

May 25, 2023 ^(Revised)

Indorama India Private Limited (erstwhile IRC Agrochemicals Private Limited): Ratings reaffirmed; Outlook revised to Stable; Short term rating assigned; Rated amount enhanced

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	4,400.00	4,400.00	[ICRA]AA-(CE) (Stable)/[ICRA]A1+(CE); reaffirmed; outlook revised to Stable from Positive
Term loans	1,150.00	1,150.00	[ICRA]A (Stable); reaffirmed; outlook revised to Stable from Positive
Long-term/Short-term – Fund based and non-fund based	0.00	1,000.00	[ICRA]A (Stable)/[ICRA] A1; reaffirmed/assigned
Total	5,550.00	6,550.00	

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. Earlier, the rating symbol for this instrument/facility used to be accompanied by the (SO) suffix. 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 revision in the outlook for the long-term rating to Stable reflects Indorama India Private Limited's muted performance as the company's profitability was impacted by high raw material prices in the fertiliser division, while the spandex business was also impacted severely post the removal of anti-dumping duty. Going forward, the profitability in India is expected to improve although it will continue to depend on the revision in nutrient-based subsidy rates announced by the Government. Further, the profitability of the guarantor – Indorama Corporation Pte. Ltd. (IRC) – is also expected to normalise from the CY2022 levels with the decline in end-product prices, although the coverage indicators are expected to remain healthy.

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

The above rating is based on the strength of the corporate guarantee provided by Indorama Corporation Pte. Ltd. (IRC), the ultimate parent of Indorama India Private Limited, for IIPL's rated bank lines.

The rating factors in the healthy credit profile of IRC (on a consolidated basis including Group companies; Indorama Group or Group), reflected in its healthy performance in CY2022, owing to the run-up in the prices of several products and higher volumes. As per the financials for CY2022, the Group clocked revenues of ~\$6.93 billion and operating profit of \$2.5 billion. The performance of the Group is expected to moderate in CY2023 as the prices of fertilisers have normalised from the elevated levels of 2022. 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 the increase in the prices of key fertilisers in the international markets, the OPBDITA from this segment improved materially and formed around 85% of the total OPBDITA. This translated into healthy accruals and a strong liquidity position for IRC, reflected in the sizeable cash and

liquid investments of more than \$1.6 billion as on December 31, 2022. The leverage indicator (net debt/EBITDA) continues to remain low at around 0.4 times as on December 31, 2022, owing to healthy EBITDA and build-up of cash.

The ratings, however, are tempered by the vulnerability of profitability to the inherent volatility in commodity prices as well as fluctuations in foreign currency exchange rates. Further, the Group has completed/is undertaking a few acquisitions/sizeable capex which is likely to 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 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.

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 healthy demand outlook for the fertiliser industry, coupled with the accruals from the urea plant and the existing business of IIPL, which will strengthen the coverage metrics in the medium term. Moreover, while the overall working capital requirements in the fertiliser division remained high owing to elevated feedstock prices, the Government has cleared the subsidy in a timely manner, resulting in very low receivable outstanding at the end of the fiscal.

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 cyclicity inherent in the fertiliser business. The prices of key raw materials for the fertiliser business have increased sharply in the last year and a half, resulting in muted profitability in some of the complex fertilisers and thus the company reported muted OPBDITA in FY2023.

Moreover, the profitability from the spandex business was also impacted materially post the removal of the anti-dumping in May 2022. These factors impacted the profitability and debt coverage metrics of the company in FY2023. While the revision in NBS rates remains a key monitorable, the performance is likely to improve, going forward, with the moderation in raw material prices. Also, the company has a 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 flexibility; corporate guarantee extended for IIPL's working capital 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, Uzbekistan, Brazil, Georgia and India. For CY2022, IRC clocked revenues of ~\$6.93 billion and operating profit of \$2.5 billion against revenues of \$5.1 billion and operating profit of \$2.4 billion in CY2021. The healthy performance in CY2022 was on the back of a run-up in the prices of several of its products and higher volumes. IIPL benefits from the continued operational synergies and financial flexibility offered by its strong parentage. Also, the credit enhancement in the form of the corporate guarantee by IRC for IIPL's working capital 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 IGF 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 for its raw material requirements. Apart from this, it sources large volumes of its phosphoric acid requirement from Industries Chimiques du Senegal (a Group company), which ensures ready 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. The benefits from energy savings, which increased sizeably last fiscal when pooled gas prices were high, have moderated but continue to be comfortable.

