

Rating Advisory

February 29, 2020 | Mumbai

ITL Industries Limited

Advisory as on February 29, 2020

This rating advisory is provided in relation to the rating of ITL Industries Limited

The key rating sensitivity factors for the rating include:

- Ability to sustain revenue growth and profitability
- Working Capital Management
- Capital Expenditure (Capex) plans and their funding mix

CRISIL Ratings has a policy of keeping its accepted ratings under constant and ongoing monitoring and review. Accordingly, it seeks regular updates from companies on business and financial performance. CRISIL is yet to receive adequate information from ITL Industries Limited (ITLIL) to enable it to undertake a rating review. CRISIL is taking all possible efforts to get the rated entity to cooperate with its rating process for enabling it to carry out the rating review.

CRISIL views information availability risk as a key factor in its assessment of credit risk. (Please refer to CRISIL Ratings publication dated April 30, 2012 - 'Information Availability - a key risk factor in credit ratings')

If ITLIL continues to delay the provisioning of information required by CRISIL to undertake a rating review then, in accordance with circular SEBI/HO/MIRSD/MIRSD4/CIR/P/2016/119 dt Nov 1, 2016 and SEBI/HO/MIRSD/ MIRSD4/ CIR/ P/ 2017/ 71 dt June 30, 2017 issued by Securities and Exchange Board of India, CRISIL will carry out the review based on best available information and issue a press release.

About the company

ITLIL, incorporated in 1989 at Indore, Madhya Pradesh. ITLIL is engaged in manufacturing of band saw and circular saw machinery (used in metal cutting), blade for band saw and circular saw, and pipe and tube manufacturing. ITL is also an authorized distributor for Eaton hydraulic systems in Madhya Pradesh and Chhattisgarh.

Please note: This advisory should not be construed as a rating reaffirmation.

DISCLAIMER

This disclaimer forms part of and applies to each credit rating report and/or credit rating rationale that we provide (each a "Report"). For the avoidance of doubt, the term "Report" includes the information, ratings and other content forming part of the Report. The Report is intended for the jurisdiction of India only. This Report does not constitute an offer of services. Without limiting the generality of the foregoing, nothing in the Report is to be construed as CRISIL providing or intending to provide any services in jurisdictions where CRISIL does not have the necessary licenses and/or registration to carry out its business activities referred to above. Access or use of this Report does not create a client relationship between CRISIL and the user.

We are not aware that any user intends to rely on the Report or of the manner in which a user intends to use the Report. In preparing our Report we have not taken into consideration the objectives or particular needs of any particular user. It is made abundantly clear that the Report is not intended to and does not constitute an investment advice. The Report is not an offer to sell or an offer to purchase or subscribe for any investment in any securities, instruments, facilities or solicitation of any kind or otherwise enter into any deal or transaction with the entity to which the Report pertains. The Report should not be the sole or primary basis for any investment decision within the meaning of any law or regulation (including the laws and regulations applicable in the US).

Ratings from CRISIL Rating are statements of opinion as of the date they are expressed and not statements of fact or recommendations to purchase, hold, or sell any securities / instruments or to make any investment decisions. Any opinions expressed here are in good faith, are subject to change without notice, and are only current as of the stated date of their issue. CRISIL assumes no obligation to update its opinions following publication in any form or format although CRISIL may disseminate its opinions and analysis. CRISIL rating contained in the Report is not a substitute for the skill, judgment and experience of the user, its management, employees, advisors and/or clients when making investment or other business decisions. The recipients of the Report should rely on their own judgment and take their own professional advice before acting on the Report in any way.

Neither CRISIL nor its affiliates, third party providers, as well as their directors, officers, shareholders, employees or agents (collectively, "CRISIL Parties") guarantee the accuracy, completeness or adequacy of the Report, and no CRISIL Party shall have any liability for any errors, omissions, or interruptions therein, regardless of the cause, or for the results obtained from the use of any part of the Report. EACH CRISIL PARTY DISCLAIMS ANY AND ALL EXPRESS OR IMPLIED WARRANTIES, INCLUDING, BUT NOT LIMITED TO, ANY WARRANTIES OF MERCHANTABILITY, SUITABILITY OR FITNESS FOR A PARTICULAR PURPOSE OR USE. In no event shall any CRISIL Party be liable to any party for any direct, indirect, incidental, exemplary, compensatory, punitive, special or consequential damages, costs, expenses, legal fees, or losses (including, without limitation, lost income or lost profits and opportunity costs) in connection with any use of any part of the Report even if advised of the possibility of such damages.

