

January 24, 2023

## Indorama India Private Limited (erstwhile IRC Agrochemicals Private Limited): - Update on Entity

### Summary of rating(s) action

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Long-Term/Short-Term - Fund based and Non-fund Based	4400.00	4400.00	[ICRA]AA-(CE)(Positive)/[ICRA]A1+(CE); outstanding
Term Loans	1150.00	1150.00	[ICRA]A (Positive); outstanding
<b>Total</b>	<b>5550.00</b>	<b>5550.00</b>	

### Rating Without Explicit Credit Enhancement

[ICRA]A/[ICRA]A1

\*Instrument details are provided in Annexure-1

Note: The (CE) suffix mentioned alongside the rating symbol indicates that the rated instrument/facility is backed by some form of explicit credit enhancement. This rating is specific to the rated instrument/facility, its terms and its structure and does not represent ICRA's opinion on the general credit quality of the entity concerned. The last row in the table above also captures ICRA's opinion on the rating without factoring in the explicit credit enhancement

### Rationale

The ratings are based on the strength of the corporate guarantee provided by Indorama Corporation Pte. Ltd. (IRC), the ultimate parent of Indorama India Private Limited (IIPL), for the rated bank facilities of IIPL. ICRA notes the recent amendments made in the aforesaid corporate guarantee deed (by way of an addendum deed) whereby a well-defined invocation and payment mechanism has been incorporated, which hitherto was not covered explicitly. This aligns all the attributes of the aforesaid guarantee, in conjunction with the addendum, with the recent Guidance Note and the FAQ document issued by the Reserve Bank of India (RBI) to the Credit Rating Agencies (CRAs) relating to credit enhanced (CE) ratings. In view of the above, the ratings remain unchanged as tabulated above.

### Adequacy of credit enhancement

For assigning the ratings, ICRA has assessed the attributes of the guarantee issued by IRC in favour of the said facilities. The guarantee is legally enforceable, irrevocable, unconditional, covers the entire amount and tenor of the rated instrument, and has a well-defined invocation and payment mechanism. The guarantee deed is also aligned with the various other attributes as laid down in ICRA's methodology for considering a credit enhancement. Given these attributes, the guarantee provided by IRC is adequately strong to result in an enhancement in the rating of the said instrument to [ICRA]AA-(CE)/ [ICRA]A1+(CE) against the ratings of [ICRA]A/[ICRA]A1 without explicit credit enhancement. In case the guarantor's rating or the unsupported rating of IIPL undergoes a change in future, the same would reflect in the ratings of the aforesaid instruments. The ratings of these facilities may also undergo a change if, in ICRA's assessment, there is a change in the strength of the business links between the guarantor and the rated entity, or there is a change in the reputation sensitivity or a change in strategic importance of the rated entity of the guarantor.

### Salient covenants related to the credit enhancement

The Guarantor must ensure to adhere the following financial covenants on a standalone basis:

- DSCR not less than 1.15 times;
- ISCR not less than 2.5 times; and
- Total Net Worth (Standalone) not less than USD 1 billion.

The Guarantor must ensure to adhere the following financial covenants on a consolidated basis:

- Net Debt to Total Net Worth (Consolidated) ratio not more than 2.25 times; and
- Consolidated DSCR - Guarantor not less than 1.15 times.

Please refer to the following link for the previous detailed rationale that captures Key rating drivers and their description, Liquidity position, Rating sensitivities: [Click here](#)

## Analytical approach

Analytical Approach	Comments
Applicable rating methodologies	<a href="#">Corporate Credit Rating Methodology</a> <a href="#">Rating Methodology for Fertiliser Industries</a> <a href="#">Rating Approach - Explicit third-party support</a>
Parent/Group support	<p>For working capital limits: Guarantor/Ultimate Parent Company: Indorama Corporation Pte. Ltd.</p> <p>The assigned ratings are based on unconditional, irrevocable corporate guarantees extended by I IPL’s ultimate parent company – Indorama Corporation Pte. Ltd. (IRC)</p> <p>For term loans: ICRA has considered the benefits that I IPL derives from the parentage of IRC</p>
Consolidation/Standalone	<p>The ratings are based on standalone financial statements of I IPL. For the analysis at guarantor/ultimate parent level, ICRA has considered the consolidated financials IRC and its various Group entities (as mentioned in Annexure-2) given the close business, financial and managerial linkages among these.</p>

## About the company

I IPL was incorporated in September 2017 to acquire the Tata Chemicals’ phosphate fertiliser plant at Haldia (West Bengal). The Haldia plant has a capacity to produce 841,500 MTPA of NPK (660,000 MTPA of DAP equivalent) and 198,000 MTPA of single super phosphate (SSP). The plant also has the facility to produce 750 TPD of sulphuric acid. The company acquired the plant and TCL’s Paras brand on a slump-sale basis, with the effective date of acquisition being June 1, 2018. In addition to the fertiliser business, the spandex yarn manufacturing business of the Indorama Group has been demerged from another Group entity into I IPL, with effect from October 1, 2019. The manufacturing facility of the spandex business is at Baddi, Himachal Pradesh. I IPL completed the acquisition of Indo Gulf Fertilisers (IGF) on Jan 1, 2022.

## About the Guarantor (IRC)

IRC is the holding company for the global business conglomerate - Indorama Group, which was founded in 1975 by Mr. M.L. Lohia and his son Mr. S.P. Lohia. Mr. S.P. Lohia, (Group Chairman) and his son Mr. Amit Lohia, (IRC’s Vice Chairman) are supported by a large group of experienced professionals managing IRC’s global operations. The Indorama Group is one of the leading petrochemical producers involved in the manufacture of petrochemicals and associated downstream products like polyolefins, polyesters yarns, synthetic disposable gloves, fabrics, PET resin etc. The Group also produces fertilisers (including blending) through its subsidiaries in Nigeria, Senegal, Uzbekistan, Brazil, Georgia and India.

