TIL Limited

April 29, 2021

Ratings

Facilities/Instruments	Amount (Rs. crore)	Ratings[1]	Rating Action
Long Term Bank Facilities	190.00	CARE BBB-; Negative (Triple B Minus; Outlook: Negative)	Reaffirmed; Outlook revised from Stable
Long Term / Short Term Bank Facilities	160.00	CARE BBB-; Negative / CARE A3 (Triple B Minus; Outlook: Negative/ A Three)	Reaffirmed; Outlook revised from Stable
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 ratings assigned to TIL Limited (TIL) 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, reputed clientele and consistent source of revenue from maintenance and repair contracts. The ratings also factor in the significant improvement in order book position and liquidity support extended by the promoters in the form of unsecured loans during FY21 (refers to the period April 1 to March 31).

However, the ratings are constrained by the significant losses incurred by the company in 9MFY21 (refers to the period April 1 to December 31) due to decline in operating profitability. The total operating income declined by about 18% in 9MFY21 as compared to 9MFY20 due to the impact of Covid-19 on demand and execution. With under-absorption of fixed overheads and relatively lower margin sales, the operating profitability and debt coverage indicators have witnessed substantial deterioration. The operating cycle continues to remain elongated and debt levels have continued to remain high inspite of significant infusion of funds by the promoter in the form of unsecured loans. CARE draws comfort from the advanced stage of monetizing of a non-core asset of the company which is expected to ease the pressure on liquidity.

Rating Sensitivities

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

- Increase in operating profitability with PBILDT margin at about 13% on a sustained basis and interest coverage above 2x.
- Improvement in operating cycle to below 200 days on a sustained basis and release of working capital.
- Substantial 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 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 revision in outlook to 'Negative' from 'Stable' reflects 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 second wave of COVID. The company has received significant amount of support in FY21 in the form of unsecured loans from promoters. Further, the company is in advanced stages of monetising its non-core asset to support liquidity. The outlook may be revised to stable if the operational performance improves resulting in improvement in debt coverage indicators and liquidity improves with timely monetisation of assets and reduction in debt level.

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 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

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

as most of the other domestic construction and material handling equipment manufacturers have also tied-up with renowned international technology providers.

Improvement in order book position with reputed clientele and wide service network

The order book of the company improved to about Rs.346 crore as on March 10, 2021 as against Rs.113 crore on June 30, 2020. 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.

Key Rating Weaknesses

Decline in profitability in 9MFY21

TIL's operating income witnessed a decline of about 18% on a standalone basis in 9MFY21 as compared to 9MFY20. Sales have been lower mainly due to the impact on demand and execution due to outbreak of Covid-19 and consequent lockdowns in the first 2 quarters of FY21. Also, there has been a disruption in the supply chain.

The company incurred net loss of Rs.33.45 crore in 9MFY21 with lower operating profitability on account of under-absorption of overheads and significant provisioning on deferred taxes (Rs 9.41 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 declined from 1.59x in 9MFY20 to 0.20x in 9MFY21 on a standalone basis. Total debt/GCA also deteriorated as GCA turned negative in 9MFY21. The total debt has witnessed further increase during the year with the company availing Covid loans. The company has been timely meeting its obligations through support from the promoters in the form of unsecured loans. Around Rs.70 crore was infused in FY21. Improvement in operating profitability and reduction in debt levels remains a key rating monitorable.

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 in FY21 and the receivables level has witnessed further increase. Moreover, a significant proportion of debtors remains due for more than nine months. The fund based working capital limits remained almost fully utilised in the 12 months ended March 2021 with increase in working capital requirement.

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: Stretched

The working capital limits have been utilised almost fully in the 12-month period ended March 31, 2021. The promoters have infused about Rs.70 crore as unsecured loans to support liquidity and the company is also looking at sale of other non-core assets, part of which is expected to be completed by May 2021. CARE expects improvement in liquidity position with monetisation of the asset and continued liquidity support from the promoter. The company does not have any major capex plans.

The company had availed moratorium on debt servicing from most of its lenders in terms of the Covid-19 Regulatory Package announced by RBI.

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 decades 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)	FY19 (A)	FY20 (A)
Total operating income	477.37	376.96
PBILDT	62.91	3.12
PAT	26.74	-27.97
Overall gearing (times)	0.78	1.08
Interest coverage (times)	2.37	0.09

A-Audited

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 the rated instrument / facilities - Please refer Annexure-3
Complexity level of various instruments - 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 BBB-; Negative
Non-fund-based - LT/ ST-BG/LC	-	-	-	160.00	CARE BBB-; Negative / CARE A3

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 BBB-; Negative	-	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 BBB-; Negative / CARE A3	-	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: Not Applicable

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. 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.*

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