TIL Limited

July 04, 2019

Ratings

Facilities	Amount (Rs. crore)	Ratings[1]	Rating Action
Long-term Bank Facilities	190.00 (enhanced from 145.00)	**CARE BBB+; Stable (Triple B Plus; Outlook: Stable)**	**Reaffirmed**
Long/ Short-term Bank Facilities	200.00	**CARE BBB+; Stable/CARE A2 (Triple B Plus; Outlook: Stable/ A Two)**	**Reaffirmed**
Total Bank Facilities	**390.00 (Rupees Three Hundred and Ninety crore only)**		

Details of instruments/facilities in Annexure-1

Detailed Rationale and Key Rating Drivers

The ratings assigned to the bank facilities of 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, moderate order book position, reputed clientele and consistent source of revenue from maintenance and repair contracts. The ratings also factor in the improvement in profitability in FY19 (refers to the period April 1 to March 31) and moderate debt coverage indicators.

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

Ability of the company to sustain operating profitability, effective management of working capital leading to reduction in operating cycle and successful completion of the ongoing project within the estimated time and cost are the key rating sensitivities.

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, possess rich experience in the industry and is 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 order book of the company remained moderate at Rs.116 crore in April 2019 (to be executed over the next 6-8 months) as against Rs.130 crore in May 2018.

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 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

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 derived income of around 30% of gross sales from sale of components & spare parts in FY19.

Improvement in profitability in FY19

TIL's total operating income increased by about 28% y-o-y to Rs.446.86 crore in FY19 backed by increase in sale of manufactured goods (22.80%) as well as trading & maintenance income (32.21%).

PBILDT margin also improved from 12.45% in FY18 to 13.25% in FY19 mainly due to higher production and execution of orders leading to better absorption of overheads. The interest coverage remained relatively stable at 2.23x in FY19 (2.10x in

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

FY18), despite a healthy increase in PBILDT level. This was on account of higher interest cost which was a result of increase in working capital borrowings to fund the increase in scale of operations.

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
Moderate debt coverage indicators
The overall gearing of the company deteriorated from 0.69x as on March 31, 2018 to 0.76x as on March 31, 2019 despite accretion of profit to networth, mainly due to higher debt availed by the company to fund its higher working capital requirements. However, it continued to remain moderate. Total debt/GCA improved from 10.33x as on March 31, 2018 to 8.22x as on March 31, 2019 due to higher cash profits earned by the company.

Working capital intensive nature of operations
The current ratio continued to remain moderate at 1.22x as on March 31, 2019 (1.25x as on March 31, 2018). 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 days continued to remain high at 240 days in FY19 (267 days in FY18).
Further, the collection period deteriorated from 102 days in FY18 to 126 days in FY19. The same was on account of some large orders executed in March 2019, payment for which was subsequently realised in April 2019. The average utilisation of fund based working capital limits in the 12 months ended March 2019 was high at around 95% with growing scale of operations.
The creditors were stable at 89 days in FY19. The operating cycle continued to remain stretched at 278 days in FY19.

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. As on Mar.31, 2019, it has an unhedged forex payable of Rs.30.12 crore and unhedged forex receivable of Rs.9.71 crore.

Risk associated with the ongoing project albeit reduction in total project cost
TIL had plans to set up a manufacturing facility at Vidyasagar Park, Kharagpur at an estimated project cost of around Rs.110 crore. However, there has been a change in the scope of the project and the same manufacturing facility is proposed to be set up at its existing Kharagpur plant, where it has surplus land. The project cost is expected to be around Rs.50 crore and proposed to be financed out of term loan of Rs.35 crore (yet to be sanctioned) and balance through internal generations. The project is expected to be completed by March 2020. TIL has already spent around Rs.18 crore on the project through own funds. The company is also planning Phase II of the project which would entail a cost of around Rs.15 crore and is expected to be completed by September 2020. Tie up of debt for the project, timely completion within the estimated cost and deriving envisaged benefits therefrom are critical from a credit perspective.

Liquidity
The company has adequate liquidity characterized by negligible term debt repayment obligations in FY20 and free cash/liquid investments of Rs.19 crore outstanding as on Mar.31, 2019. With increase in scale of operations, the utilisation of working capital limits has been high at around 95% in the 12 month period ended March 31, 2019 and the company has sought for enhancement in the working capital limits. The enhancement is also expected to be utilised for repaying the short term working capital loans availed by the company. Current ratio was moderate at 1.22x as on Mar.31, 2019. The company has already funded its contribution for the ongoing capex through internal accruals and the remaining cost of the project is proposed to be funded out of term loan for which it has applied.

Analytical approach: Consolidated.
The rating is based on consolidated financials due to operational and financial linkage of the company with its wholly owned subsidiary – TIL Overseas Pte. Ltd. (TILO), Singapore as it is a marketing outfit for TIL.

Applicable Criteria
CARE's Policy on Default Recognition
Criteria for Short Term Instruments
Rating Methodology-Manufacturing Companies

Rating Methodology: Factoring Linkages in Ratings
Criteria on assigning 'outlook' and 'credit watch' to Credit Ratings
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 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)	FY18 (A)	FY19 (A)
Total operating income	348.86	446.86
PBILDT	43.44	59.23
PAT	7.58	23.16
Overall gearing (times)	0.69	0.76
Interest coverage (times)	2.10	2.23

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

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+; Stable
Non-fund-based - LT/ ST-BG/LC	-	-	-	200.00	CARE BBB+; Stable / CARE A2

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 2019-2020	Date(s) & Rating(s) assigned in 2018-2019	Date(s) & Rating(s) assigned in 2017-2018	Date(s) & Rating(s) assigned in 2016-2017
1.	Fund-based - LT-Cash Credit	LT	190.00	CARE BBB+; Stable	-	1)CARE BBB+; Stable (06-Jul-18)	1)CARE BBB+; Stable (17-Aug-17)	1)CARE BBB+; Negative (19-Dec-16) 2)CARE BBB+ (Under Credit Watch) (03-May-16)
2.	Term Loan-Long Term	LT	-	-	-	-	-	1)Withdrawn (19-Dec-16) 2)CARE BBB+ (Under Credit Watch) (03-May-16)
3.	Non-fund-based - LT/ ST-BG/LC	LT/ST	200.00	CARE BBB+; Stable / CARE A2	-	1)CARE BBB+; Stable / CARE A2 (06-Jul-18)	1)CARE BBB+; Stable / CARE A2 (17-Aug-17)	1)CARE BBB+; Negative / CARE A3+ (19-Dec-16) 2)CARE BBB+ / CARE A3+ (Under Credit Watch) (03-May-16)
4.	Term Loan-Long Term	LT	-	-	-	1)Withdrawn (06-Jul-18)	1)CARE BBB+; Stable (17-Aug-17)	1)CARE BBB+; Negative (19-Dec-16) 2)CARE BBB+ (Under Credit Watch) (03-May-16)

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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