Press Release

June 11, 2013

CARE ASSIGNS 'CARE BB' AND 'CARE A4' RATINGS TO THE BANK FACILITIES OF ITL INDUSTRIES LIMITED

Ratings

Facilities	Amount (Rs. crore)	Ratings[1]	Remarks
Long-term Bank Facilities	1.06	CARE BB (Double B)	Assigned
Long-term/Short-term Bank Facilities	17.50	CARE BB/CARE A4 (Double B/A Four)	Assigned
Short-term Bank Facilities	2.00	CARE A4 (A Four)	Assigned
Total Facilities	**20.56**		

Rating Rationale

The ratings assigned to the bank facilities of ITL Industries Limited (ITL) are primarily constrained by its financial risk profile marked by the consistent decline in the total operating income over the past three years ended FY12 (refers to the period April 1 to March 31), moderate profitability and deteriorating liquidity position and modest scale of operations of in a highly competitive machine tools industry. The ratings are further constrained by working capital intensive nature of operations, elongated working capital cycle and subdued demand from the end-user industry, resulting in deterioration in the financial performance during 9MFY13.

The above constraints are partially offset by the established track record of the promoters in machine tools business and diversified client base.

The ability of ITL to improve its scale of operations with the growth in order book amid slowdown in the end-user industry and effective management of the working capital are the key rating sensitivities.

Background

Indore-based ITL was established as a partnership firm in 1985. Later on, it was converted into a private limited company and then to a public limited company in 1989. The company manufactures manual and automatic metal-cutting machines such as bandsaw & circular saw machines and pipe & tube manufacturing machines. ITL also acts as a distributor of hydraulic products for Eaton Hydraulic Systems for state of Madhya Pradesh and Rajasthan. ITL is also the supplier of bi-metal bandsaw blades, hacksaw blades and other tools. The company has a manufacturing facility located at Sanwer Road, Indore.

During FY12 (refers to the period April 1 to March 31), as per the audited results, ITL reported a total operating income of Rs.49.95 crore (FY11: Rs.53.68 crore) and a Profit after Tax (PAT) of Rs.2.04 crore (FY11: Rs.2.17 crore). During 9MFY13 (as per the provisional results), ITL has achieved PAT of Rs.0.83 crore on a total income of Rs.27.60 crore.

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[1]*Complete definitions of the ratings assigned are available at www.careratings.com and in other CARE publications*

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Disclaimer

CARE's ratings are opinions on credit quality and are not recommendations to sanction, renew, disburse or recall the concerned bank facilities or to buy, sell or hold any security. CARE has based its ratings on information obtained from sources believed by it to be accurate and reliable. CARE does not, however, guarantee the accuracy, adequacy or completeness of any information and is not responsible for any errors or omissions or for the results obtained from the use of such information. Most entities whose bank facilities/instruments are rated by CARE have paid a credit rating fee, based on the amount and type of bank facilities/instruments.

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