

## **Rating Advisory**

March 30, 2020 | Mumbai

Advisory as on March 30, 2020

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

CRISIL vide its publication dated February 29, 2020 highlighted the aspect of non-co-operation by ITL Industries Limited.

ITL Industries Limited has now initiated cooperation, has confirmed timeliness in debt servicing for February 2020 and has also provided 'No Default Statement' dated March 11, 2020.

You may access the Rating Rationale as appended below.

## Rating Rationale

May 09, 2019 | Mumbai

### ITL Industries Limited

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

#### Rating Action

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

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

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## 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	--
<b>Total</b>	<b>24.35</b>	<b>--</b>	<b>Total</b>	<b>0</b>	<b>--</b>

<b>Links to related criteria</b>
<a href="#">CRISILs Approach to Financial Ratios</a>
<a href="#">CRISILs Bank Loan Ratings - process, scale and default recognition</a>
<a href="#">CRISILs Approach to Recognising Default</a>
<a href="#">CRISILs Bank Loan Ratings</a>
<a href="#">CRISILs Criteria for rating short term debt</a>
<a href="#">The Rating Process</a>
<a href="#">Understanding CRISILs Ratings and Rating Scales</a>

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