INDIA GLYCOLS LIMITED

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17th October, 2019

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

Stock Code No: 500201

The Manager (Listing)
National Stock Exchange of India Limited
Exchange Plaza, 5th Floor,
Bandra Kurla Complex,
Bandra (East)
Mumbai – 400 051

Stock Code: INDIAGLYCO

Dear Sirs,

Sub: Disclosure under Regulation 30 of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 - Credit Rating.

Dear Sir,

Pursuant to Regulation 30 of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 ("SEBI Listing Regulations"), we wish to inform you that India Ratings & Research (Ind-Ra), credit rating Agency, has **affirmed the Company's Long-term Issuer Rating as 'IND A-' and the Outlook is stable.** The instrument-wise ratings are as follows:

Instrument Type	Rating/outlook	Rating Action
Term Loan	IND A-/Stable	Affirmed
*Proposed Term Loan	Provisional IND A-/Stable	Assigned
Fund-based Limit	IND A-/Stable/IND A2+	Affirmed
Non Fund based Limit	IND A-/Stable/IND A2+	Assigned for Long Term; Affirmed for Short Term

* The final rating will be assigned following the sanction and the receipt of the final documentation, conforming with the information already received by Ind-Ra.

The release as issued by Ind-Ra dated 15th October, 2019 is enclosed.

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

India Ratings & Research
A Fitch Group Company

India Ratings Affirms India Glycols at 'IND A-'/Stable

15

OCT 2019

By Khushbu Lakhotia

India Ratings and Research (Ind-Ra) has affirmed India Glycols Limited's (IGL) Long-Term Issuer Rating at 'IND A-'. The Outlook is Stable. The instrument-wise rating actions are as follows:

Instrument Type	Date of Issuance	Coupon Rate	Maturity Date	Size of Issue (billion)	Rating/Outlook	Rating Action
Term loan			31 March 2025	INR4.6 (reduced from INR5.3)	IND A-/Stable	Affirmed
Proposed term loan*				INR1	Provisional IND A-/Stable	Assigned
Fund-based limit				INR4.15	IND A-/Stable/IND A2+	Affirmed
Non- fund based limit				INR12.5 (reduced from INR14)	IND A-/Stable/IND A2+	Long-term rating assigned and short-term rating affirmed

*The final rating will be assigned following the sanction and the receipt of the final documentation, conforming with the information already received by Ind-Ra.

KEY RATING DRIVERS

Diversified Business Profile: IGL has a diversified product mix, comprising monoethylene glycol (MEG, 39% of revenue in FY19), ethylene oxide derivatives (EOD, 37% of revenue), liquor (13% of revenue) and nutraceuticals (6% of revenue). The company has also begun manufacturing ethanol for sale to oil marketing companies in FY20. While the key user segments for MEG are textile and packaging (pet bottles and films), EOD is supplied to agrochemicals, personal care, textile, paint and other industries. The nutraceutical segment caters to pharmaceutical companies. The limited correlation among the various segments cushions the company against volatility in individual segments. IGL's total revenue grew 10.8% yoy to INR33.6 billion in FY19 due to an increase in revenue from the chemical and liquor divisions.

Bio-MEG Provides an Edge: In India, IGL is the only manufacturer of bio-MEG (made from ethanol), which is considered to be environmental-friendly, and hence, commands higher and more stable realisations in the international market than petroleum MEG. IGL has a contract with The Coca Cola Company for the supply of bio-MEG (around 35% of MEG sales), which fetches stable margins and protects the former from fluctuations in raw material costs. Besides, IGL has the flexibility to change the mix of MEG and EOD based on demand and profitability, which provides some cushion against volatility in any one segment.

Improvement in EBITDA, Driven by Liquor Segment: IGL's EBITDA margin increased to 12.5% in FY19 (FY18: 10.9%), led by improved profitability in the chemical and liquor segments. The liquor segment's EBITDA margin increased to 26% in FY19 (FY18: 11%) on account of cost reduction and improvement in the operating leverage, resulting from 40% yoy increase in sale volumes. Prices of molasses (that generally form around 40% of the total realisations) fell substantially because the production of molasses increased by around 60% to around 14-15 million tonnes owing to the record sugarcane production in the country during sugar season (SS) 2017-18 and SS2018-19 (October-September).

Ind-Ra believes that the availability of molasses is likely to remain stable in FY20, given the flattish cane output expected in Uttar Pradesh (UP). Besides, the UP's government's move to increase the reservation of molasses for liquor manufacturing to 16% in SS2019-20 (SS2018-19: 12.5%) provides raw material security for IGL's country liquor business. Furthermore, despite a yoy increase, the prices of reserved molasses remain substantially lower than that of free supply molasses. The segment's profitability is also likely to benefit from an increase in country liquor prices by the state government, reduction in operating costs (including bottling and packaging costs) and continued volume growth. Consequently, the segment's EBITDA margin to increased to 29% in 1QFY20.

Comfortable Credit Metrics: IGL's credit metrics improved in FY19 because of growth in the EBITDA to INR4.2 billion in FY19 from INR3.3 billion in FY18. The gross interest coverage (operating EBITDA/gross interest expense) improved to 3x in FY19 (FY18: 2.7x) and is likely to remain at similar levels in FY20. The company's net adjusted leverage improved to 3.3x in FY19 (FY18: 4.1x). IGL is likely to incur capital expenditure of around INR1.3 billion over the next one year and is in the process of tying up debt of INR1 billion for the same. However, Ind-Ra believes the scheduled repayments and increase in EBITDA will keep the net adjusted leverage within 3x.

