

TIL Limited
August 17, 2017

Ratings

Facilities	Amount (Rs. crore)	Rating ¹	Rating Action
Long-term Bank Facilities	166.7 (reduced from 182.32)	CARE BBB+; Stable (Triple B Plus; Outlook: Stable)	Revised from CARE BBB+; Negative (Triple B Plus; Outlook: Negative)
Long/Short-term Bank Facilities	200.00	CARE BBB+; Stable/CARE A2 (Triple B Plus; Outlook: Stable/A Two)	Revised from CARE BBB+; Negative/CARE A3+ (Triple B Plus; Outlook: Negative/A Three Plus)
Total Bank Facilities	366.70 (Rupees Three Hundred Sixty Six crore and Seventy lakh only)		

Detail of facilities or instrument in Annexure-1

Detailed Rationale and Key Rating Drivers

The revision in the short term rating assigned to the bank facilities of TIL Limited (TIL) takes into account the improvement in liquidity position and debt coverage indicators with significant improvement in operating profitability in FY17 (refers to the period April 1 to March 31) and substantial cash flow from sale of Caterpillar dealership business. The ratings continue to draw strength from the experience of the promoters of TIL with long and established track record of the company, manufacturing and technical collaboration with leading international players, moderate order book position, reputed clientele and consistent source of revenue from maintenance and repair contracts.

The ratings are however, constrained by the working capital intensive nature of operations with elongated operating cycle and exposure to fluctuation in foreign exchange.

Ability of the company to sustain improvement in operating profitability, maintain capital structure and effective working capital management would remain the key rating sensitivities.

Outlook: Stable

The outlook has been revised to 'Stable' considering the significant improvement in profitability in FY17 and consequent improvement in debt coverage indicators.

Detailed description of the key rating drivers**Key Rating Strengths*****Long and established track record with experienced promoters***

TIL is an established player in providing technology intensive equipment for the infrastructure sector. The company, over the last seven decades, has consistently introduced new products in the material handling and construction equipment. The current promoters, Mr. Avijit Mazumder and Mr. Sumit Mazumder, possess rich experience in the industry and are supported by a team of qualified personnel.

Manufacturing & technical collaborations with leading international players

TIL, over the years, has entered into long term manufacturing and technical alliances with leading equipment manufacturers across the globe to offer superior products to its customers. These alliances have given technological parity to the company as most of the other domestic construction & material handling equipment manufacturers have also tied-up with renowned international technology providers.

Moderate order book position albeit good clientele and wide service network

The aggregate value of orders in hand was Rs.152.37 crore as on July 31, 2017, executable entirely in FY18. The client portfolio of the company comprises reputed public sector & private sector entities. With a network of four regional offices, 60 branches & 20 product support centres in India and a subsidiary in Singapore, the company offers the required service back-up to support its product line.

Consistent source of revenue from maintenance & repair contracts and sale of component & spare parts

¹Complete definition of the ratings assigned are available at www.careratings.com and other CARE publications

TIL, while selling its products, also enters into long term maintenance and repair contracts with various customers thereby providing stable and consistent source of future income. It derives income of around 20% of gross sales from sale of components & spare parts.

Improvement in operating margin in FY17 and significant cash flow from sale of Caterpillar dealership business

Though net sales in FY17 remained at similar level as of FY16, the company reported operating profit of Rs.42.40 crore during FY17 as against PBILDT loss of Rs.6.68 crore during FY16. There was significant improvement in profitability due to lower sales of loss making products from road equipment division, increase in sales of higher margin products and reduction in overall operating cost with various cost saving measures initiated. Interest expense reduced significantly as a result of repayment of short term borrowings from the proceeds of sale of its Caterpillar dealership business. With higher PBILDT and reduction in capital charge, the company reported PBT from operations of Rs.7.11 crore in FY17 as against loss before tax of Rs.66.02 crore in FY16. The company earned profit of Rs.252.45 crore on sale of the dealership business and against that wrote off obsolete inventory of Rs.88.22 crore and doubtful debtors of Rs.33.45 crore, resulting in a net exceptional gain of Rs.130.78 crore in FY17. Accordingly, TIL achieved PAT of Rs.121.37 crore in FY17, as against a loss of Rs.66.29 crore in FY16.

Improvement in debt coverage indicators

Overall gearing ratio improved significantly to 0.32x as on March 31, 2017 from 1.89x as on March 31, 2016. The improvement was on account of repayment of short term borrowings and significant increase in networth during the year. The interest coverage and TD/GCA also improved with improvement in profitability. The average utilisation of working capital limits was low at about 32% in the 12 months ended June 30, 2017.

Growth in demand expected in the medium term

Various government initiatives including emphasis laid on fast development of road and railway infrastructure, high focus on renewable energy, providing electricity to all by the end of the decade and 'Make in India' campaign are likely to yield visible results going forward and improve the demand for construction and material handling equipment.

