

**IVP LIMITED****Regd. Office :**Shashikant N. Redij Marg,
Ghorupdeo, Mumbai - 400 033

Tel. : +91-22-23787300

Email : ivp@ivpindia.com

Website : www.ivpindia.com

CIN : L 74999MH1929PLC001503

Ref. No. IVPSEC/SE/27/07/2020-21

28th July, 2020

BSE Limited Phiroze Jeejeebhoy Towers Dalal Street Mumbai- 400 001 Security Code: 507580	National Stock Exchange of India Limited 'Exchange Plaza', C - 1, Block G, Bandra- Kurla Complex, Bandra (E), Mumbai – 400 051 Stock Symbol: IVP
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Sub: Intimation of affirmation 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 27th July, 2020 (Enclosed for your reference), has affirmed the Credit Ratings of IVP Limited ('the Company') for the following instruments:

Sr No.	Instrument Type	Size of Issue (Rs. in million)	Rating
1.	Fund-based working capital limits	1,190	'IND BBB-/Negative/IND A3'
2	Non-fund-based working capital limits	500	IND A3

We request you to take on record the aforesaid affirmation in Credit Ratings of the Company.

Thanking You,

Yours faithfully,

For IVP Limited

RAKESH
JOSHIDigitally signed by RAKESH JOSHI
DN: cn=Rakesh Joshi, o=IVP Limited, ou=Finance, email=Rakesh.Joshi@ivpindia.com, c=IN
c=IN, o=IVP Limited, ou=Finance, email=Rakesh.Joshi@ivpindia.com, c=IN
Date: 2020.07.28 11:47:42 +05'30'Rakesh Joshi
Chief Financial Officer

Encl. As Above.

India Ratings Affirms IVP at 'IND BBB-'/ Negative

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By **Manish Basawante**

JUL 2020

India Ratings and Research (Ind-Ra) has affirmed IVP Limited's (IVP) Long-Term Issuer Rating at 'IND BBB-'. The Outlook is Negative. 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 working capital limits	-	-	-	INR1,190	IND BBB-/ Negative/ IND A3	Affirmed
Non-fund-based working capital limits	-	-	-	INR500	IND A3	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 (70% stake in IVP), as and when required.

Ind-Ra has maintained the Negative Outlook as the agency expects IVP's operational performance, which weakened in FY20, to remain subdued in FY21 as well.

KEY RATING DRIVERS

Weakened Operating Performance: IVP's revenue declined by 28.5% to INR2,288 million in FY20 (FY19: INR3,199 million) owing to a fall in demand for foundry chemicals and a delay in the pick-up of the polyurethanes division's sales, resulting from the overall slowdown in the domestic economy. The foundry chemicals division's sales were mainly affected by the downturn in the automobile industry, while the polyurethanes (PU) segment's sales were affected by the decline in domestic footwear demand. The company reported a loss at the EBITDA level in FY20 (FY19: 2.9%) due to weaker realisations and higher operating leverage. Ind-Ra expects the operating performance to remain muted in FY21 as demand would remain weak on account of the adverse impact of the COVID-19 outbreak and the associated lockdown.

Credit Metrics Deteriorated in FY20; Likely to Remain Subdued in FY21: IVP's credit metrics deteriorated substantially in FY20 due to the incurring of EBITDA loss. In FY19, the company had reported net leverage (net debt/EBITDA) of 14.9x (FY18: 3.5x) and an interest coverage ratio (EBITDA/interest expenses) of 1.1x (6.4x). While Ind-Ra expects the company's interest outgo as well as overall debt to decrease in FY21, the credit metrics are likely to remain subdued during the year in view of the aforementioned impact of the pandemic on the company's operational performance.

IVP does not have any external long-term debt. Its capital expenditure in the past was funded through internal accruals and inter-corporate deposits (ICDs) from the Allana group companies. The overall debt/equity ratio (excluding ICDs from the group companies) remained below 1.0x over FY17-FY20. The overall financial policy for IVP remains conservative, and its banking limits are adequate to cover its working capital requirements.

Strong Support from Allana Group: The Allana group acquired IVP from the Tata group in 1983. The group's product offerings include frozen and chilled meat, aseptic and frozen fruit, vegetable products, coffee and spices. IVP is run by a professional management. In the past, the Allana group's entities have supported IVP through ICDs. About 38% of the company's interest outgo in FY20 and about 59% of the outstanding debt at end-March 2020 was towards the ICDs from the Allana group companies. IVP has been able to defer quarterly interest payments on the ICDs for the quarter ended March 2020 without any penalty. The group is likely to continue to provide support to IVP as and when required.

