September 10, 2024

Indorama India Private Limited (erstwhile IRC Agrochemicals Private Limited): Ratings reaffirmed; rating of bank facilities of Rs. 862.5 crore withdrawn and simultaneously [ICRA]AA-(CE) (Stable) assigned

Summary of rating action

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Long-term/Short-term – Fund-based and non-fund based	5,300.00	5,300.00	[ICRA]AA-(CE) (Stable) /[ICRA]A1+(CE); reaffirmed
Term loans	1,150.00	862.50	[ICRA]A (Stable); withdrawn and simultaneously [ICRA]AA- (CE) (Stable) assigned
Long-term/Short-term – Fund based and non-fund based	100.00	100.00	[ICRA]A (Stable)/ [ICRA] A1; reaffirmed
Total	**6,550.00**	**6,262.50**	

Rating Without Explicit Credit Enhancement	[ICRA]A/[ICRA]A1

**Instrument details are provided in Annexure-I*

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 CE ratings are based on the strength of the corporate guarantees provided by Indorama Corporation Pte. Ltd. (IRC), the ultimate parent of Indorama India Private Limited (IIPL), for IIPL's rated bank lines.

The rating action for the Rs. 862.5-crore bank facilities follows the execution of the corporate guarantee deed by IRC in favour of the bank facilities of IIPL rated by ICRA, covering all the attributes of a strong form of explicit third-party support as described in ICRA's methodology, Rating Approach – Explicit Third-Part Support. Accordingly, the rating of [ICRA]A (Stable) has been withdrawn and simultaneously a rating of [ICRA]AA-(CE) (Stable) has been assigned to the Rs. 862.5-crore bank facilities, as per ICRA's Policy on Withdrawal of Ratings.

For the [ICRA]AA-(CE) (Stable)/[ICRA]A1+ (CE) rating

The ratings reaffirmation factors in the healthy credit profile of IRC (on a consolidated basis, including Group companies; Indorama Group or Group). In CY2023, the Group clocked revenues of USD 5.3 billion and achieved a bottom line of USD 1.1 billion. As per the estimates for H1 CY2024, the Group clocked revenues of USD 2.2 billion and EBITDA of ~USD 549 million. The performance of the Group in CY2023 moderated (as against CY2022) due to a normalisation in the price of fertilisers from elevated levels in CY2022. Fertilisers have contributed 50-60% of the consolidated operating profit before depreciation, interest and tax (OPBDITA) in the past and remain the key business segment for the Group, however owing to new acquisitions and expansions, the OPBDITA from this segment improved materially and formed around 95% of the total OPBDITA in CY2023. This has translated into healthy accruals and a strong liquidity position for IRC, reflected in the sizeable cash and liquid investments of more than USD 1.9 billion as on June 30, 2024. The leverage indicator (net debt/EBITDA) moderated to 0.88 times as on December 31, 2023 from 0.45 times as on December 31, 2022 owing to a moderation in OPBDITA due to a normalisation in fertiliser prices. CY2021 and CY2022 were exceptional years when fertiliser prices were elevated which benefited the company's OPBDITA. Since then, the prices have corrected and the OPBDITA generation has normalised.

The ratings, however, are tempered by the vulnerability of profitability to the inherent volatility in commodity prices as well as the fluctuations in foreign currency exchange rates. Further, the Group has completed/is undertaking a few acquisitions/sizeable capex programmes, which may increase the reliance on debt, although the capital structure is likely to remain comfortable. Moreover, the sustainability of cash flows from the new acquisitions remains to be seen.

Adequacy of credit enhancement

For assigning the ratings, ICRA has assessed the attributes of the guarantees issued by IRC in favour of the said instrument. The guarantee is legally enforceable, irrevocable, unconditional, covers the entire amount and tenor of the rated instrument and has a well-defined payment and invocation mechanism, although the same is post default in nature. 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 the strategic importance of the rated entity of the guarantor.

