



## Itarsi Oils & Flours Private Limited

Instrument	Amount (Rs. Crore)	Rating Action
Term Loan	4.04 (reduced from 7.07)	[ICRA]BBB (Stable) Upgraded from [ICRA]BBB-(stable)
Fund Based Limits (CC) <sup>#</sup>	120.00	[ICRA]BBB (Stable) Upgraded from [ICRA]BBB-(stable)
Unallocated	5.46 (enhanced from 2.43)	[ICRA]BBB (Stable) Upgraded from [ICRA]BBB-(stable)
Non-Fund Based Limits	5.00	[ICRA]A3+ Upgraded from [ICRA]A3

*#Long-term limits are interchangeable with short-term limits to the extent of Rs. 75 crore; if the limits are short-term, rating of [ICRA]A4 will be applicable*

ICRA has upgraded the long term rating outstanding on the Rs. 4.04 crore\* (reduced from Rs. 7.07 crore) term loan, the Rs. 120.00 crore fund based limits and the Rs. 5.46 crore (enhanced from Rs. 2.43 crore) unallocated limits of Itarsi Oils & Flours Limited (IOFL / the company)<sup>†</sup> to **[ICRA]BBB** (pronounced ICRA triple B) from **[ICRA]BBB-** (pronounced ICRA triple B minus). ICRA has also upgraded the short-term rating outstanding on the Rs. 75.00 crore fund based (*the long-term fund based limits are interchangeable with short-term limits to the extent of Rs. 75 crore*) and the Rs. 5.00 crore non-fund based limits of IOFL to **[ICRA]A3+** (pronounced ICRA A three plus) from **[ICRA]A3** (pronounced ICRA A three). The outlook on the long-term rating is Stable.

The revision in ratings factors in improvement of the company's capital structure with gearing at 0.53 times as on March 31, 2015 owing to lower working capital borrowings coupled with low repayment obligations going forward enhancing the financial flexibility of the company. The ratings further positively factor in the increase in import duty on crude and refined vegetable oils by 5%, the promoters' established position in the soya industry, and the company's locational advantage from its proximity to the raw material source as well as major ports, which facilitates exports. The ratings also consider IOFL's gradual shift from commodity to branded products—particularly in refined oil, with further plans of foraying into the edible soy product segment.

The ratings, however, remain constrained by the modest financial profile as indicated by a decline in scale of operations along with low profitability levels arising out of the low value-added nature of the business, however ICRA notes the consistency in profit margins over the last five fiscals with operating profit margins (OPM) at ~3% despite the downturn in the industry. The decline in scale of operations was owing to low availability and subsequent high prices of soybean in the market, making the company's operations highly vulnerable to availability and prices of soybean in the market. ICRA also notes that the profitability of domestic edible oil players remains vulnerable to import pressures, the high competitive intensity in the edible oil industry, lack of pricing power, volatility in global edible oil prices and changes in import duty differential between crude and refined oil.

Going forward, the company's ability to improve its profitability levels by adding more value-added products to its portfolio, while managing raw material price fluctuations, remains critical from a credit perspective.

\* 100 lakh = 1 crore = 10 million

<sup>†</sup> For a complete rating scale and definitions, please refer to ICRA's website ([www.icra.in](http://www.icra.in)) or other ICRA rating publications.



### **Company Profile**

Itarsi Oils & Flours Private Ltd. (IOFL), the erstwhile Itarsi Oils & Flours Ltd., was incorporated in 1987. IOFL is involved in the solvent extraction and refining of edible oil, flour milling and trading of commodities such as gram, wheat, soya oil and soybeans. It produces soya De-Oiled Cake (DOC), also known as soymeal, through solvent extraction, which is used for animal feed. Headquartered in Mumbai, the company has solvent extractions plants and refineries at Itarsi and Khandwa in Madhya Pradesh. IOFL is a subsidiary of the Raipur-based KN Group, which is engaged in agro processing and trading activities.

### **Recent Results**

For the year ended March 31, 2014, the company reported a Profit after Tax (PAT) of Rs 9.99 crore on an Operating Income (OI) of Rs. 982.71 crore. For the year ended March 31, 2015, the company reported a PAT of Rs. 9.12 crore on an OI of Rs. 769.67 crore (unaudited).

**June 2015**

*For further details please contact:*

*Analyst Contacts:*

**Mr. Rohit Inamdar** (Tel. No. +91-124-4545847)  
rohit.inamdar@icraindia.com

*Relationship Contacts:*

**Mr. L. Shivakumar**, (Tel. No. +91 22 6114 3406)  
shivakumar@icraindia.com

© Copyright, 2015, ICRA Limited. All Rights Reserved.

