

TIL Limited

CIN : L74999WB1974PLC041725
Registered Office:
1, Taratolla Road, Garden Reach
Kolkata-700 024
Ph : 6633-2000, 6633-2845
Fax : 2469-3731/2143
Website : www.tilindia.in

15th July, 2019

The Secretary
The Calcutta Stock Exchange
Association Ltd.
7, Lyons Range
Kolkata 700 001

The Manager,
Listing Department
National Stock Exchange of India
Ltd.,
Exchange Plaza, C-1, Block - G,
Bandra Kurla Complex, Bandra (E),
Mumbai 400 051

The Secretary,
Listing Department
BSE Ltd.,
P.J. Towers,
Dalal Street, Fort,
Mumbai 400001.

Scrip Code: 505196

Stock Code: TIL

Dear Sir / Madam,

Sub: Update of Credit Rating of TIL Limited pursuant to Regulation 30 of SEBI (Listing Obligations and Disclosures Requirements) Regulations, 2015

We are enclosing herewith a copy of the letter dated 1st July, 2019 as received from CARE Ratings Limited - Credit Rating Agency, contents of which are self-explanatory.

This is for your kind information and records.

Thanking you,

Yours faithfully,
For TIL LIMITED


SEKHAR BHATTACHARJEE
COMPANY SECRETARY

Encl: As above

CARE/KRO/RL/2019-20/1383

Mr. Alope Banerjee
President & CFO
TIL Limited
1, Taratolla Road,
Garden Reach,
Kolkata - 700 024

July 01, 2019

Confidential

Dear Sir,

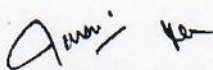
Credit Rating for Bank Facilities

On the basis of recent developments including operational and financial performance of your company for FY19 (audited), our Rating Committee has reviewed the following 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)		

2. Refer Annexure 1 for details of rated facilities.
3. The rationale for the rating will be communicated to you separately. A write-up (press release) on the above rating is proposed to be issued to the press shortly, a draft of which is enclosed for your perusal as Annexure-2. We request you to peruse the annexed document and offer your comments if any. We are doing this as a matter of courtesy to our clients and with a view to ensure that no factual inaccuracies have inadvertently crept in. Kindly revert as early as possible. In any case, if we do not hear from you by July 03, 2019, we will proceed on the basis that you have no any comments to offer.
4. CARE reserves the right to undertake a surveillance/review of the rating from time to time, based on circumstances warranting such review, subject to at least one such review/surveillance every year.

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



CARE Ratings Limited
(Formerly known as Credit Analysis & Research Limited)

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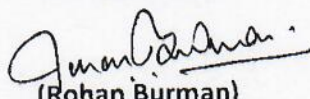
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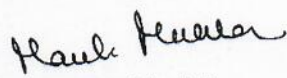
CIN-L67190MH1993PLC071691

5. CARE reserves the right to revise/reaffirm/withdraw the rating assigned as also revise the outlook, as a result of periodic review/surveillance, based on any event or information which in the opinion of CARE warrants such an action. In the event of failure on the part of the entity to furnish such information, material or clarifications as may be required by CARE so as to enable it to carry out continuous monitoring of the rating of the bank facilities, CARE shall carry out the review on the basis of best available information throughout the life time of such bank facilities. In such cases the credit rating symbol shall be accompanied by "ISSUER NOT COOPERATING". CARE shall also be entitled to publicize/disseminate all the afore-mentioned rating actions in any manner considered appropriate by it, without reference to you.
6. CARE ratings do not take into account the sovereign risk, if any, attached to the foreign currency loans, and the ratings are applicable only to the rupee equivalent of these loans.
7. Users of this rating may kindly refer our website www.careratings.com for latest update on the outstanding rating.
8. CARE ratings are **not** recommendations to sanction, renew, disburse or recall the concerned bank facilities.

If you need any clarification, you are welcome to approach us in this regard.

