



## INDIA GLYCOLS LIMITED

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16<sup>th</sup> August, 2018

**The Manager (Listing)**  
BSE Limited  
1<sup>st</sup> 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, 5<sup>th</sup> Floor,  
Bandra Kurla Complex,  
Bandra (East)  
Mumbai – 400 051

Stock Code No: 500201

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 -Intimation w.r.t. up-gradation of 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 **upgraded the Company's Long-term Issuer Rating to 'IND A-' from 'IND BBB+' and the Outlook is stable.** The instrument-wise ratings are as follows:

Instrument Type	Rating/outlook	Rating Action
Fund-based Limit	IND A-/Stable/IND A2+	Upgraded
Non Fund based Limit	IND A2+	Upgraded
Term Loan	IND A-/Stable	Upgraded

The release as issued by Ind-Ra dated 16<sup>th</sup> August, 2018 is enclosed.

We request you to take the above information on record.

Thanking you,

Yours truly,  
**For India Glycols Limited**

  
**Ankur Jain**  
General Manager (Legal) & Company Secretary

Encl: A/a

Login

# India Ratings & Research

A Fitch Group Company

## India Ratings Upgrades India Glycols to 'IND A-'/Stable

# 16

AUG 2018

By Gaurav Jain

India Ratings and Research (Ind-Ra) has upgraded India Glycols Limited's (IGL) Long-Term Issuer Rating to 'IND A-' 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/Outlook	Rating Action
Fund-based limit	-	-	-	INR4,150	IND A-/Stable/IND A2+	Upgraded
Non-fund-based limit	-	-	-	INR14,003	IND A2+	Upgraded
Term loan	-	-	April 2025	INR1,961 (increased from INR1,400)	IND A-/Stable	Upgraded

The upgrade reflects a consistent improvement in profitability that led to an improvement in the credit metrics.

### KEY RATING DRIVERS

**Favourable Business Environment:** IGL's profitability consistently improved during the three quarters ended 30 June 2018 due to favourable realisations compared with input costs. The realisations of its ethanol-based industrial chemical segment are largely determined by crude price, as the majority of industry players use crude oil-based raw material for manufacturing ethylene oxide. IGL is the only player that produces ethylene glycol (MEG) and ethylene oxide derivatives (EOD) using bioethanol route, where molasses are raw materials. Hence, its raw material cost is not directly linked to crude price. At present, IGL is enjoying the benefit of a relatively robust crude price and a reduced ethanol price on account of high availability of cheap molasses. The management expects favourable demand-supply dynamics with regard to molasses to continue over the next few years, allowing IGL to generate strong cash flows during the period. These flows are likely to be used for the deleveraging of the balance sheet and improving liquidity.

**Improvement in Credit Metrics:** IGL's gross interest coverage (operating EBITDA/gross interest expense) was 3.3x for the period trailing 12 months ended June 2018, primarily on account of a rise in EBITDA. According to provisional financials for 1QFY19, IGL's gross interest coverage was 3.8x. The rise in EBITDA was due to stable crude prices, the availability of molasses at nominal prices and the superior performance of the nutraceutical segment.

IGL's net leverage (total adjusted net debt/operating EBITDA) significantly improved to 4.0x in FY18 from 7.0x in FY17 on account of a reduction in the overall debt and the rise in EBITDA. At FYE18, the debt was INR13.1 billion (FYE17: INR16.8 billion). Ind-Ra expects the leverage to further improve in FY19 in view of the current profitability level and a likely reduction in debt.

**Diversified Product Mix:** IGL has a well-diversified product mix, comprising MEG (which contributed INR9,541 million and INR6,060 million to revenue in FY18 and FY17, respectively), EOD (which contributed INR9,624 million and INR9,165 million in FY18 and FY17, respectively), liquor (which contributed INR2,835 million and INR3,100 million in FY18 and FY17, respectively) and nutraceuticals. Thus, volatility arising from large fluctuations in any one particular segment is mitigated.

**Improved Operating Performance:** IGL's revenue rose 22% yoy to INR30,278 million and EBITDA increased 39% yoy to INR3,295 million, largely driven by a higher contribution from the industrial chemical segment. Monoethylene glycols and ethylene oxide derivatives contributed 64% to revenue in FY18, followed by bio-monoethylene glycols (32%). Molasses represented 7.0% -15.0% of the total raw material cost during FY17-FY18.

**Refinancing Risk:** In FY18 IGL's liquidity was aided by term loans of INR680 million and unsecured loans of INR300 million provided by the promoters. Ind-Ra expects free cash flows to be positive in FY19, in view of improved EBITDA and minimal capex. The company is in advanced stages of negotiating term loans in order to improve the current liquidity position and mitigate the refinancing risk. The debt repayment liability of the company includes a long-term export advance repayment. However, IGL's working capital limit utilisation was high at 97% during the 12 months ended July 2018.

## 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 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.

## FINANCIAL SUMMARY

Particulars	FY18	FY17
Net revenue (INR billion)	30,278	24,737
Operating EBITDA margin (%)	10.9	9.6
Gross interest coverage (%)	2.7	1.9
Net adjusted leverage (x)	4.0	7.0
Source: IGL		

## RATING HISTORY

Instrument Type	Current Rating/Outlook			Historical Rating/Outlook		
	Rating Type	Rated Limits (million)	Rating	8 January 2018	2 December 2016	7 August 2015
Issuer rating	Long-term	-	IND A-/Stable	IND BBB+/Stable	IND BBB/Stable	IND BBB/Stable
Fund-based limit	Long-/short-term	INR4,150	IND A-/Stable/IND A2+	IND BBB+/Stable/IND A2	IND BBB/Stable/IND A3+	IND BBB/Stable/IND A3+
Non-fund-based limit	Short-term	INR14,003	IND A2+	IND A2	IND A3+	IND A3+
Term loan	Long-term	INR1,961	IND A-/Stable	IND BBB+/Stable	IND BBB/Stable	IND BBB/Stable

## COMPLEXITY LEVEL OF INSTRUMENTS

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

## SOLICITATION DISCLOSURES

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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.

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## ABOUT INDIA RATINGS AND RESEARCH

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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 structured finance 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.

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## Applicable Criteria

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[Corporate Rating Methodology](#)

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## Analyst Names

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