TIL Limited

August 20, 2021

Ratings

Facilities/Instruments	Amount (Rs. crore)	Ratings	Rating Action
Long Term Bank Facilities	190.00	CARE B+; Negative (Single B Plus; Outlook: Negative)	Revised from CARE BB; Negative (Double B; Outlook: Negative)
Long Term / Short Term Bank Facilities	160.00	CARE B+; Negative / CARE A4 (Single B Plus ; Outlook: Negative/ A Four)	Revised from CARE BB; Negative / CARE A4 (Double B ; Outlook: Negative / A Four)
Total Bank Facilities	**350.00 (Rs. Three Hundred Fifty Crore Only)**		

Details of instruments/facilities in Annexure-1

Detailed Rationale and Key Rating Drivers

The revision in the ratings assigned to the bank facilities of TIL Limited (TIL) take into account deterioration in operating performance of the company during Q1FY22 (refers to the period April 1 to Jun 30) marked by sharp decline in operating income and operating losses reported by the company which also led to stretched liquidity. The debt coverage indicators have weakened with decline in profitability leading to dependence on unsecured loans for servicing of external debt obligations. The rating action also takes note of delay in monetisation of a non-core asset which was expected to be completed by June 2021. The ratings continue to remain constrained by the exposure to foreign exchange fluctuation risk.

The ratings continue to draw strength from the experience of the promoters along with long and established track record of the company, manufacturing and technical collaboration with leading international players, moderate order book, reputed clientele and consistent source of revenue from maintenance and repair contracts.

Rating Sensitivities

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

- Improvement in total operating income also leading improvement in profitability.
- Improvement in collection period resulting into improved liquidity.
- Infusion of equity capital or reduction in debt level leading to improvement in debt coverage indicators.

Negative factors - Factors that could lead to negative rating action/downgrade

- Continued low operating revenue and profitability resulting in weak debt coverage indicators.
- Further deterioration in capital structure or delay in monetisation of non-core assets resulting in inability to reduce debt level.
- Further elongation in operating cycle.

Outlook: Negative

The outlook remains ‘Negative’ on the expectation of continued subdued profitability and pressure on liquidity due to significant amount of funds blocked in inventory and long due receivables and elevated debt levels more so in the wake of restrictions emanating out of second wave of COVID. The outlook may be revised to stable if the operational performance improves resulting in improvement in debt coverage indicators and liquidity with timely monetisation of assets or fund infusion by promoters resulting in reduction in debt level.

etailed description of the key rating drivers

Key Rating Weaknesses

Sharp deterioration in performance in Q1FY22

TIL reported a loss of Rs.36.48 crore on operating income of Rs.29.28 crore in Q1FY22 as against loss Rs.33.57 crore on operating income of Rs.69.60 crore in Q4FY21 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.

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 Q1FY22 as the company continued to incur cash loss and there was further increase in finance cost. After adjusting for the non-cash provision on receivables, the interest coverage stood at 0.13x in Q1FY22 as against 0.30x in FY21.
With inadequate cash flows from operations, the company has been relying on unsecured loans from promoters to meet its debt obligations. It is also in the process of monetising its non-core assets to support liquidity.

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 June 30, 2021. Although, trade receivables have declined in Q1FY22 but remained at elevated level vis-à-vis total operating income. This apart, a significant proportion of debtors remains due for more than six months. The fund based working capital limits remained almost fully utilised in the 12 months ended June 2021.

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.

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 promoter Mr. Sumit Mazumder, possesses rich 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. These alliances have given technological parity to the company as most of the other domestic construction and material handling equipment manufacturers have also tied-up with renowned international technology providers.

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. The client portfolio of the company comprises reputed public sector and private sector entities. With a network of four regional offices, 60 branches & 20 product support centres in India, 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
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 one-third of gross sales from sale of components & spare parts.

Liquidity: Stretched
The working capital limits have been utilised almost fully in the 12-month period ended Jun 30, 2021. The promoters have further infused about Rs.14 crore in Q1FY22 and Rs.8 crore in Q2FY22 till Aug 18, 2021 as unsecured loans to support liquidity. The company is also looking at sale of other non-core assets, a part of which was expected to be completed by June 2021. However, the same has got delayed and is now expected to be completed in September 2021. The company does not have any major capex plans.

Analytical approach: Standalone
Applicable Criteria
CARE's Policy on Default Recognition
Rating Methodology – Outlook and Placing ratings under credit watch
Rating Methodology-Manufacturing Companies

[Financial Ratios - Non-Financial Sector](#)
[Liquidity Analysis of Non-Financial Sector Entities](#)
[Criteria for Short Term Instruments](#)
[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)	Q1FY22 (U/A)
Total operating income	376.96	314.93	29.28
PBILDT	3.12	-24.48	-22.72
PAT	-27.97	-67.02	-36.48
Overall gearing (times)	1.08	1.69*	1.98*
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: Please refer Annexure-3

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

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	-	-	-	190.00	CARE B+; Negative
Non-fund-based - LT/ ST-BG/LC	-	-	-	160.00	CARE B+; Negative / CARE A4

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 B+; Negative	1)CARE BB; Negative (07-Jun-21) 2)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	160.00	CARE B+; Negative / CARE A4	1)CARE BB; Negative / CARE A4 (07-Jun-21) 2)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)

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 the Instrument	Complexity Level
1.	Fund-based - LT-Cash Credit	Simple
2.	Non-fund-based - LT/ ST-BG/LC	Simple

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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