Key Rating Weaknesses

Working capital intensive nature of industry and high operating cycle

TIL requires high level of working capital to support and maintain its large inventory of raw materials, finished goods as well as stores & spare parts. The inventory period continued to remain high at 241 days in FY17 (214 days in FY16) with piling of stock amidst sluggish demand and delays in finalisation of orders. This was inspite of the company writing off inventory of Rs.88.22 crore during FY17.

Further, the collection period continues to remain on the higher side (125 days in FY17) due to higher credit extended to improve sales. During the year, the company also wrote off debtors of Rs.33.45 crore in which payment was not forthcoming.

Exposure to foreign exchange risk

The major raw materials/inputs required by TIL are high quality steel, engines, chassis for auto mobiles, valves, axle, hoist units, hydraulic Ram and cylinder etc. A large part of the material requirement is met through imports (about 55% in FY17). This exposes the company to risk of foreign exchange fluctuation.

However, it mitigates the forex risk by hedging large part of its exposures. As on Mar.31, 2017, it has an unhedged forex payable of Rs.5.63 crore and unhedged forex receivable of Rs.10.09 crore.

Analytical approach: Standalone

Applicable Criteria

[Criteria on assigning Outlook to Credit Ratings](#)

[CARE's Policy on Default Recognition](#)

[Criteria for Short Term Instruments](#)

[Rating Methodology-Manufacturing Companies](#)

[Financial ratios – Non-Financial Sector](#)

About the company

TIL incorporated in 1944, has been in operation for more than seven decades and is currently engaged in manufacturing and marketing of equipments for material handling, lifting, port & road building solutions with integrated customer

support and after-sale services. The manufacturing facilities are located at Kamarhatty (near Kolkata) and Kharagpur in West Bengal.

The company operates under two strategic business units (SBUs): Material Handling Solutions (MHS) for manufacturing material handling equipment and Equipment & Project Solutions (EPS) for manufacturing crushing & screening equipment and handling equipment for ports & road building solutions.

In April 2016, TIL hived off its dealership business of Caterpillar through sale of its subsidiaries Tractors India Private Limited (TIPL) and Tractors Nepal Private Limited (TNPL) and specific assets related to Caterpillar business in TIL Overseas Pte Limited (TILO) for a consideration of Rs.350 crore.

Brief Financials (Rs. crore)	FY16 (A)	FY17 (A)
Total operating income	313.26	319.59
PBILDT	-6.68	42.40
PAT	-66.29	121.37
Overall gearing (times)	1.89	0.32
Interest coverage (times)	-0.14	1.81

Status of non-cooperation with previous CRA: Not applicable.

Any other information: Not Applicable

Rating History for last three years: Please refer Annexure-2

Note on complexity levels of the rated instrument: CARE has classified instruments rated by it on the basis of complexity. This classification is available at www.careratings.com. Investors/market intermediaries/regulators or others are welcome to write to care@careratings.com for any clarifications.

Analyst Contact:

Name: Ms Mamta Muklania

Tel: 033-4018 1651

Mobile : 98304 07120

Email: mamta.khemka@careratings.com

****For detailed Rationale Report and subscription information, please contact us at www.careratings.com**

About CARE Ratings:

CARE Ratings commenced operations in April 1993 and over two decades, it has established itself as one of the leading credit rating agencies in India. CARE is registered with the Securities and Exchange Board of India (SEBI) and also recognized as an External Credit Assessment Institution (ECAI) by the Reserve Bank of India (RBI). CARE Ratings is proud of its rightful place in the Indian capital market built around investor confidence. CARE Ratings provides the entire spectrum of credit rating that helps the corporates to raise capital for their various requirements and assists the investors to form an informed investment decision based on the credit risk and their own risk-return expectations. Our rating and grading service offerings leverage our domain and analytical expertise backed by the methodologies congruent with the international best practices.

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/outlooks 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.

In case of partnership/proprietary concerns, the rating /outlook assigned by CARE is based on the capital deployed by the partners/proprietor and the financial strength of the firm at present. The rating/outlook may undergo change in case of withdrawal of capital or the unsecured loans brought in by the partners/proprietor in addition to the financial performance and other relevant factors.

Annexure-1: Details of Instruments/Facilities

Name of the Instrument	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. crore)	Rating assigned along with Rating Outlook
Fund-based - LT-Cash Credit	-	-	-	145.00	CARE BBB+; Stable
Non-fund-based - LT/ ST-BG/LC	-	-	-	200.00	CARE BBB+; Stable / CARE A2
Term Loan-Long Term	-	-	March 2020	21.70	CARE BBB+; Stable