CRISIL Ratings may receive compensation for its ratings and certain credit-related analyses, normally from issuers or underwriters of the instruments, facilities, securities or from obligors. CRISIL's public ratings and analysis as are required to be disclosed under the regulations of the Securities and Exchange Board of India (and other applicable regulations, if any) are made available on its web sites, www.crisil.com (free of charge). Reports with more detail and additional information may be available for subscription at a fee – more details about CRISIL ratings are available here: www.crisilratings.com

CRISIL and its affiliates do not act as a fiduciary. While CRISIL has obtained information from sources it believes to be reliable, CRISIL does not perform an audit and undertakes no duty of due diligence or independent verification of any information it receives and / or relies in its Reports. CRISIL keeps certain activities of its business units separate from each other in order to preserve the independence and objectivity of the respective activity. As a result, certain business units of CRISIL may have information that is not available to other CRISIL business units. CRISIL has established policies and procedures to maintain the confidentiality of certain non-public information received in connection with each analytical process. CRISIL has in place a ratings code of conduct and policies for analytical firewalls and for managing conflict of interest. For details please refer to: <https://www.crisil.com/en/home/our-businesses/ratings/regulatory-disclosures/highlighted-policies.html>

CRISIL's rating criteria are generally available without charge to the public on the CRISIL public web site, www.crisil.com. For latest rating information on any instrument of any company rated by CRISIL you may contact CRISIL RATING DESK at CRISILratingdesk@crisil.com, or at (0091) 1800 267 1301.

This Report should not be reproduced or redistributed to any other person or in any form without a prior written consent of CRISIL.

All rights reserved @ CRISIL

Rating Rationale

May 09, 2019 | Mumbai

ITL Industries Limited

Suspension revoked; 'CRISIL BBB/Stable/CRISIL A3+' assigned to bank debt

Rating Action

Total Bank Loan Facilities Rated	Rs.24.35 Crore
Long Term Rating	CRISIL BBB/Stable (Assigned; Suspension Revoked)
Short Term Rating	CRISIL A3+ (Assigned; Suspension Revoked)

1 crore = 10 million

Refer to annexure for Details of Instruments & Bank Facilities

Detailed Rationale

CRISIL has revoked the suspension of its rating on the bank facility of ITL Industries Limited (ITLIL) and has assigned its '**CRISIL BBB/Stable/CRISIL A3+**' ratings. The rating was suspended through a rating rationale dated November 27, 2012, as the society had not provided the necessary information for a rating review. It has now shared the requisite information, enabling CRISIL to assign its rating.

The ratings reflect extensive industry experience of the promoters, stable market position and comfortable financial risk profile. These strengths are partially offset by susceptibility of the operating margin to volatility in commodity prices and intensive nature of working capital operations.

Key Rating Drivers & Detailed Description

Strengths:

*** Extensive industry experience of the promoters:**

The company is promoted by Mr. Manohar Singh Jain, who has an industry experience of over 5 decades. He is assisted by his two sons, Mr. Rajendra Singh Jain and Mr. Mahendra Singh Jain (Joint MD'S), who look after the day to day business of the company. The promoters, along with the board of directors and the senior management have rich experience in the engineering industry, and has been instrumental in shaping the business risk profile. Supported by the long standing experience in the industry, the company has established strong relationships with the customers and suppliers.

*** Stable Market Position:**

The company has a long standing presence of close to 30 years in the industry. Over the years, the company has established strong relations with customers across various industries such as general engineering, auto components, forging, power, metals etc. Concentration risk is minimal as its customers are located across India, and top 20 customers contribute to less than 20% of overall revenue. Supported by the quality of products, the company has been receiving repeat orders from its customers. Its strong market position is underlined by revenue CAGR of 14.52% over the past 3 years.

The company has its own R&D center, which is engaged in development of new products and improvement of existing ones.

*** Comfortable Financial Risk Profile:**

Financial risk profile is supported by healthy capital structure, as reflected in gearing of 0.39 time and adequate networth of Rs. 31.83 crores as on March 31, 2018. Debt protection metrics are comfortable supported by interest coverage ratio of 6.5 times and net cash accruals to adjusted debt ratio of 0.48 for fiscal 2018.