Contents may be used freely with due acknowledgement to ICRA

ICRA ratings should not be treated as recommendation to buy, sell or hold the rated debt instruments. ICRA ratings are subject to a process of surveillance, which may lead to revision in ratings. An ICRA rating is a symbolic indicator of ICRA's current opinion on the relative capability of the issuer concerned to timely service debts and obligations, with reference to the instrument rated. Please visit our website [www.icra.in](http://www.icra.in) or contact any ICRA office for the latest information on ICRA ratings outstanding. All information contained herein has been obtained by ICRA from sources believed by it to be accurate and reliable, including the rated issuer. ICRA however has not conducted any audit of the rated issuer or of the information provided by it. While reasonable care has been taken to ensure that the information herein is true, such information is provided 'as is' without any warranty of any kind, and ICRA in particular, makes no representation or warranty, express or implied, as to the accuracy, timeliness or completeness of any such information. Also, ICRA or any of its group companies may have provided services other than rating to the issuer rated. All information contained herein must be construed solely as statements of opinion, and ICRA shall not be liable for any losses incurred by users from any use of this publication or its contents.

**Registered Office****ICRA Limited**

1105, Kailash Building, 11th Floor, 26, Kasturba Gandhi Marg, New Delhi 110001  
Tel: +91-11-23357940-50, Fax: +91-11-23357014

**Corporate Office****Mr. Vivek Mathur**Mobile: **9871221122**Email: [vivek@icraindia.com](mailto:vivek@icraindia.com)

Building No. 8, 2nd Floor, Tower A, DLF Cyber City, Phase II, Gurgaon 122002  
Ph: +91-124-4545310 (D), 4545300 / 4545800 (B) Fax; +91- 124-4050424

**Mumbai****Mr. L. Shivakumar**Mobile: **9821086490**Email: [shivakumar@icraindia.com](mailto:shivakumar@icraindia.com)

1802, 18th Floor, Tower 3,  
Indiabulls Finance Centre,  
Senapati Bapat Marg,  
Elphinstone, Mumbai 400013,  
Board : +91-22-61796300; Fax: +91-22-24331390

**Kolkata****Mr. Jayanta Roy**Mobile: **+91 9903394664**Email: [jayanta@icraindia.com](mailto:jayanta@icraindia.com)

A-10 & 11, 3rd Floor, FMC Fortuna  
234/3A, A.J.C. Bose Road  
Kolkata—700020  
Tel +91-33-22876617/8839 22800008/22831411,  
Fax +91-33-22870728

**Chennai****Mr. Jayanta Chatterjee**Mobile: **9845022459**Email: [jayantac@icraindia.com](mailto:jayantac@icraindia.com)

5th Floor, Karumuttu Centre  
634 Anna Salai, Nandanam  
Chennai—600035  
Tel: +91-44-45964300; Fax: +91-44 24343663

**Bangalore****Bangalore****Mr. Jayanta Chatterjee**Mobile: **9845022459**Email: [jayantac@icraindia.com](mailto:jayantac@icraindia.com)

'The Millenia'  
Tower B, Unit No. 1004, 10th Floor, Level 2 12-14, 1 & 2,  
Murphy Road, Bangalore 560 008  
Tel: +91-80-43326400; Fax: +91-80-43326409

**Ahmedabad****Mr. L. Shivakumar**Mobile: **989986490**Email: [shivakumar@icraindia.com](mailto:shivakumar@icraindia.com)

907 & 908 Sakar -II, Ellisbridge,  
Ahmedabad- 380006  
Tel: +91-79-26585049, 26585494, 26584924; Fax: +91-  
79-25569231

**Pune****Mr. L. Shivakumar**Mobile: **989986490**Email: [shivakumar@icraindia.com](mailto:shivakumar@icraindia.com)

5A, 5th Floor, Symphony, S.No. 99, CTS 3909, Range Hills  
Road, Shivajinagar, Pune-411 020  
Tel: + 91-20-25561194-25560196; Fax: +91-20-25561231

**Hyderabad****Mr. Jayanta Chatterjee**Mobile: **9845022459**Email: [jayantac@icraindia.com](mailto:jayantac@icraindia.com)

4th Floor, Shobhan, 6-3-927/A&B, Somajiguda, Raj  
Bhavan Road, Hyderabad—500083  
Tel:- +91-40-40676500