Annexure-2: Rating History of last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating history			
		Type	Amount Outstanding (Rs. crore)	Rating	Date(s) & Rating(s) assigned in 2017-2018	Date(s) & Rating(s) assigned in 2016-2017	Date(s) & Rating(s) assigned in 2015-2016	Date(s) & Rating(s) assigned in 2014-2015
1.	Short Term Instruments-CP/STD	ST	-	-	-	-	1)Withdrawn (31-Mar-16)	1)CARE A2+ (08-Jan-15)
2.	Fund-based - LT-Cash Credit	LT	145.00	CARE BBB+; Stable	-	1)CARE BBB+; Negative (19-Dec-16) 2)CARE BBB+ (Under Credit Watch) (03-May-16)	1)CARE BBB+ (31-Mar-16)	1)CARE A- (08-Jan-15)
3.	Term Loan-Long Term	LT	-	-	-	1)Withdrawn (19-Dec-16) 2)CARE BBB+ (Under Credit Watch) (03-May-16)	1)CARE BBB+ (31-Mar-16)	1)CARE A- (08-Jan-15)
4.	Non-fund-based - LT/ ST-BG/LC	LT/ST	200.00	CARE BBB+; Stable / CARE A2	-	1)CARE BBB+; Negative / CARE A3+ (19-Dec-16) 2)CARE BBB+ / CARE A3+ (Under Credit Watch) (03-May-16)	1)CARE BBB+ / CARE A3+ (31-Mar-16)	1)CARE A- / CARE A2+ (08-Jan-15)
5.	Term Loan-Long Term	LT	21.70	CARE BBB+; Stable	-	1)CARE BBB+; Negative (19-Dec-16) 2)CARE BBB+ (Under Credit Watch) (03-May-16)	1)CARE BBB+ (31-Mar-16)	1)CARE A- (08-Jan-15)

CONTACT**Head Office Mumbai**

Ms. Meenal Sikchi
Cell: + 91 98190 09839
E-mail: meenal.sikchi@careratings.com

Mr. Ankur Sachdeva
Cell: + 91 98196 98985
E-mail: ankur.sachdeva@careratings.com

Ms. Rashmi Narvankar
Cell: + 91 99675 70636
E-mail: rashmi.narvankar@careratings.com

Mr. Saikat Roy
Cell: + 91 98209 98779
E-mail: saikat.roy@careratings.com

CARE Ratings Limited

(Formerly known as Credit Analysis & Research Ltd.)

Corporate Office: 4th Floor, Godrej Coliseum, Somaia Hospital Road, Off Eastern Express Highway, Sion (East), Mumbai - 400 022
Tel: +91-22-6754 3456 | Fax: +91-22-6754 3457 | E-mail: care@careratings.com

AHMEDABAD

Mr. Deepak Prajapati
32, Titanium, Prahaladnagar Corporate Road,
Satellite, Ahmedabad - 380 015
Cell: +91-9099028864
Tel: +91-79-4026 5656
E-mail: deepak.prajapati@careratings.com

JAIPUR

Mr. Nikhil Soni
304, Pashupati Akshat Heights, Plot No. D-91,
Madho Singh Road, Near Collectorate Circle,
Bani Park, Jaipur - 302 016.
Cell: +91 – 95490 33222
Tel: +91-141-402 0213 / 14
E-mail: nikhil.soni@careratings.com

BENGALURU

Mr. V Pradeep Kumar
Unit No. 1101-1102, 11th Floor, Prestige Meridian II,
No. 30, M.G. Road, Bangalore - 560 001.
Cell: +91 98407 54521
Tel: +91-80-4115 0445, 4165 4529
Email: pradeep.kumar@careratings.com

KOLKATA

Ms. Priti Agarwal
3rd Floor, Prasad Chambers, (Shagun Mall Bldg.)
10A, Shakespeare Sarani, Kolkata - 700 071.
Cell: +91-98319 67110
Tel: +91-33- 4018 1600
E-mail: priti.agarwal@careratings.com

CHANDIGARH

Mr. Anand Jha
SCF No. 54-55,
First Floor, Phase 11,
Sector 65, Mohali - 160062
Chandigarh
Cell: +91 99888 05650
Tel: +91-172-5171 100 / 09
Email: anand.jha@careratings.com

NEW DELHI

Ms. Swati Agrawal
13th Floor, E-1 Block, Videocon Tower,
Jhandewalan Extension, New Delhi - 110 055.
Cell: +91-98117 45677
Tel: +91-11-4533 3200
E-mail: swati.agrawal@careratings.com

CHENNAI

Mr. V Pradeep Kumar
Unit No. O-509/C, Spencer Plaza, 5th Floor,
No. 769, Anna Salai, Chennai - 600 002.
Cell: +91 98407 54521
Tel: +91-44-2849 7812 / 0811
Email: pradeep.kumar@careratings.com

PUNE

Mr. Pratim Banerjee
9th Floor, Pride Kumar Senate,
Plot No. 970, Bhamburda, Senapati Bapat Road,
Shivaji Nagar, Pune - 411 015.
Cell: +91-98361 07331
Tel: +91-20- 4000 9000
E-mail: pratim.banerjee@careratings.com

COIMBATORE

Mr. V Pradeep Kumar
T-3, 3rd Floor, Manchester Square
Puliakulam Road, Coimbatore - 641 037.
Tel: +91-422-4332399 / 4502399
Email: pradeep.kumar@careratings.com

CIN - L67190MH1993PLC071691

HYDERABAD

Mr. Ramesh Bob
401, Ashoka Scintilla, 3-6-502, Himayat Nagar,
Hyderabad - 500 029.
Cell : + 91 90520 00521
Tel: +91-40-4010 2030
E-mail: ramesh.bob@careratings.com