India Ratings Affirms IVP's Bank Loan Facilities at ‘IND BBB+’/Stable, Rates Additional Limits

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India Ratings and Research (Ind-Ra) has taken the following rating actions on IVP Limited's bank loan facilities:

Details of Instruments

Instrument Type	Date of Issuance	Coupon Rate	Maturity Date	Size of Issue (million)	Rating assigned along with Outlook/Watch	Rating Action
Bank loan facilities	-	-	-	INR200	IND BBB+/Stable/IND A2	Assigned
Bank loan facilities	-	-	-	INR2,570	IND BBB+/Stable/IND A2	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.

Detailed Rationale of the Rating Action

The rating reflects the extensive experience of the promoters in the specialty chemical industry along with sustained support from the parent. Additionally, there is adequate cushion in its fund-based working capital facility, with no term debt present on the books and comfortable credit metrics. These strengths are partially offset by subdued price realisations, leading to a lower-than-expected profitability, and exposure to any sudden and sharp fluctuation in foreign exchange (forex) rates, volatility in prices of raw material, particularly crude derivatives, and intense competition.

List of Key Rating Drivers

Strengths

- Continued support from parent
- Interest coverage remains robust despite moderation in EBITDA
- Largely stable revenue amid sluggish industry demand

Weakness

- Modest EBITDA margins: profitability to be aided by rebound in industry demand in FY26
- Commodity price risk; forex risk

Detailed Description of Key Rating Drivers

Continued Support from Parent: The Allana group and its promoters held a 71.32% stake in the company at FYE25 (FYE24: 71.32%). Historically, the group has supported IVP through timely infusions of inter-corporate deposits (ICDs), which have been used for meeting working capital requirements. The outstanding ICDs amounted to a total of INR477 million at FYE25 (FYE24: INR477 million). The rate of interest on the ICDs remains at 7.25% per annum. Moreover, the ICDs do not have a fixed repayment schedule. IVP, however, continues to incur interest expense on these ICDs, which constituted 44.41% of the total interest cost in FY25 (FY24: 41.95%).

Interest Coverage Remains Robust Despite Moderation in EBITDA: Despite moderation in EBITDA levels, IVP's interest coverage ratio (EBITDA/gross interest expense) improved slightly to 3.23x in FY25 (FY24: 3.20x) due to reduced interest and finance expenses, which fell to INR77.90 million during the year (INR87 million) owing to reduction in average bank interest rates, along with lower peak utilisation of the working capital limits. However, the net leverage ratio deteriorated to 4.10x in FY25 (FY24: 3.14x), as gross debt rose to INR1,044 million (INR893 million), because of higher working capital utilisation as on 31 March 2025 compared with the previous year. IVP does not have any external long-term debt, as it has financed its past capital expenditures through internal accruals and ICDs from Allana Group companies. As on 31 March 2025, around 46% of the total debt consisted of ICDs from the Allana Group. After adjusting for these loans, the net adjusted leverage remained comfortable at 2.21x in FY25, up from 1.42x in FY24. Ind-Ra expects the credit metrics to improve in the medium term due to higher profitability, driven by growth in the PU division.

Largely Stable Revenue Amid Sluggish Industry Demand: The company's revenue was largely stable at INR5,389 million in FY25 (FY24: INR5,461 million FY23: INR6,609 million). The slight moderation in revenue during FY25 was due to a slight drop in overall sales volume and sales realisation per kg due to competition from cheaper imports. In the footwear segment, while volumes for shoes and sandals increased, demand for PU chemicals used in their manufacturing did not rise as manufacturers focused on reducing footwear weight to meet customer preferences. In the foundry chemicals business, the slowdown in automobile sales tempered growth in demand from other industry sectors. The agency anticipates an improvement in the scale of operations as demand picks up in the near-to-medium term.