For the [ICRA]A (Stable)/[ICRA]A1 rating

IIPL's ratings factor in the benefits derived by its strong parentage (the Indorama Group) in the form of the continued operational synergies and financial flexibility. IIPL completed the acquisition of Indo Gulf Fertilisers (IGF) on January 1, 2022, and the urea operations have stabilised, and this plant is highly energy efficient, resulting in healthy savings and steady OPBDITA generation in a scenario of steady gas prices.

Further, the company continues to benefit from its established brand, wide retail distribution network and its raw material sourcing arrangements (including that for phosphoric acid with a Group company). ICRA expects IIPL to benefit from the steady demand outlook for the fertiliser industry, coupled with the accruals from the urea plant and the existing business of IIPL, which will aid the credit profile of the company in the medium term.

However, IIPL reported inventory losses in FY2023 and FY2024 owing to a downward revision in the subsidy rates following the decline in the prices of finished fertilisers as well as key raw materials. The subsidy rate revisions were steeper than the fall in prices and, thus, fertiliser companies in general and IIPL, in particular, incurred inventory losses along with muted profitability. The situation has started to improve a bit as the company shifted to other profitable grades of NPK. The spandex business was also reporting operating losses since the removal of anti-dumping duty in May 2022, but the situation has started to improve due to better pricing, value added products and better negotiation with raw material and chemical suppliers. The urea business, on the other hand, is performing well and is generating steady cash flows with energy consumption well below the normative norm, resulting in energy savings.

The moderation in profitability and rise in debt levels to support the increased inventory as on March 31, 2024 has moderated the debt protection metrics, reflected in total debt/OPBDITA of 4.8 times and interest coverage of 2.4 times for FY2024. While the profitability in H2 FY2025 hinges on the nutrient-based subsidy announced by the Government, in a steady state scenario, the profitability in FY2025 is likely to be better than FY2024, resulting in an improvement in the debt protection metrics.

The ratings are, however, constrained by the susceptibility of the performance of domestic industry participants, including IIPL, to regulatory policies governing the fertiliser sector and agro-climatic risks. Moreover, the profitability remains vulnerable to the volatility in raw material prices and the cyclicality inherent in the fertiliser business. Also, the company has a relatively limited track record of operations as the fertiliser plant was acquired from Tata Chemicals in June 2018 and the urea plant was acquired in January 2022.

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 $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.

Key rating drivers and their description

Credit strengths

Strong parentage aids operational and financial flexibilities; corporate guarantee extended for IIPL's bank lines - A global business conglomerate, IRC, is one of the largest petrochemical and fertiliser players. It has been operating in the petrochemical sector for more than four decades and manufactures products across the petrochemical value chain, including polyethylene, polypropylene, spun yarns, polyester, medical gloves, PET resin and fabrics. IRC is also one of the largest fertiliser players in the world and has interest in fertilisers in Nigeria, Senegal (through its associate), Uzbekistan, Brazil, Georgia and India. In CY2023, the Group clocked revenues of USD 5.3 billion and achieved a bottom line of USD 1.16 billion (excluding share of its associate). For H1 CY2024, the Group reported revenues of USD 2.2 billion and EBITDA of ~USD 549 million (on provisional basis). The performance moderated in the current fiscal (compared to previous year) on account of a correction in the prices of fertilisers. IIPL benefits from the continued operational synergies and the financial flexibility offered by its strong parentage. Also, the credit enhancement in the form of the corporate guarantee by IRC for IIPL's bank facilities reinforces the commitment of the former.

Established brand and retail distribution network - IIPL acquired a Haldia-based plant along with the brand name Paras and the large marketing set up of Tata Chemicals. The Paras brand is widely recognised by farmers and commands premium over other competing brands. IIPL holds a sizeable market share in its key geographies of Bihar, West Bengal, Assam and Jharkhand. The acquisition of Indo Gulf Fertilisers (IGF) urea business from Grasim Industries along with Shaktiman brand has further strengthened IIPL's competitive position and distribution network.

Raw material arrangement with Group company - The key raw materials used in manufacturing phosphatic fertilisers and single super phosphate (SSP) are phosphoric acid, rock phosphate, ammonia, sulphuric acid and muriate of potash (MOP). The company has raw material sourcing arrangements with various international suppliers. Apart from this, it sources large volumes of its phosphoric acid requirement from Industries Chimiques du Senegal (an associate company), which ensures a steady availability of raw material.