Weakness:

*** Susceptibility of the operating margin to volatility in commodity prices:**

Operating margins are exposed to volatility in raw material prices. Raw material costs accounts for 65% of the operating revenue/total manufacturing cost. Any sharp deviation in raw material prices is likely to impact the operating margins of the company.

*** Intensive nature of working capital operations:**

Gross current assets (GCA) was at 220 days as on March 31, 2018. The GCA is mainly driven by high inventory and receivables. The company is required to maintain higher inventory in order to ensure smooth execution of orders during the subsequent 3-4 months.

Liquidity

ITPL has adequate liquidity driven by expected cash accruals of more than Rs.6 crores per annum in FY19 and FY20 and cash and cash equivalents of Rs.1.85 crores as on March 31, 2018. ITPL also has access to fund based limits of Rs.14 crores, utilized to the tune of 57% on an average over the 12 months ended February 2019. The company has long term repayment obligations around Rs.1 crore each in FY19 and FY20 and no major capex plans. CRISIL expects internal accruals, cash & cash equivalents and unutilized bank lines to be sufficient to meet its repayment obligations as well as incremental working capital requirements.

Outlook: Stable

CRISIL believe ITLIL will continue to benefit from the extensive experience of its promoter, and established relationships with clients. The outlook may be revised to 'Positive' if ramp-up in scale of operations and stable profitability strengthen financial risk profile. The outlook may be revised to 'Negative' if decline in profitability or stretch in working capital cycle or large debt-funded capital expenditure weakens capital structure.

About the Company

ITLIL, incorporated in 1989 at Indore, Madhya Pradesh. ITLIL is engaged in manufacturing of band saw and circular saw machinery (used in metal cutting), blade for band saw and circular saw, and pipe and tube manufacturing. ITL is also an authorized distributor for Eaton hydraulic systems in Madhya Pradesh and Chhattisgarh.

Key Financial Indicators

Particulars	Unit	2018	2017
Revenue	Rs crore	85.25	70.17
Profit After Tax (PAT)	Rs crore	5.13	3.74
PAT Margin	%	6.0	5.3
Adjusted debt/Adjusted networth	Times	0.39	0.48
Interest coverage	Times	6.53	3.40

Status of non cooperation with previous CRA

ITLIL has not cooperated with Credit Analysis & Research Ltd (CARE), which has marked its rating 'Issuer Non Cooperating' in its rating vide release dated April 02, 2019. The reason provided by CARE is absence of the requisite information from the company.

Any other information: Not applicable

Note on complexity levels of the rated instrument:

CRISIL complexity levels are assigned to various types of financial instruments. The CRISIL complexity levels are available on www.crisil.com/complexity-levels. Users are advised to refer to the CRISIL complexity levels for instruments that they consider for investment. Users may also call the Customer Service Helpdesk with queries on specific instruments.

Annexure - Details of Instrument(s)

ISIN	Name of instrument	Date of allotment	Coupon rate (%)	Maturity date	Issue size (Rs.Cr)	Rating assigned with outlook
NA	Cash Credit	NA	NA	NA	14.00	CRISIL BBB/Stable
NA	Standby Line of Contract	NA	NA	NA	1.00	CRISIL A3+
NA	Term Loan	NA	NA	Sept-2022	3.50	CRISIL BBB/Stable
NA	SME Care Loan	NA	NA	Mar-2020	0.25	CRISIL BBB/Stable
NA	Letter of Credit	NA	NA	NA	2.00	CRISIL A3+
NA	Bank Guarantee	NA	NA	NA	3.50	CRISIL A3+
NA	Proposed Cash Credit Limit	NA	NA	NA	0.10	CRISIL BBB/Stable

Annexure - Rating History for last 3 Years

Instrument	Current			2019 (History)		2018		2017		2016		Start of 2016
	Type	Outstanding Amount	Rating	Date	Rating	Date	Rating	Date	Rating	Date	Rating	Rating
Fund-based Bank Facilities	LT/ST	17.85	CRISIL BBB/Stable									Suspended
Non Fund-based Bank Facilities	LT/ST	6.50	CRISIL A3+									Suspended

All amounts are in Rs.Cr.