Liquidity Indicator- Adequate:. IGL's cash flow from operations (CFO; computed as per Ind-Ra's Corporate Rating Methodology criteria) was positive during FY16-FY19 (FY19: INR0.5 billion; FY18: INR3.8 billion). The CFO declined in FY19 due to elongation of the net working capital cycle to 27 days (FY18: negative six days). Inventory increased to INR6.4 billion in FY19 (FY18: INR4.4 billion) on account of higher stock of alcohol and molasses coupled with the purchase of a higher-value and longer-lasting catalyst purchased by the company in March 2019, the payment towards which is due in FY20. Despite this, the CFO is likely to remain positive in the near-to-medium term. Post the refinancing in the past couple of years, IGL has a comfortable DSCR of above 1.2x on the contracted obligations, with scheduled repayments of around INR1.8 billion each in FY20 and FY21. However, the company has a mix of long-term borrowings from banks and NBFCs, resulting in a higher interest cost. Also, the maximum utilisation of IGL's fund-based working capital limits was over 90% during the 12 months ended August 2019, indicating low cushion.

Increasing Reliance on Liquor: IGL's liquor volumes grew 40% yoy in FY19, driven by record sales in UP post the revision of the state's liquor policy with effect from 1 April 2018. The growth in liquor revenue (FY19: INR3.6 billion, FY18: INR2.9 billion) resulted in the segment's contribution to IGL's total EBITDA increasing sharply to 22% in FY19 (FY18: 9%). Liquor volumes continue to grow in FY20, with its contribution to the total EBITDA rising further to 28% in 1QFY20, as IGL has strengthened its market position in UP's country liquor market. The company's ongoing capex will enable it to increase its production further in FY21. However, the 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.

Susceptibility to Volatility in Spreads: IGL's chemical segment profitability, barring its sales to The Coca Cola Company, remains susceptible to volatility in the spread between MEG and IGL's raw material ethyl alcohol since the two might not move in tandem. The chemical segment's EBITDA margin increased to 12.3% in FY19 (FY18: 11.7%) due to a slight fall in raw material costs and improved realisations. However, the margin decreased to 11.7% in 1QFY20 (1QFY19: 14.4%) owing to a decline in realisations and a longer planned maintenance shut-down compared to FY19.

IGL's nutraceutical segment remains exposed to geographical concentration risk as the company derives around 40%-50% of the segment's revenue from Turkey. Besides, the EBITDA margins of the nutraceutical segment would remain susceptible to increase in raw material prices.

RATING SENSITIVITIES

Positive: A reduction in the gross debt, along with a fall in the inherent business volatility, leading to the net adjusted leverage reducing below 1.5x, on a sustained basis, would result in a positive rating action.

Negative: Any unexpected volatility in EBITDA and/or any unexpected debt-led capex, resulting in the gross interest coverage falling below 3.0x, on a sustained basis, could lead to a negative rating action

COMPANY PROFILE

IGL manufactures green technology-based chemicals, natural gums, spirits, industrial gases and nutraceuticals. Its key chemical product offerings include glycols, ethoxylates, formulations, glycol ethers.

FINANCIAL SUMMARY

Particulars	**FY19**	**FY18**
Net revenue (INR billion)	33.6	30.3
EBITDA margin (%)	12.5	10.9
EBITDAR interest coverage (x)	3	2.7
Net adjusted leverage (x)	3.3	4.1
Source: IGL, Ind-Ra		

RATING HISTORY

Instrument Type	**Current Rating/Outlook**			**Historical Rating/Outlook**		
	Rating Type	**Rated Limits (billion)**	**Rating**	**15 May 2019**	**18 January 2019**	**8 January 2018**
Issuer rating	Long-term	-	IND A-/Stable	IND A-/Stable	IND A-/Stable	IND BBB+/Stable
Term loan	Long-term	INR5.6	IND A-/Stable	IND A-/Stable	IND A-/Stable	IND BBB+/Stable
Fund-based limit	Long-term/short-term	INR4.15	IND A-/Stable/IND A2+	IND A-/Stable/IND A2+	IND A-/Stable/IND A2+	IND BBB+/Stable/IND A2
Non-fund-based limit	Long-term/short-term	INR12.5	IND A-/Stable/IND A2+	IND A2+	IND A2+	IND A2

COMPLEXITY LEVEL OF INSTRUMENTS

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

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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ABOUT INDIA RATINGS AND RESEARCH

About India Ratings and Research: India Ratings and Research (Ind-Ra) is India's most respected credit rating agency committed to providing India's credit markets accurate, timely and prospective credit opinions. Built on a foundation of independent thinking, rigorous analytics, and an open and balanced approach towards credit research, Ind-Ra has grown rapidly during the past decade, gaining significant market presence in India's fixed income market.

Ind-Ra currently maintains coverage of corporate issuers, financial institutions (including banks and insurance companies), finance and leasing companies, managed funds, urban local bodies and project finance companies.

Headquartered in Mumbai, Ind-Ra has seven branch offices located in Ahmedabad, Bengaluru, Chennai, Delhi, Hyderabad, Kolkata and Pune. Ind-Ra is recognised by the Securities and Exchange Board of India, the Reserve Bank of India and National Housing Bank.

India Ratings is a 100% owned subsidiary of the Fitch Group.

For more information, visit www.indiaratings.co.in.

DISCLAIMER

Applicable Criteria

Corporate Rating Methodology

Analyst Names

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