TIL Limited

November 19, 2021

Ratings

Facilities/Instruments	Amount (Rs. crore)	Rating[1]	Rating Action
Long Term Bank Facilities	190.00	CARE D (Single D)	Revised from CARE B+; Negative (Single B Plus; Outlook: Negative)
Long Term / Short Term Bank Facilities	148.25 (Reduced from 160.00)	CARE D / CARE D (Single D / Single D)	Revised from CARE B+; Negative / CARE A4 (Single B Plus; Outlook: Negative / A Four)
Total Bank Facilities	**338.25 (Rs. Three Hundred Thirty-Eight Crore and Twenty-Five Lakhs Only)**		

Details of instruments/facilities in Annexure-1

Detailed Rationale and Key Rating Drivers

The revision in rating assigned to the bank facilities of TIL Limited takes into account ongoing delays in debt servicing due to stretched liquidity position.

Rating Sensitivities

Positive factors – Factors that could lead to positive rating action/upgrade

- Delays/defaults free track record of 90 days.
- Infusion of equity/unsecured loans or timely monetisation of assets leading to improvement in liquidity position of the company.

Detailed description of the key rating drivers

Key Rating Weaknesses

Ongoing delays in debt servicing

There are ongoing delays in debt servicing of bank facilities.

Sharp deterioration in performance in H1FY22

TIL reported a loss of Rs.68.58 crore on total income of Rs.46.54 crore in H1FY22 as against loss Rs.35.76 crore on total income of Rs.131.16 crore in H1FY21 mainly due to closure of production division for major part of Q1FY22 because of many Covid-19 cases at the plant premises and covid related restrictions set forth by Government. This apart the company also could not execute orders due to paucity of adequate working capital.

TIL's operating income witnessed a decline of about 16% on a standalone basis in FY21 as compared to FY20. Sales have been lower during the year mainly due to the impact on demand and execution due to outbreak of Covid-19 and consequent lockdowns. Also, there has been a disruption in supply chain. The company incurred net loss of Rs.67 crore in FY21 with lower operating profitability on account of under-absorption of overheads, lower margin sales and significant provisioning on receivables (about Rs.36 crore). Finance cost also increased due to higher borrowings to support increase in working capital intensity further impacting profitability.

Deterioration in debt coverage indicators

Interest coverage ratio continued to remain negative in H1FY22 as the company continued to incur cash loss and there was further increase in finance cost.

With inadequate cash flows from operations, the company has been relying on unsecured loans from promoters to meet its debt obligations.

Increased working capital intensity of operations

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 level has continued to remain high as on Sep 30, 2021. Although, trade receivables have declined in H1FY22 but remained at elevated level vis-à-vis total operating income. The fund based working capital limits remained almost fully utilised in the 12 months ended June 2021.

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

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 50% of the total raw material is imported). This exposes the company to risk of foreign exchange fluctuation.

Liquidity: Poor
Delay in sale of other non-core assets, slow execution of orders and subdued debtors' collection led to poor liquidity resulting in lower accruals vis-à-vis debt repayment obligation. This had constrained the ability of the company to repay its debt obligation on timely basis.

Key Rating Strengths
Long track record of operations
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 promoter Mr. Sumit Mazumder, possesses long experience in the industry and is supported by a team of qualified personnel.

Manufacturing and 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.

Moderate order book position with reputed clientele and wide service network
The order book of the company remained moderate and stood at about Rs.300 crore as on August 18, 2021 as against Rs.346 crore as on March 10, 2021. The orderbook also includes defence equipment orders worth Rs 200 crore.

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

Analytical approach: Standalone.

Applicable Criteria
Policy on default recognition
Financial Ratios – Non-financial Sector
Liquidity Analysis of Non-financial sector entities
Short Term Instruments
Manufacturing Companies
Consolidation and Factoring Linkages in Ratings

About the Company
TIL, incorporated in 1944, has been in operation for more than seven decade and is engaged in manufacturing and marketing of equipment for material handling, lifting, port & road building solutions. It provides integrated customer support and after-sale services through a well-connected network of offices and product support centres in India along with a subsidiary in Singapore. 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 of material handling equipment (MHE) and Equipment & Project Solutions (EPS) for manufacturing crushing & screening equipment and handling equipment for ports & road building solutions.

Brief Financials (Rs. crore)	FY20 (A)	FY21 (A)	H1FY22 (U/A)
Total operating income	376.96	314.93	46.54
PBILDT	3.12	-24.48	-46.60
PAT	-27.97	-67.02	-68.58
Overall gearing (times)	1.08	1.69*	2.61*
Interest coverage (times)	NM	NM	NM

*A-Audited; U/A-Unaudited; *Excluding acceptances; NM- Not meaningful*

Status of non-cooperation with previous CRA: Not Applicable

Any other information: Not Applicable

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

Covenants of rated instrument / facility: *Detailed explanation of covenants of the rated instruments/facilities is given in Annexure-3*

Complexity level of various instruments rated for this company: Annexure 4

Annexure-1: Details of Instruments / Facilities

Name of the Instrument	ISIN	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. crore)	Rating assigned along with Rating Outlook
Fund-based - LT-Cash Credit	-	-	-	-	190.00	CARE D
Non-fund-based - LT/ ST-BG/LC	-	-	-	-	148.25	CARE D / CARE D

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 2021-2022	Date(s) & Rating(s) assigned in 2020-2021	Date(s) & Rating(s) assigned in 2019-2020	Date(s) & Rating(s) assigned in 2018-2019
1	Fund-based - LT-Cash Credit	LT	190.00	CARE D	1)CARE B+; Negative (20-Aug-21) 2)CARE BB; Negative (07-Jun-21) 3)CARE BBB-; Negative (29-Apr-21)	1)CARE BBB-; Stable (07-Aug-20)	1)CARE BBB; Stable (24-Feb-20) 2)CARE BBB+; Stable (04-Jul-19)	1)CARE BBB+; Stable (06-Jul-18)
2	Non-fund-based - LT/ ST-BG/LC	LT/ST*	148.25	CARE D / CARE D	1)CARE B+; Negative / CARE A4 (20-Aug-21) 2)CARE BB; Negative / CARE A4 (07-Jun-21) 3)CARE BBB-; Negative / CARE A3 (29-Apr-21)	1)CARE BBB-; Stable / CARE A3 (07-Aug-20)	1)CARE BBB; Stable / CARE A3+ (24-Feb-20) 2)CARE BBB+; Stable / CARE A2 (04-Jul-19)	1)CARE BBB+; Stable / CARE A2 (06-Jul-18)
3	Term Loan-Long Term	LT	-	-	-	-	-	1)Withdrawn (06-Jul-18)

** Long Term / Short Term*

Annexure-3: Detailed explanation of covenants of the rated instrument / facilities: NA

Annexure 4: Complexity level of various instruments rated for this company

Sr. No	Name of instrument	Complexity level
1	Fund-based - LT-Cash Credit	Simple
2	Non-fund-based - LT/ ST-BG/LC	Simple

Annexure 5: Bank Lender Details for this Company

To view the lender wise details of bank facilities please **click here**

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

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