Healthy energy efficiency of urea unit - IIPL acquired the urea unit of Indo Gulf Fertilisers in January 2022. This plant is highly energy-efficient and benefits from healthy energy savings depending on the pooled gas price.

Credit challenges

Vulnerability of profitability to volatility in raw material prices and cyclicality inherent in fertiliser business - The profitability of the company is vulnerable to the cyclicality inherent in the sector and the volatility in raw material prices. The prices of key raw materials for the fertiliser business have increased sharply and remained higher than the announced nutrient-based subsidy rates, resulting in muted profitability in the NPK segment. Going forward, the profitability remains hinged on the next revision in NBS rates and raw material prices. Pressure on profit generation and a rise in debt levels with the increased inventory moderated the debt protection metrics.

Performance remains susceptible to regulatory policies and agro-climatic conditions - The performance/profitability of the industry participants, including IIPL, remains vulnerable to the regulatory policies governing the sector. The under-budgeting of subsidies in the past drained the profitability of the sector. The allocation for FY2024 is around Rs. 1,640 billion and ICRA expects the allocation for NPK fertilisers to remain inadequate to meet the sector's requirement for the year. Nevertheless, ICRA expects the GoI to make additional allocations during the year. However, issues like inverted duty structure for the phosphatic segment continue to moderate the industry's performance. The performance of the sector also depends on the monsoon as it directly impacts the agriculture sector, the end-user of fertilisers.

Liquidity position

Liquidity of Guarantor – Strong

IRC's liquidity is expected to remain strong, supported by healthy internal accrual generation and sizeable cash balances/liquid investments of more than USD 1.9 billion as of June 2024, on a consolidated basis. Further, undrawn bank facilities of more than $3.3 billion provide additional comfort. The cash accrual generation is expected to remain comfortable to meet the debt repayment liability of the Group on a consolidated basis. The Group is also undertaking capex across key business segments, which will be funded through a mix of debt and internal accruals.

Liquidity of IIPL – Strong

The liquidity position of IIPL is expected to remain strong, supported by expectations of comfortable internal accrual generation and cushion in the form of undrawn bank lines. Moreover, the company enjoys strong financial flexibility from being a part of the Indorama Group. There is no major planned capex, going forward other than usual maintenance capex.

Rating sensitivities

Positive factors – The ratings can be upgraded if IRC demonstrates an improvement in its operating profit generation and credit metrics on a sustained basis.

Negative factors – A significant deterioration in IIPL's revenue, cash accrual generation and debt protection metrics would be a negative factor. A deterioration in the credit profile of IRC or any weakening of the linkage between IIPL and IRC could also trigger a downgrade.

Analytical approach

Analytical Approach	Comments
Applicable rating methodologies	Corporate Credit Rating Methodology Rating Methodology - Fertilizers Policy on Withdrawal of Credit Ratings
Parent/Group support	For term loans and working capital limits: Guarantor/Ultimate parent company: Indorama Corporation Pte. Ltd. The assigned ratings are based on the unconditional, irrevocable corporate guarantees extended by IIPL's ultimate parent company – Indorama Corporation Pte. Ltd. (IRC) For non-guaranteed limits: ICRA has considered the benefits that IIPL derives from the parentage of IRC
Consolidation/Standalone	The ratings are based on the standalone financial statements of IIPL. For analysis at the guarantor/ultimate parent level, ICRA has considered the consolidated financials of IRC and its various Group entities (as mentioned in Annexure-II), given the close business, financial and managerial linkages among these

About the company

IIPL was incorporated in September 2017 to acquire Tata Chemicals' phosphate fertiliser plant at Haldia (West Bengal). The Haldia plant has a capacity to produce 8,41,500 MTPA of NPK (660,000 MTPA of DAP equivalent) and 1,98,000 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 IIPL, with effect from October 1, 2019. The manufacturing facility of the spandex business is at Baddi, Himachal Pradesh. IIPL completed the acquisition of Indo Gulf Fertilisers (IGF) on January 1, 2022, and correspondingly added 1.1-MMTPA capacity of manufacturing urea.

