

Press Release
TIL Ltd.
March 21,2018
Rating

Instrument / Facility	Amount (Rs. crore)	Rating	Rating Action
Outstanding Term Loan	15.75	IVR BBB+/Positive Outlook(IVR Triple B plus with Positive Outlook)	Revised from IVR BBB+/Stable Outlook (IVR Triple B plus with Stable Outlook)
CC Facilities	145.00	IVR BBB+/Positive Outlook(IVR Triple B plus with Positive Outlook)	Revised from IVR BBB+/Stable Outlook (IVR Triple B plus with Stable Outlook)
LC/BG Facilities	200.00	IVR BBB+/Positive Outlook(IVR Triple B plus with Positive Outlook)/ IVR A2 (IVR A Two)	Revised from IVR BBB+/Stable Outlook (IVR Triple B plus with Stable Outlook)/ IVR A3+ (IVR A Three plus)
Total	360.75		

Details of Facilities are in Annexure 1
Detailed Rationale

The rating revision factors in healthy growth in revenue in 9MFY18(refers to the period from April 01 to December 31)coupled with quarter to quarter improvement in profitability during the aforesaid period and comfortable working capital utilisation levels. The rating derives comfort from the company's long presence in the market &experience of promoters, technical collaboration with leading international players, moderate order book position, granular revenue profile coupled with reputed clientele and improvement in leverage & debt protection matrices. The ratings are however, constrained by volatile margin, elongated working capital cycle and exposure to foreign exchange risks. Sustaining the profitability and optimisation of the working capital cycle are the key rating sensitivities.

List of Key Rating Drivers

- Long presence in the market and experience of promoters.
- Technical collaboration with leading international players.
- Moderate order book position.
- Granular revenue profile coupled with reputed clientele.
- Improvement in leverage & debt protection matrices
- Improvement in profitability though volatility in the past
- Elongated working capital cycle
- Exposure to foreign exchange risks

Detailed Description of Key Rating Drivers

Long presence in the market and experience of promoters

TIL was incorporated in 1944. It became a public limited company in November 1955 and the name was changed to its present name subsequently. In 1976, Late Shri A. Mazumdar and Shri S. Mazumder, two brothers, took substantial stake in the company. TIL is an established player with experience of over six decades in providing technology intensive equipments for the infrastructure sector. Currently, TIL is engaged in manufacturing of material handling equipment and construction equipment.

Technical collaboration with leading international players

TIL has a long term technical and strategic alliance with leading global equipment manufacturers like Groves Cranes, USA, Manitowoc Crane Group, USA, Famak S.A, Poland, HYSTER, USA, AstecInc, USA and Paceco Corp, USA. These collaborations provide requisite technical support to TIL.

Moderate Order book position

The company had a moderate order book of Rs.137 crores as on July 17. This was around 40% of the company's annual turnover in FY17 (refers to the period from April 01 to March 31) indicating moderate order book level. The order book comprised clients including Bharat Forge, DilipBuildcon, Bharat Dynamics, Bharat Earth Movers Ltd, DefenceResearch &Development Organisation and Rail Coach Factory, Kapurthala.

Granular revenue profile coupled with reputed clientele

The company has a granular revenue profile. The top 10 clients comprised around 12% of net sales in FY17. The clientele are generally top public sector / private sector corporates including Manitowoc Inc, Container Corporation of India Ltd, Bharat Forge, ACC, BEML, Indian Army, Indian Navy and Indian Air Force.

Improvement in leverage & debt protection matrices

In April 2016, TIL sold its subsidiaries, TIPL and Tractors Nepal Private Limited (TNPL) and specific assets related to Caterpillar business in TIL Overseas Pte Limited (TILO) at a consideration of Rs.350 crores. TIL had primarily used this money to pay off its existing debt. Post sale of TIPL, the company's debt protection parameters improved due to significant reduction in debt level. Leverage, as reflected by long term debt equity ratio and overall gearing, improved significantly as on March 31, 2017. Long-term Debt to EBIDTA was comfortable and also exhibited the same trend.

Improvement in profitability though volatility in the past

TIL reported healthy growth in revenue during 9MFY18 vis-a-vis corresponding period of the previous year. TIL reported a PAT of Rs.10.81 crore on total operating income of Rs.266.75 crore in 9MFY18. The profitability margins of the company have generally been improving on quarter to-quarter basis in the current year, though it has been volatile in the past.

In FY15 and FY16, TIL had reported loss. In FY17, significant reduction in overheads on account of cost control measures through efficient vendor management, employee rationalisation and the introduction of high margin long boom cranes in the truck crane segment coupled with sale of stake in subsidiaries helped the company in reporting profits.

Elongated working capital cycle

The average collection period has generally been on the higher side due to sizeable portion (about 40%) of government contracts, involving procedural delays. This, coupled with the company having a very high raw material holding period (as its raw materials are generally slow moving), resulted in an elongated working capital cycle, despite high creditor days. However, the average working capital utilisations are comfortable at around 54% for the past twelve months ended December 31, 2017.

Exposure to foreign exchange risks

The company has imports in the range of Rs.110 crores which is generally unhedged. This exposes the company to movement in foreign exchange fluctuation in the short-term resulting in an impact on profitability.