Furthermore, as confirmed by the company, the Allana group has agreed to support IVP with an incremental ICD of INR200 million in 2QFY21. Ind-Ra believes IVP's liquidity position will improve in case of the timely infusion of this fund from the parent. The additional liquidity infusion of INR200 million can either be kept as a liquidity buffer or could be used for a reduction in the bank borrowings. If IVP opts to use the funds for reducing its bank borrowings, it will free up an equal amount of unutilised working capital limits, leading to a decline in the overall interest outgo in the form of differential interest rates.

Liquidity Indicator- Adequate: IVP's utilisation of the working capital limits was 44% (95% of the drawing power) in the 12 months ended June 2020. The fund-based working capital limits stood at INR1,190 million at end-June 2020.

In FY20, despite reporting cash losses, IVP's cash flow from operations (CFO) turned positive at INR 471 million (FY19: negative INR351 million) due to a reduction in working capital requirements. The company does not have any term loans, and a major portion of its capital expenditure plan was completed in FY19. The working capital requirements have been adequately funded through the additional sanction of fund-based limits from multiple banks. While Ind-Ra expects the cash flows to remain impacted by the poor profitability, the absence of any significant rise in working capital requirements and capital expenditure might provide some cushion to the liquidity position. The company has working capital limits from four bankers with competitive interest rates and its liquidity is

supported by ICDs from Allana Group at lower interest rates. IVP has availed the Reserve Bank of India-prescribed debt moratorium from one out of four working capital lenders for March-August 2020.

Long Working Capital Cycle: The net working capital cycle of IVP remained stretched due to a long receivables period but improved slightly to 130 days in FY20 (FY19: 151 days, FY18: 145 days) due to a lower inventory cycle. The receivables period is estimated to have improved to 119 days at end June 2020 (FY20: 147 days, FY19: 140 days). IVP reported an aggregate of bad debts and provisions for doubtful debts of INR24.7 million, which is 2.7% of the total receivables at end-FY20. While the working capital cycle has partially improved, the company's ability to recover the pending receivables would be crucial for efficient working capital management.

Commodity Price Risk and Forex risk: The prices of the raw material used by IVP are linked to crude oil, leading to significant fluctuations in the former. However, IVP has not been able to pass on any increase in raw material prices to end customers due to the time difference between the actual purchase of raw materials and the sale of finished goods. The company is also exposed to foreign exchange risk, as it imports 70%-80% of its raw material requirement; of this, 10%-30% is imported from China. IVP hedges its imports through derivatives.

RATING SENSITIVITIES

Outlook revision to Stable: A timely infusion of INR200 million from the Allana group, a ramp-up in the operations and an improvement in the profitability, and the interest coverage exceeding 1.5x, on a sustained basis, could lead to the Outlook being revised back to Stable

Negative: Any delays in liquidity support from the Allana group beyond September 2020; or the inability to further improve the operational performance, leading to weaker credit metrics, with the interest coverage remaining below 1.5x, on a sustained basis, could lead to a negative rating action.

COMPANY PROFILE

Established in 1929, IVP is a listed company that manufactures foundry chemicals and PUs at two sites in Tarapur and Bengaluru.

FINANCIAL SUMMARY

Particulars	FY20	FY19	FY18
Revenue (INR million)	2,288	3,199	2,701
EBITDA (INR million)	-0.8	94	209
EBITDA margin (%)	-0.03	2.9	7.7
Interest Expenses (INR million)	102	84	33
Gross Debt (INR million)	993	1,426	776
Interest coverage (x)	not meaningful	1.1	6.4
Net leverage (x)	not meaningful	14.9	3.5
Source: IVP, Ind-Ra			
*the company earns rental income of about INR22 million per annum, which is considered as other income and not part of EBITDA			

RATING HISTORY

Instrument Type	Current Rating/Outlook			Historical Rating/Outlook	
	Rating Type	Rated Limits (million)	Rating	22 November 2019	22 May 2019
Issuer rating	Long-term	-	IND BBB-/Negative	IND BBB-/Negative	IND BBB-/Stable
Fund-based working capital limits	Long-term/ short-term	INR1,190	IND BBB-/ Negative/ IND A3	IND BBB-/Negative/ IND A3	IND BBB-/Stable/ IND A3
Non-fund-based working capital limits	Short-term	INR500	IND A3	IND A3	IND A3

COMPLEXITY LEVEL OF INSTRUMENTS

For details on the complexity level 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.

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Applicable Criteria

[Corporate Rating Methodology](#)

Analyst Names

[Primary Analyst](#)

Manish Basawante

Associate Director

India Ratings and Research Pvt Ltd Wockhardt Towers, 4th floor, West Wing Plot C-2, G Block. Bandra Kurla Complex Bandra (East),

Mumbai 400051

+91 22 40001764

[Secondary Analyst](#)

Krishan Binani

Director

+91 22 40356162

[Committee Chairperson](#)

Prashant Tarwadi

Director

+91 22 40001772

Media Relation

Ankur Dahiya

Manager – Corporate Communication

+91 22 40356121 >