About the Guarantor (IRC)

IRC is the ultimate holding company for 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 associate company), Uzbekistan, Brazil, Georgia and India.

Key financial indicators IIPL (audited)

IIPL	FY2023	FY2024
Operating income	11173.0	9490.8
PAT	-168.5	139.1
OPBDIT/OI	1.5%	6.0%
PAT/OI	-1.5%	1.5%
Total outside liabilities/Tangible net worth (times)	2.7	2.8
Total debt/OPBDIT (times)	12.7	4.8
Interest coverage (times)	0.8	2.4

Source: Company, ICRA Research; All ratios as per ICRA's calculations; Amount in Rs. crore; PAT: Profit after tax; OPBDIT: Operating profit before depreciation, interest, taxes and amortisation

Key financial indicators – IRC (audited)

IRC	CY2022	CY2023
Operating income (USD Million)	7038.2	5325.9
PAT (USD Million) excluding share of profit from associates	1906.0	1180.4
OPBDIT/OI (%)	34.8%	25.3%
PAT/OI (%)	27.1%	22.2%
Total outside liabilities/Tangible net worth (times)	0.5	0.5
Total debt/OPBDIT (times)	1.1	2.0*
Interest coverage (times)	17.6	5.6

*Source: Company, ICRA Research; All ratios as per ICRA's calculations; Amount in Rs. crore; PAT: Profit after tax; OPBDIT: Operating profit before depreciation, interest, taxes and amortisation *- Net debt/OPBDIT for CY2023 is estimated at around 0.88x*

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

	Current (FY2025)			Chronology of rating history for the past 3 years					
				FY2024		FY2023		FY2022	
Instrument	**Type**	**Amount rated (Rs crore)**	**Sept 10, 2024**	**Date**	**Rating**	**Date**	**Rating**	**Date**	**Rating**
Long term/Short term – Fund-based and non-fund based	Long term/ Short term	4400.00	[ICRA]AA-(CE) (Stable)/ [ICRA]A1+(CE)	25-Sept-23	[ICRA]AA-(CE) (Stable) /[ICRA]A1+(CE)	24-Jan-23	[ICRA]AA-(CE) (Positive) /[ICRA]A1+(CE)	25-Mar-22	[ICRA]AA-(CE) (Positive) /[ICRA]A1+(CE)
				25-May-23	[ICRA]AA-(CE) (Stable) /[ICRA]A1+(CE)	-	-	8-Jun-21	[ICRA]AA-(CE) (Stable) /[ICRA]A1+(CE)
Long term/Short term – Fund-based and non-fund based	Long term/ Short term	100.00	[ICRA]A (Stable)/ [ICRA]A1	25-Sept-23	[ICRA]A (Stable)/ [ICRA]A1	-	-	-	-
				25-May-23	[ICRA]A (Stable)/ [ICRA]A1	-	-	-	-
Long term/Short term – Fund-based and non-fund based	Long term/ Short term	900.00	[ICRA]AA-(CE) (Stable) /[ICRA]A1+(CE)	25-May-23	[ICRA]AA-(CE) (Stable) /[ICRA]A1+(CE)	-	-	-	-
Long term – Fund-based - Term loans	Long term	862.50	[ICRA]AA-(CE) (Stable)	25-Sept-23	[ICRA]A (Stable)	24-Jan-23	[ICRA]A (Positive)	25-Mar-22	[ICRA]A (Positive)
				25-May-23	[ICRA]A (Stable)	-	-	-	-

Complexity level of the rated instruments

Instrument	Complexity Indicator
Long-term/Short-term – Fund based and non-fund based	Simple
Term loans	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 analysing 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 are available on ICRA's website: [Click Here]

