



## Infomerics Valuation And Rating Pvt. Ltd.

### Press Release

### TIL Ltd.

August 22, 2017

### Rating

Instrument / Facility	Amount	Rating	Rating Action
Long term Bank Facilities	Rs.166.7 crores	IVR BBB+ with Stable Outlook (IVR Triple B plus with Stable Outlook)	Assigned
Long/Short-term Bank Facilities	Rs.200.0 crores	IVR BBB+ with Stable Outlook/IVR A3+ (IVR Triple B plus with Stable Outlook/IVR A Three plus)	Assigned

**Details of Facilities are in Annexure 1**

### Detailed Rationale

The rating derives comfort from the company's 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 and improvement in leverage & debt protection matrices. The ratings are however constrained by declining topline and volatile EBIDTA margin, elongated working capital cycle and exposure to foreign exchange risks. Improvement in profitability & sustenance thereof 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



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- Declining topline & volatile EBIDTA margin
- 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, the current promoters, 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, Astec Inc, 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 indicating moderate order book level. The order book comprised clients including Bharat Forge, Dilip Buildcon, Bharat Dynamics, Bharat Earth Movers Ltd, Defence Research & 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.



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### **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.

### **Declining topline & volatile EBIDTA margin**

Total operating income declined in the last two years from Rs.322 crores in FY15 to Rs.308 crores in FY17. Further, EBIDTA margin has been very erratic. In FY16, the company lost market share significantly in the truck cranes segment as it was not producing long boom cranes. This coupled with increase in prices of steel (primary input) and the prevalence of high fixed costs led to the company posting negative EBIDTA in that year. However, significant reduction in overheads on account of cost control measures initiated by the company (in the form of efficient vendor management and employee rationalisation) and the introduction of long boom cranes in the truck crane segment resulted in improvement in EBIDTA margin during FY17. The company posted net loss in FY15 and FY16. Even in FY17, if we exclude exceptional gain on sale of TIPL, the PAT was minimal. However, the reduction in debt level to a significant extent in FY17 is likely to improve the profitability of the company, going forward.

### **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.



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### **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:** Standalone

### **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, the current promoters, 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. 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, Astec Inc, 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
Interest	44.4	48.4	23.5
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
Long Term Debt	97.8	59.8	32.3
Tangible Net worth	234.7	169.1	286.4
<b><u>Ratios</u></b>			
<b><u>Profitability Ratios (%)</u></b>			
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><u>Solvency Ratios</u></b>			
<b><u>Long Term</u></b>			
a. Long Term Debt Equity ratio	0.42	0.35	0.11
b. Overall Gearing ratio	1.24	1.89	0.23

**Status of non-cooperation with previous CRA:** Not applicable

**Any other information:** Nil

**Rating History for last three years:** Not applicable

**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](http://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	21.70	IVR BBB+/Stable Outlook (IVR Triple B plus with Stable Outlook)
Cash Credit	-	-	-	145.00 (including proposed 38.50)	IVR BBB+/Stable Outlook (IVR Triple B plus with Stable Outlook)
Letter of Credit/Bank Guarantee	-	-	-	200.00 (including proposed 48.00)	IVR BBB+/Stable Outlook (IVR Triple B plus with Stable Outlook)/ IVR A3+ (IVR A Three plus)