## Key financial indicators – IIPL (audited)

	FY2021	FY2022
Operating income (Rs. crore)	4,481.2	5,424.6
PAT (Rs. crore)	280.6	387.4
OPBDIT/OI (%)	12.6%	12.1%
PAT/OI (%)	6.3%	7.1%
Total outside liabilities/Tangible net worth (times)	1.5	2.4
Total debt/OPBDIT (times)	1.9	3.9
Interest coverage (times)	6.9	6.9

PAT: Profit after Tax; OPBDIT: Operating Profit before Depreciation, Interest, Taxes and Amortisation

Source: Company, ICRA Research; All ratios as per ICRA calculations

## Key financial indicators – IRC (audited)

Consolidated – in \$ million	CY2020	CY2021
Operating income (Rs. crore)	2,756.2	5092.2
PAT* (Rs. crore)	536.1	1762.9
OPBDIT/OI (%)	28.2%	42.4%
PAT*/OI (%)	19.5%	34.6%
Total outside liabilities/Tangible net worth (times)	0.7	0.6
Total debt/OPBDITA (times)	3.5	1.3
Net debt/OPBDITA (times)	2.2	0.6
Interest coverage (times)	8.9	24.8

PAT: Profit after Tax; OPBDIT: Operating Profit before Depreciation, Interest, Taxes and Amortisation

Source: Company, ICRA Research; All ratios as per ICRA calculations \*excluding the Share of Profit in associates;

## Status of non-cooperation with previous CRA: Not applicable

Any other information: None

## Rating history for past three years

Instrument	Type	Current Rating (FY2023)			Chronology of Rating History for the past 3 years						
		Amount Rated (Rs. crore)	Amount Outstanding (Rs. crore) as on Sep 30, 2022	Date & Rating in	Date & Rating in FY2022		Date & Rating in FY2021		Date & Rating in FY2020		
					Jan 24, 2023	Mar 25, 2022	June 8, 2021	Nov 24, 2020	July 31, 2020	March 3, 2020	June 20, 2019
1 Fund based and Non-Fund based Working capital Limits	Long-Term/Short-term	4400.0	-	[ICRA]AA-(CE) (Positive) /[ICRA]A1+(CE)	[ICRA]AA-(CE) (Positive) /[ICRA]A1+(CE)	[ICRA]AA-(CE) (Stable) /[ICRA]A1+(CE)	[ICRA]A+(CE) (Stable)/ [ICRA]A1 (CE)	[ICRA]A+(CE) (Stable)/ [ICRA]A1 (CE)	[ICRA]A+(CE) (Stable)/ [ICRA]A1 (CE)	[ICRA]A+(SO) (Stable)/ [ICRA]A1 (SO)	

2	Term Loans	Long-Term	1150.0	1150.0	[ICRA]A (Positive)	[ICRA]A (Positive)	-	-	-	-	-
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### Complexity level of the rated instrument

Instrument	Complexity Indicator
Long-term - Term loans	Simple
Long Term/Short Term-Fund based and Non-Fund based	Simple

The Complexity Indicator refers to the ease with which the returns associated with the rated instrument could be estimated. It does not indicate the risk related to the timely payments on the instrument, which is rather indicated by the instrument's credit rating. It also does not indicate the complexity associated with analyzing an entity's financial, business, industry risks or complexity related to the structural, transactional, or legal aspects. Details on the complexity levels of the instruments, is available on ICRA's website: [Click Here](#)

**Annexure-I: Instrument details**

ISIN No	Instrument Name	Date of Issuance / Sanction	Coupon Rate	Maturity Date	Amount Rated (Rs. Crore)	Current Rating and Outlook
NA	Long Term/Short Term-Fund based and Non-Fund based	NA	NA	NA	4400.00	[ICRA]AA-(CE) (Positive)/[ICRA]A1+(CE)
NA	Term Loans	FY2022	6.6%-7.1%	FY2028	1150.00	[ICRA]A (Positive)

Source: Company

[Please click here to view details of lender-wise facilities rated by ICRA](#)

**Annexure-II: List of entities considered for consolidated analysis for IRC**

Company Name	Ownership	Consolidation Approach
Indorama Investments Limited	100%	Full Consolidation
Indorama Energy Pte. Ltd.	100%	Full Consolidation
Indorama Enterprises Pte. Ltd.	100%	Full Consolidation
Indorama Capital Holdings Pte. Ltd.	100%	Full Consolidation
Indorama Investment Advisors Pte. Ltd.	100%	Full Consolidation
Indorama Global AG	100%	Full Consolidation
Indorama Commerce DMCC	100%	Full Consolidation
Indorama Petrochemicals Holdings Pte. Ltd.	100%	Full Consolidation
Indorama Healthcare Pte. Ltd.	100%	Full Consolidation
Indorama Holdings B.V.	100%	Full Consolidation

Source: Company Annual report

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## About ICRA Limited:

ICRA Limited was set up in 1991 by leading financial/investment institutions, commercial banks and financial services companies as an independent and professional investment Information and Credit Rating Agency.

Today, ICRA and its subsidiaries together form the ICRA Group of Companies (Group ICRA). ICRA is a Public Limited Company, with its shares listed on the Bombay Stock Exchange and the National Stock Exchange. The international Credit Rating Agency Moody's Investors Service is ICRA's largest shareholder.

For more information, visit [www.icra.in](http://www.icra.in)

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