Annexure I: Instrument details

ISIN	Instrument Name	Date of Issuance	Coupon Rate	Maturity	Amount Rated (Rs. crore)	Current Rating and Outlook
-	Long term/Short term fund-based and non-fund based	NA	NA	NA	4400.00	[ICRA]AA-(CE) (Stable)/ [ICRA]A1+(CE)
-	Term loans	FY2022	6.6%-7.1%	FY2028	862.50	[ICRA]AA-(CE) (Stable)
-	Long term/Short term fund-based and non-fund based	NA	NA	NA	100.00	[ICRA]A (Stable)/ [ICRA] A1
-	Long term/Short term fund-based and non-fund based	NA	NA	NA	900.00	[ICRA]AA-(CE) (Stable)/ [ICRA]A1+(CE)

Source: Company

Please click here to view details of lender-wise facilities rated by ICRA

Annexure II: List of entities considered for consolidated analysis

Company Name	Ownership	Consolidation Approach
Indorama Investments Limited	100%	Full Consolidation
Indorama Capital Holdings Pte. Ltd.	100%	Full Consolidation
Indorama Investment Advisors Pte. Ltd.	100%	Full Consolidation
Indorama Global Trading 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
Based on CY2023 audited financial statements

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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.

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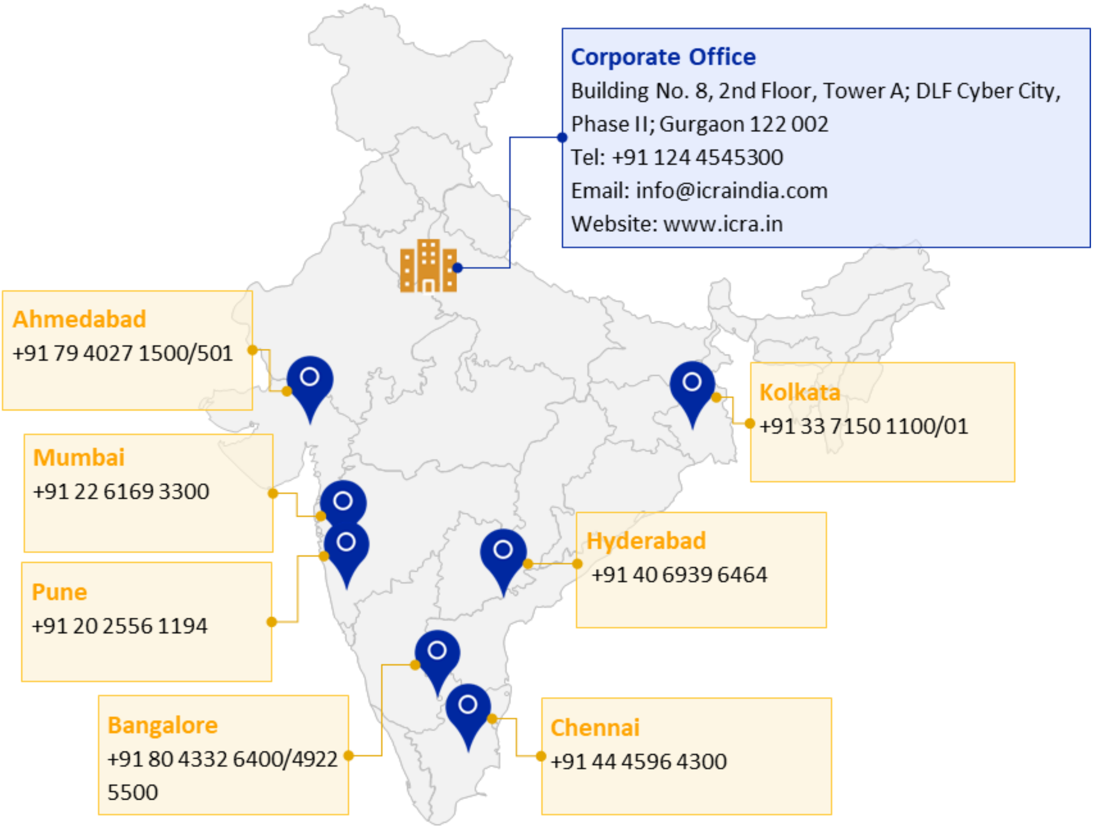

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