs totaled INR787 million at FYE22 (FYE21: INR787 million) and carry an interest rate of 6% per annum. The ICDs outstanding constituted 50% of the outstanding debt at FYE22 (FYE21: 64%), while the interest expense constituted 47% (62%) of the total interest expense.

**Commodity Price Risk and Forex Risk:** IVP's margins are susceptible to the 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 overall realisations of end-products are market driven. The company imports 50%-55% of its raw material requirements. While the company hedges forex risks through forward contracts, it runs commodity price risk, due to the nature of the business. Its gross margins remained 17.3%-22.5% over FY17-FY22.

## Rating Sensitivities

**Positive:** A substantial increase in the scale of operations while maintaining the current levels of 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 leading to the weakening in the liquidity profile and credit metrics, with interest coverage declining below 2.0x, could lead to a negative action.

## Company Profile

Established in 1929, IVP manufactures foundry chemicals and PU chemicals. It is a listed company and promoted by the Allana group, which held a 71.32% stake as of FYE22. 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)	FY22	FY21	FY20
Revenue	5,566	2,897	2,288
EBITDA	350	163	-0.8
EBITDA margins (%)	6.3	5.6	-0.03
Interest expense	99	70	102
Gross interest coverage (x)	3.5	2.3	Not meaningful
Net leverage (x)	4.5	7.41	Not meaningful
Source: IVP, Ind-Ra			

## Solicitation Disclosures

Additional information is available at [www.indiaratings.co.in](http://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 Ra	
	Rating Type	Rated Limits (million)	Rating	20 September 2021	27 July 2020
Issuer rating	Long-term	-	IND BBB/Stable	IND BBB-/Stable	IND BBB-/Negative

Fund-based working capital limits	Long-term/ short-term	INR1,520	IND BBB/Stable/IND A3+	IND BBB-/Stable/IND A3	IND BBB-/Negative/IND A3
Non-fund-based-working capital facilities	Short-term	INR1,000	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 working capital limits	Low
Non-fund based working capital limits	Moderate

For details on the complexity level of the instruments, please visit <https://www.indiaratings.co.in/complexity-indicators>.

## Contact

### Primary Analyst

Khushbu Lakhota

Associate Director

India Ratings and Research Pvt Ltd

Room no - 1201, 12th Floor, OM Towers, 32 Chowringhee Road, Kolkata-700071, India

+91 33 40302508

For queries, please contact: [infogrp@indiaratings.co.in](mailto:infogrp@indiaratings.co.in)

### Secondary Analyst

Saumil Shah

Analyst

022 40001702

### Chairperson

Prashant Tarwadi

Director

+91 22 40001772

### Media Relation

Ankur Dahiya

Senior Manager – Corporate Communication

+91 22 40356121

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