



October 15, 2009

ICRA assigns LBB+/A4+ ratings to the bank lines of Vijay Agro Products Private Limited

ICRA has assigned an LBB+ (pronounced as L double B Plus) rating to the Rs. 38.9 million term loans and Rs. 90.0 million fund-based bank limits of Vijay Agro Products Private Limited ("VAPL"/ "The Company")[†]. ICRA has also assigned an A4+ (pronounced A four Plus) rating to Rs. 1.0 million non-fund based bank limits of VAPL[†].

The ratings are constrained by the Company's small scale of operations restricting economies of scale and financial flexibility. VAPL's operating margin remains susceptible to high volatility in raw material costs and limited pricing flexibility due to intense competition and fragmented nature of Indian edible oil industry. The ratings however take note of the significant experience of promoters in rice bran oil processing industry and favorable demand prospects for rice bran oil due to its health benefits and lower pricing compared to sunflower and soya oils.

About the Company

Vijay Agro Products ("VAPL"/ "The Company") is the flagship company of Vijay Group based out of Vijayawada, Andhra Pradesh. VAPL, incorporated on 27th April 1983, is engaged in the process of extraction of oils by solvent extraction, hydrogenation, refining of commercial oils and manufacture of power from Biomass. The promoter and his family members hold 100% stake in The Company.

Apart from VAPL there are five other companies/partnerships attached to the group engaged in a diverse range of activities spanning construction of business complexes, cold storage, pisciculture (fish cultivation) and finance business. However the combined turnover of the five group concerns was small standing at Rs. 101 million during the year 2007-08 compared to the turnover of VAPL.

Recent performance (Audited)

The Company reported a net profit after tax of Rs.5.7 million on operating income of Rs.729.6 million for the year ending March 31, 2009, against net loss after tax of Rs. 0.1 million on operating income of Rs.742.2 million for the year ended March 31, 2008.

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ICRA has classified various instruments based on their complexity as "Simple", "Complex" and "Highly Complex". The classification of instruments according to their complexity levels is available on the website www.icra.in

[†] For complete rating scale and definitions, please refer to ICRA's website www.icra.in or other ICRA Rating Publications.

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