Thanking you,
Yours faithfully,


(Rohan Burman)
Manager
rohan.burman@careratings.com


(Mamta Muklania)
Asst. General Manager
mamta.khemka@careratings.com

Encl: As above

Disclaimer

CARE's ratings are opinions on credit quality and are not recommendations to sanction, renew, disburse or recall the concerned bank facilities or to buy, sell or hold any security. CARE has based its ratings/outlooks on information obtained from sources believed by it to be accurate and reliable. CARE does not, however, guarantee the accuracy, adequacy or completeness of any information and is not responsible for any errors or omissions or for the results obtained from the use of such information. Most entities whose bank facilities/instruments are rated by CARE have paid a credit rating fee, based on the amount and type of bank facilities/instruments. In case of partnership/proprietary concerns, the rating/outlook assigned by CARE is based on the capital deployed by the partners/proprietor and the financial strength of the firm at present. The rating/outlook may undergo change in case of withdrawal of capital or the unsecured loans brought in by the partners/proprietor in addition to the financial performance and other relevant factors.

Annexure 1
Details of Rated Facilities

1. Long-term Facilities

A. Fund Based Limits (Cash Credit)

Sr. No.	Name of Bank	Fund Based limits		
		CC*	Others	Total fund based limits
1.	Bank of India	41.00	-	41.00
2.	Union Bank of India	10.50	-	10.50
3.	State Bank of India	34.50	-	34.50
4.	Axis Bank Ltd.	16.00	-	16.00
5.	HDFC Bank	10.00	-	10.00
6.	IDBI Bank	10.00	-	10.00
7.	Punjab National Bank	25.00	-	25.00
8.	Allahabad Bank	18.00	-	18.00
9.	South Indian Bank	25.00	-	25.00
	Total	190.00		190.00

*CC-Cash Credit

Total Long-term Facilities (1.A.): Rs.190.00 crore

2. Long/ Short-term Facilities

A. Non-fund Based Limits (Letter of Credit/ Bank Guarantee)

Sr. No.	Name of Bank	Amount (Rs. crore)	Remarks
1.	Bank of India*	45.00	Sanctioned
2.	Union Bank of India	24.00	
3.	State Bank of India	57.50	
4.	Axis Bank Ltd.	28.50	
5.	HDFC Bank	13.50	
6.	IDBI Bank	6.50	
7.	Punjab National Bank	5.00	
8.	Allahabad Bank	20.00	
	Total	200.00	

Total Long/Short-term Facilities (2.A.): Rs.200.00 crore

Total Facilities – Rs.390.00 crore

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**Annexure-2
Press Release
TIL Limited**

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)		

Detail of facilities or instrument 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.

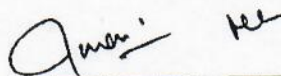
Detailed description of the key rating drivers

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.



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

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.

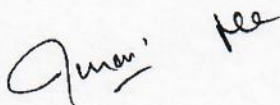
Improvement in profitability in FY19

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 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

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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

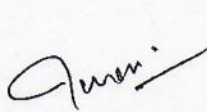
Criteria on assigning 'outlook' and 'credit watch' to Credit Ratings

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)

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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.

Contact us

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About CARE Ratings:

CARE Ratings commenced operations in April 1993 and over two decades, it has established itself as one of the leading credit rating agencies in India. CARE is registered with the Securities and Exchange Board of India (SEBI) and also recognized as an External Credit Assessment Institution (ECAI) by the Reserve Bank of India (RBI). CARE Ratings is proud of its rightful place in the Indian capital market built around investor confidence. CARE Ratings provides the entire spectrum of credit rating that helps the corporates to raise capital for their various requirements and assists the investors to form an informed investment decision based on the credit risk and their own risk-return expectations. Our rating and grading service offerings leverage our domain and analytical expertise backed by the methodologies congruent with the international best practices.

Disclaimer

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