Modest EBITDA Margins: Profitability to be Aided By Rebound In Industry Demand in FY26: Profitability in the commodity chemicals business remained under pressure during FY24-FY25, primarily due to the global economic slowdown and higher raw material price volatility. Despite this, IVP's EBITDA margin declined only by 42bp to 4.68% in FY25 (FY24: 5.10%; FY23: 6.10%). The margin dipped due to a decline in EBITDA/kg realisations. Ind-Ra expects IVP's operating EBITDA margins to remain stable and gradually increase in the near-to-medium term, supported by an improvement in market demand. The ROCE fell to 8.4% in FY25 from 9.8% in FY24.

Commodity Price Risk; Forex Risk: IVP's margins are exposed to volatility in the prices of raw material, which are linked to crude oil, owing to intense competition and volatile geopolitical situations. There have been significant fluctuations in raw material prices in the past, and the overall realisations of end-products are market driven. While the company has been able to pass on the rise in input costs to its customers, it does so with a time lag. Furthermore, the company imports 55%-56% 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.

Liquidity

Adequate: IVP's average combined average peak utilisation of the fund-based limits was 70.90% and the average utilisation of the non-fund-based limits was 56% during the 12 months ended June 2025. Furthermore, ICDs from its group companies, which does not have any fixed repayment schedule, amounted to INR477 million in FY25 (FY24: INR477 million, FY23: INR527 million). The company's cash flow from operations turned negative at INR101.70 million during FY25 (FY24: INR367.40 million) owing to deterioration in the absolute EBITDA as well as unfavourable changes in working capital. The free cash flow turned negative at INR160.10 million in FY25 (FY24: INR316.30 million) because of the negative cash flow from operations and maintenance capex of INR48.10 million undertaken during the year.) 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. In FY25, company paid dividend of INR10.3 million (FY24: 15.5). The company does not have any plan for debt-funded capex in the near term and it has zero reliance on term debt.

IVP had a large aggregate contingent liability of INR888.80 million in FY25 (FY24: INR858.70 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.

Rating Sensitivities

Positive: A substantial increase in the scale of operations while improving 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.

Any Other Information

Not applicable

About the Company

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 FYE25. Raj Kumar Lekwani is appointed as 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.

Key Financial Indicators

Particulars	FY25	FY24
Revenue (INR million)	5,389.90	5,461.00
EBITDA (INR million)	252.00	278.40
EBITDA margin (%)	4.68	5.10
Gross interest coverage (x)	3.23	3.20
Net leverage (x)	4.10	3.14
Source: IVP; Ind-Ra		

Status of Non-Cooperation with previous rating agency

Not applicable

Rating History

Instrument Type	Rating Type	Rated Limits (million)	Current Ratings/Outlook	Historical Rating/Outlook			
				12 August 2024	22 September 2023	27 July 2023	4 Aug
Issuer rating	Long-term	-	-	-	WD	IND BBB+/Stable	IND BB
Bank loan facilities	Long-term/Short-term	INR2,770	IND BBB+/Stable/IND A2	IND BBB+/Stable/IND A2	-	IND BBB+/Stable/IND A2	IND BB IN

Bank wise Facilities Details

The details are as reported by the issuer as on (12 Aug 2025)

#	Bank Name	Instrument Description	Rated Amount (INR million)	Rating
1	Kotak Mahindra Bank	Fund Based Working Capital Limit	600	IND BBB+/Stable/IND A2
2	HDFC Bank Limited	Fund Based Working Capital Limit	400	IND BBB+/Stable/IND A2
3	Bank of Bahrain and Kuwait	Fund Based Working Capital Limit	590	IND BBB+/Stable/IND A2

4	HDFC Bank Limited	Non-Fund Based Working Capital Limit	600	IND A2
5	Kotak Mahindra Bank	Non-Fund Based Working Capital Limit	400	IND A2
6	Bank of Bahrain and Kuwait	Non-Fund Based Working Capital Limit	180	IND A2

Complexity Level of the Instruments

Instrument Type	Complexity Indicator
Bank loan facilities	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 AND POLICIES

Evaluating Corporate Governance

Corporate Rating Methodology

The Rating Process

Parent and Subsidiary Rating Linkage

Short-Term Ratings Criteria for Non-Financial Corporates