Analytical Approach &Applicable Criteria

Rating Methodology for Manufacturing Companies

Financial Ratios & Interpretation

About the Company

TIL Ltd. (TIL) was incorporated in 1944. It became a public limited company in November 1955 and the name was changed to its present name subsequently. In 1976, LateShri A. Mazumdar and Shri S. Mazumder, two brothers, took substantial stake in the company. TIL is an established player with experience of over six decades in providing technology intensive equipments for the infrastructure sector. Previously, TIL was engaged in manufacturing & dealership business of material handling equipment, dealership business of construction equipment for Caterpillar Inc, USA and dealership business for DG sets manufactured by Hindusthan Power Plus Ltd (the Indian franchisee of Caterpillar Inc). Subsequently, the dealership business of construction equipment and DG sets was hived off to its newly formed subsidiary, Tractors India Pvt Ltd (TIPL). TIPL has been currently sold off.

Currently, TIL is engaged in manufacturing of Material Handling equipment and Construction equipment. It has two operational manufacturing facilities - one at Kamarhati, near Kolkata and one at Kharagpur, West Bengal. TIL also provides its products on rental basis. The company has a well-connected network of offices, factories and product support centres in the country and overseas offices in Bhutan and subsidiary in Singapore. TIL has a long term technical and strategic alliance with leading equipment manufacturers in the world – Groves Cranes, USA, Manitowoc Crane Group, USA, Famak S.A, Poland, HYSTER, USA, AstecInc, USA and Paceco Corp, USA.

Infomerics Valuation And Rating Pvt. Ltd.
Financials (Standalone)

(Rs in Crore)

For the year ended / As On	31-03-2015	31-03-2016	31-03-2017
	Audited	Audited	Audited
Total Operating Income	321.7	313.0	308.2
EBITDA	29.6	-6.5	31.3
PAT (excluding exceptional gain / loss)	-28.6	-65.9	4.0
PAT	-28.6	-65.9	121.4
Total Debt	291.8	319.9	66.8
Tangible Net worth	234.7	169.1	286.4
Ratios			
a. EBIDTA Margin	9.21	-2.09	10.15
b. PAT Margin (excluding exceptional income)	-8.81	-20.94	1.27
c. PAT Margin	-8.81	-20.94	38.08
b. Overall Gearing ratio	1.24	1.89	0.23

Note: Classification of financial numbers is as per Infomerics' standards

Status of non-cooperation with previous CRA: Not applicable

Any other information: Nil

Disclosure:
Rating History for last three years: Not applicable

S . N o.	Name of Instrument /Facilities	Current Rating (Year 2017-18)			Current Rating (Year 2017-18)			Rating History for the past 3 years		
		Type	Amount outstanding (Rs. crore)	Rating	Type	Amount outstanding (Rs. crore)	Rating	Date(s)) & Rati ng(s)) ass	Date (s) & Rati ng(s) assign ed in 2015	Date (s) & Rati ng(s) assign ed in 2014

Infomerics Valuation And Rating Pvt. Ltd.

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1.	Term Loan	Long Term	15.75 (present outstanding)	IVR BBB+/Positive Outlook (IVR Triple B plus with Positive Outlook)	Long Term	21.70 (present outstanding)	IVR BBB+ /Stable Outlook (IVR Triple B plus with Stable Outlook)	--	--	--
2.	Cash Credit	Long Term	145.00	IVR BBB+/Positive Outlook (IVR Triple B plus with Positive Outlook)	Long Term	145.00	IVR BBB+ /Stable Outlook (IVR Triple B plus with Stable Outlook)			
3.	Letter of Credit/Bank Guarantee	Long Term/ Short Term	200.00	IVR BBB+/Positive Outlook (IVR Triple B plus with Positive Outlook)/ IVR A2 (IVR A Two)	Long Term/ Short Term	200.00	IVR BBB+ / Stable Outlook/IV R A3+ (IVR Triple B plus with Stable Outlook/IV			



Infomerics Valuation And Rating Pvt. Ltd.

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Note on complexity levels of the rated instrument: Infomerics has classified instruments rated by it on the basis of complexity and a note thereon is available at www.infomerics.com.

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About Infomerics:

Infomerics commenced rating & grading operations in April 2015 after having spent over 25 years in various segments of financial services. Infomerics is registered with the Securities and Exchange Board of India (SEBI) and accredited by Reserve Bank of India. It is gradually gaining prominence in domestic rating and/or grading space. Infomerics is striving for positioning itself as the most trusted & credible rating agency in the country and is gradually widening its product portfolio. Company's long experience in varied spectrum of financial services is helping it to fine tune its product offerings to best suit the market.

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Annexure 1: Details of Facility

Name of Facility	Date of Issuance	Coupon Rate/IRR	Maturity Date	Size of Facility (Rs. Crores)	Rating Assigned/ Outlook
Term Loan	Present outstanding	Varied	Varying maturities till June 30, 2020	15.75	IVR BBB+/Positive Outlook (IVR Triple B plus with Positive Outlook)
Cash Credit	-	-	-	145.00 (including untied portion of Rs. 38.50 cr)	IVR BBB+/Positive Outlook (IVR Triple B plus with Positive Outlook)
Letter of Credit/Bank Guarantee	-	-	-	200.00 (including untied portion of Rs.45 cr)	IVR BBB+/Positive Outlook (IVR Triple B plus with Positive Outlook)/ IVR A2 (IVR A Two)