Annexure - Details of various bank facilities

Current facilities			Previous facilities		
Facility	Amount (Rs.Crore)	Rating	Facility	Amount (Rs.Crore)	Rating
Bank Guarantee	3.5	CRISIL A3+	--	0	--
Cash Credit	14	CRISIL BBB/Stable	--	0	--
Letter of Credit	2	CRISIL A3+	--	0	--
Proposed Cash Credit Limit	.1	CRISIL BBB/Stable	--	0	--
SME Care Loan	.25	CRISIL BBB/Stable	--	0	--
Standby Line of Contract	1	CRISIL A3+	--	0	--
Term Loan	3.5	CRISIL BBB/Stable	--	0	--
Total	24.35	--	Total	0	--

Links to related criteria
CRISILs Approach to Financial Ratios
CRISILs Bank Loan Ratings - process, scale and default recognition
CRISILs Approach to Recognising Default
CRISILs Bank Loan Ratings
CRISILs Criteria for rating short term debt
The Rating Process
Understanding CRISILs Ratings and Rating Scales

For further information contact:

Media Relations	Analytical Contacts	Customer Service Helpdesk
<p>Saman Khan Media Relations CRISIL Limited D: +91 22 3342 3895 B: +91 22 3342 3000 saman.khan@crisil.com</p> <p>Naireen Ahmed Media Relations CRISIL Limited D: +91 22 3342 1818 B: +91 22 3342 3000 naireen.ahmed@crisil.com</p> <p>Vinay Rajani Media Relations CRISIL Limited D: +91 22 3342 1835 M: +91 91 676 42913 B: +91 22 3342 3000 vinay.rajani@ext-crisil.com</p>	<p>Rahul Guha Director - CRISIL Ratings CRISIL Limited D:+91 22 4097 8320 rahul.guha@crisil.com</p> <p>Onkar Hegde Rating Analyst - CRISIL Ratings CRISIL Limited D:+91 44 6656 3119 Onkar.Hegde@crisil.com</p>	<p>Timings: 10.00 am to 7.00 pm Toll free Number:1800 267 1301</p> <p>For a copy of Rationales / Rating Reports: CRISILratingdesk@crisil.com</p> <p>For Analytical queries: ratingsinvestordesk@crisil.com</p>

Note for Media:

This rating rationale is transmitted to you for the sole purpose of dissemination through your newspaper / magazine / agency. The rating rationale may be used by you in full or in part without changing the meaning or context thereof but with due credit to CRISIL. However, CRISIL alone has the sole right of distribution (whether directly or indirectly) of its rationales for consideration or otherwise through any media including websites, portals etc.

About CRISIL Limited

CRISIL is a leading agile and innovative, global analytics company driven by its mission of making markets function better. We are India's foremost provider of ratings, data, research, analytics and solutions. A strong track record of growth, culture of innovation and global footprint sets us apart. We have delivered independent opinions, actionable insights, and efficient solutions to over 1,00,000 customers.

We are majority owned by S&P Global Inc., a leading provider of transparent and independent ratings, benchmarks, analytics and data to the capital and commodity markets worldwide.

For more information, visit www.crisil.com

Connect with us: [TWITTER](#) | [LINKEDIN](#) | [YOUTUBE](#) | [FACEBOOK](#)

About CRISIL Ratings

CRISIL Ratings is part of CRISIL Limited ("CRISIL"). We pioneered the concept of credit rating in India in 1987. CRISIL is registered in India as a credit rating agency with the Securities and Exchange Board of India ("SEBI"). With a tradition of independence, analytical rigour and innovation, CRISIL sets the standards in the credit rating business. We rate the entire range of debt instruments, such as, bank loans, certificates of deposit, commercial paper, non-convertible / convertible / partially convertible bonds and debentures, perpetual bonds, bank hybrid capital instruments, asset-backed and mortgage-backed securities, partial guarantees and other structured debt instruments. We have rated over 24,500 large and mid-scale corporates and financial institutions. CRISIL has also instituted several innovations in India in the rating business, including rating municipal bonds, partially guaranteed instruments and microfinance institutions. We also pioneered a globally unique rating service for Micro, Small and Medium Enterprises (MSMEs) and significantly extended the accessibility to rating services to a wider market. Over 1,10,000 MSMEs have been rated by us.

CRISIL PRIVACY

CRISIL respects your privacy. We may use your contact information, such as your name, address, and email id to fulfil your request and service your account and to provide you with additional information from CRISIL. For further information on CRISIL's privacy policy please visit www.crisil.com.