Credit challenges

Vulnerability of profitability to volatility in raw material prices and cyclicity inherent in fertiliser business — The profitability of the company is vulnerable to the cyclicity inherent in the sector and the volatility in raw material prices. The prices of key raw materials for the fertiliser business have increased sharply in the last two fiscals, owing to which the company has focused on the production of NPK fertilisers and reduced the sales of DAP in FY2022. The profitability of the phosphatic fertiliser industry has been adversely impacted by the elevated prices of inputs.

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. 1,750 billion, which as per ICRA estimates is 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.

Limited track record of operations – I IPL acquired a Haldia-based plant from Tata Chemicals in June 2018 and thus it has a limited track record of operations. Despite this, the company has scaled up its operations steadily and improved its profit margins, which were suppressed before the acquisition due to operational/raw material sourcing challenges. Further, the company acquired a urea unit in January 2022 and has been operating it since then.

Liquidity position:

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

IRC’s liquidity is expected to remain strong, supported by healthy internal accrual generation and sizeable cash balances/liquid investments of more than \$1.6 billion as of December 2022 on a consolidated basis. Further, available bank facilities of \$2.6 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.

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

I IPL’s liquidity position is also expected to remain strong, supported by expectation of comfortable internal accrual generation and the cushion from undrawn bank lines. Moreover, the company enjoys strong financial flexibility from being a part of the Indorama Group. There is no major planned capex. Further, the subsidy inflow is expected to remain timely, going forward.

Rating sensitivities

Positive factors – The ratings can be upgraded if IRC sustains its healthy profitability and credit metrics.

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

Analytical approach

Analytical Approach	Comments
Applicable rating methodologies	Corporate Credit Rating Methodology and other relevant cross-sector methodologies Rating Methodology for Fertiliser Entities Rating Approach - Explicit third-party support
Parent/Group Support	For working capital limits: Guarantor/Ultimate Parent Company: Indorama Corporation Pte. Ltd. The assigned ratings are based on unconditional, irrevocable corporate guarantees extended by I IPL’s ultimate parent company – Indorama Corporation Pte. Ltd. (IRC) For term loans and other non-guaranteed limits: ICRA has considered the benefits that I IPL derives from the parentage of IRC
Consolidation/Standalone	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

About the company

IPL was incorporated in September 2017 to acquire 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 IPL, with effect from October 1, 2019. The manufacturing facility of the spandex business is at Baddi, Himachal Pradesh. IPL 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 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. Group Chairman Mr. S.P. Lohia 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 – IPL (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

Key financial indicators – IRC (audited)

	CY2020	CY2021
Operating income (USD Million)	2,756.2	5092.2
PAT (USD Million)	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/OPBDIT (times)	3.5	1.3
Interest coverage (times)	8.9	24.8

PAT: Profit after tax; OPBDIT: Operating profit before depreciation, interest, taxes and amortisation

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

Instrument	Type	Amount rated (Rs. crore)	Current rating (FY2024)		Chronology of rating history for the past 3 years					
			Amount outstanding (Rs. crore) as on Dec 31, 2022	Date & rating in May 25, 2023	Date & rating in FY2023		Date & rating in FY2022		Date & rating in FY2021	
					Jan 24, 2023	Mar 25, 2022	June 8, 2021	Nov 24, 2020	July 31, 2020	
1	Fund based and non-fund based working capital limits	Long-Term/Short-term	4400.0	-	[ICRA]AA-(CE) (Stable) / [ICRA]A1+(CE)	[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)
2	Term loans	Long-Term	1150.0	1150.0	[ICRA]A (Stable)	[ICRA]A (Positive)	[ICRA]A (Positive)	-	-	-
3	Fund based and non-fund based working capital limits	Long-Term/Short-term	1000.0	-	[ICRA]A (Stable) / [ICRA]A1	-	-	-	-	-

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 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-1: Instrument details

ISIN No	Instrument Name	Date of Issuance / Sanction	Coupon Rate	Maturity Date	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	1150.00	[ICRA]A (Stable)
-	Long term/Short term fund based and non-fund based	NA	NA	NA	1000.00	[ICRA] A (Stable)/[ICRA] A1

Source: Company

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

Annexure-2: List of entities considered for consolidated analysis

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

Based on CY2021 audited financial statements

Corrigendum:

Document dated May 25, 2023, has been corrected with revisions as detailed below:

Revisions on page number 1 under “Summary of rating action”. “Rating Action” revised to “[ICRA]A (Stable); reaffirmed; outlook revised to Stable from Positive” from “[ICRA]A (Stable); reaffirmed”.

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