DISCLAIMER

This disclaimer forms part of and applies to each credit rating report and/or credit rating rationale that we provide (each a "Report"). For the avoidance of doubt, the term "Report" includes the information, ratings and other content forming part of the Report. The Report is intended for the jurisdiction of India only. This Report does not constitute an offer of services. Without limiting the generality of the foregoing, nothing in the Report is to be construed as CRISIL providing or intending to provide any services in jurisdictions where CRISIL does not have the necessary licenses and/or registration to carry out its business activities referred to above. Access or use of this Report does not create a client relationship between CRISIL and the user.

We are not aware that any user intends to rely on the Report or of the manner in which a user intends to use the Report. In preparing our Report we have not taken into consideration the objectives or particular needs of any particular user. It is made abundantly clear that the Report is not intended to and does not constitute an investment advice. The Report is not an offer to sell or an offer to purchase or subscribe for any investment in any securities, instruments, facilities or solicitation of any kind or otherwise enter into any deal or transaction with the entity to which the Report pertains. The Report should not be the sole or primary basis for any investment decision within the meaning of any law or regulation (including the laws and regulations applicable in the US).

Ratings from CRISIL Rating are statements of opinion as of the date they are expressed and not statements of fact or recommendations to purchase, hold, or sell any securities / instruments or to make any investment decisions. Any opinions expressed here are in good faith, are subject to change without notice, and are only current as of the stated date of their issue. CRISIL assumes no obligation to update its opinions following publication in any form or format although CRISIL may disseminate its opinions and analysis. CRISIL rating contained in the Report is not a substitute for the skill, judgment and experience of the user, its management, employees, advisors and/or clients when making investment or other business decisions. The recipients of the Report should rely on their own judgment and take their own professional advice before acting on the Report in any way. CRISIL or its associates may have other commercial transactions with the company/entity.

Neither CRISIL nor its affiliates, third party providers, as well as their directors, officers, shareholders, employees or agents (collectively, "CRISIL Parties") guarantee the accuracy, completeness or adequacy of the Report, and no CRISIL Party shall have any liability for any errors, omissions, or interruptions therein, regardless of the cause, or for the results obtained from the use of any part of the Report. EACH CRISIL PARTY DISCLAIMS ANY AND ALL EXPRESS OR IMPLIED WARRANTIES, INCLUDING, BUT NOT LIMITED TO, ANY WARRANTIES OF MERCHANTABILITY, SUITABILITY OR FITNESS FOR A PARTICULAR PURPOSE OR USE. In no event shall any CRISIL Party be liable to any party for any direct, indirect, incidental, exemplary, compensatory, punitive, special or consequential damages, costs, expenses, legal fees, or losses (including, without limitation, lost income or lost profits and opportunity costs) in connection with any use of any part of the Report even if advised of the possibility of such damages.

CRISIL Ratings may receive compensation for its ratings and certain credit-related analyses, normally from issuers or underwriters of the instruments, facilities, securities

or from obligors. CRISIL's public ratings and analysis as are required to be disclosed under the regulations of the Securities and Exchange Board of India (and other applicable regulations, if any) are made available on its web sites, www.crisil.com (free of charge). Reports with more detail and additional information may be available for subscription at a fee – more details about CRISIL ratings are available here: www.crisilratings.com.

CRISIL and its affiliates do not act as a fiduciary. While CRISIL has obtained information from sources it believes to be reliable, CRISIL does not perform an audit and undertakes no duty of due diligence or independent verification of any information it receives and / or relies in its Reports. CRISIL keeps certain activities of its business units separate from each other in order to preserve the independence and objectivity of the respective activity. As a result, certain business units of CRISIL may have information that is not available to other CRISIL business units. CRISIL has established policies and procedures to maintain the confidentiality of certain non-public information received in connection with each analytical process. CRISIL has in place a ratings code of conduct and policies for analytical firewalls and for managing conflict of interest. For details please refer to: <https://www.crisil.com/en/home/our-businesses/ratings/regulatory-disclosures/highlighted-policies.html>

CRISIL's rating criteria are generally available without charge to the public on the CRISIL public web site, www.crisil.com. For latest rating information on any instrument of any company rated by CRISIL you may contact CRISIL RATING DESK at CRISILratingdesk@crisil.com, or at (0091) 1800 267 1301.

This Report should not be reproduced or redistributed to any other person or in any form without a prior written consent of CRISIL.

All rights reserved @ CRISIL