Tractors India

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

24th February, 2020

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

Stock Code: TIL

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

Scrip Code: 505196

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 21st February, 2020 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 Ratings
Professional Risk Opinion

CARE/KRO/RL/2019-20/2681

Mr. Ramesh Aggarwal,
Chief Executive Officer
TIL Limited
1, Taratolla Road,
Garden Reach,
Kolkata - 700 024

February 21, 2020

Confidential

Dear Sir,

Credit Rating for Bank Facilities

On the basis of recent developments including operational and financial performance of your company for 9MFY20, our Rating Committee has reviewed the following ratings:

Facilities	Amount (Rs. crore)	Ratings[1]	Rating Action
Long-term Bank Facilities	190.00	**CARE BBB; Stable (Triple B; Outlook: Stable)**	**Revised from CARE BBB+; Stable (Triple B Plus, Outlook: Stable)**
Long/ Short-term Bank Facilities	200.00	**CARE BBB; Stable/CARE A3+ (Triple B; Outlook: Stable/ A Three Plus)**	**Revised from CARE BBB+ ; Stable/ CARE A2 (Triple B Plus, Outlook: Stable /A Two)**
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 February 22, 2020, we will proceed on the basis that you have no any comments to offer.

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

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CIN-L67190MH1993PLC071691

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.
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. Our ratings do not factor in any rating related trigger clauses as per the terms of the facility/instrument, which may involve acceleration of payments in case of rating downgrades. However, if any such clauses are introduced and if triggered, the ratings may see volatility and sharp downgrades.
8. Users of this rating may kindly refer our website www.careratings.com for latest update on the outstanding rating.
9. 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 the likelihood of timely payment of the obligations under the rated instrument and are not recommendations to sanction, renew, disburse or recall the concerned bank facilities or to buy, sell or hold any security. CARE's ratings do not convey suitability or price for the investor. CARE's ratings do not constitute an audit on the rated entity. 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. CARE or its subsidiaries/associates may also have other commercial transactions with the entity. In case of partnership/proprietary concerns, the rating /outlook assigned by CARE is, inter-alia, 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. CARE is not responsible for any errors and states that it has no financial liability whatsoever to the users of CARE's rating.

Our ratings do not factor in any rating related trigger clauses as per the terms of the facility/instrument, which may involve acceleration of payments in case of rating downgrades. However, if any such clauses are introduced and if triggered, the ratings may see volatility and sharp downgrades.

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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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Ratings

Facilities	Amount (Rs. crore)	Ratings[1]	Rating Action
Long-term Bank Facilities	190.00	**CARE BBB; Stable (Triple B; Outlook: Stable)**	**Revised from CARE BBB+; Stable (Triple B Plus, Outlook: Stable)**
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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 revision in the ratings assigned to the bank facilities of TIL Limited (TIL) takes into account the significant decline in net profit margin of the company in 9MFY20 (refers to the period April 1 to March 31) and moderation in debt coverage indicators with increase in finance cost on higher level of borrowings to meet the increased working capital requirement. The working capital intensity has increased with increase in level of debtors and continued high inventory. Further, operating income witnessed marginal decline in Q3FY20 which is not in line with expectations.

The ratings 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 remain 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.

Rating Sensitivities

Positive factors

- Increase in operating profitability with PBILDT margin at about 13% on a sustained basis and interest coverage above 2.5x.
- Improvement in operating cycle to below 200 days on a sustained basis.
- Improvement in capital structure with sustained overall gearing below 0.50x.

Negative factors

- Decline in operating profitability with PBILDT margin going below 10%.

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

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- Deterioration in capital structure with overall gearing exceeding unity.
- Further elongation in operating cycle.
- Significant time and cost overrun in the ongoing expansion project.

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 as most of the other domestic construction and 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 about Rs.137 crore as on December 31, 2019 as against Rs.116 crore in April 2019.

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.

Key Rating Weaknesses

Decline in profitability in 9MFY20

TIL's operating income witnessed a decline of about 3% on a consolidated basis and about 11% on a standalone basis in 9MFY20 as compared to 9MFY19 which is not in line with expectations.

Sales have been impacted due to subdued demand scenario both in the domestic and export market and intense competition from imports.

PBILDT margin on sales improved in 9MFY20 with the company focusing on sales of rough terrain cranes, which command higher margins. However, inspite of increase in PBILDT on an absolute level, PAT margin declined significantly due to increased finance cost on higher level of borrowings. Accordingly, GCA was also impacted.

Moderation in debt coverage indicators

Interest coverage declined from 2.04x in 9MFY19 to 1.59x in 9MFY20 on a standalone basis and from 1.69x to 1.52x on a consolidated basis. Total debt/GCA increased substantially to 13.84x in 9MFY20 as against 8.22x as on Mar.31, 2019. Overall gearing also witnessed marginal deterioration as on Dec.31, 2019. The company availed fresh term loans in Q3FY20 for capital expenditure and also to meet increased working capital requirement, pending enhancement in working capital limits.

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 period was high at 240 days in FY19. Inventory level continued to remain high as on Dec.31, 2019 on a standalone basis, though it improved on a consolidated basis as compared to March 2019 due to significant write-off of inventory of about Rs.63 crore in the foreign subsidiary in Q2FY20.

The collection period had deteriorated from 102 days in FY18 to 126 days in FY19. There was further increase in debtor's level as on Dec.31, 2019 with slow release of payments from customers. The fund based working capital limits remained almost fully utilised in the 12 months ended December 2019 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. As on Mar.31, 2019, it had an unhedged forex payable of Rs.30.12 crore and unhedged forex receivable of Rs.9.71 crore.

Risk associated with the ongoing project

TIL is setting up a manufacturing facility at its existing Kharagpur plant, where it has surplus land. The project cost was expected to be around Rs.50 crore and proposed to be financed out of term loan of Rs.35 crore and balance through internal generations. The project was expected to be completed by March 2020. TIL has already spent around Rs.28 crore on the project through own funds and term loan of Rs.10 crore. However, considering the present demand scenario, the company is going slow on the project. Completion of the project within the envisaged cost and deriving benefits therefrom remain critical.

Liquidity: Adequate

The company has low term debt repayment obligations in the short term for which cash accruals are likely to be sufficient. The utilisation of working capital limits has been high at around 98% in the 12 month period ended Dec. 31, 2019 and the company has sought for enhancement in the working capital limits. The limits have been enhanced from Rs.180 crore to Rs.190 crore in January 2020 and another Rs.40 crore enhancement is in process which is critical. Meanwhile, the company has availed term loan and short term working capital loan to meet its working capital requirements. 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 loans, which has been sanctioned.

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

Criteria on assigning Outlook and credit watch to Credit Ratings
CARE's Policy on Default Recognition
Criteria for Short Term Instruments
Rating Methodology-Manufacturing Companies
Rating Methodology: Consolidation and Factoring Linkages in 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

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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

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.*

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 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 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 (04-Jul-19)	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 A3+	1)CARE BBB+; Stable / CARE A2 (04-Jul-19)	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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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.

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which may involve acceleration of payments in case of rating downgrades. However, if any such clauses are introduced and if triggered, the ratings may see volatility and sharp downgrades.

**For detailed Rationale Report and subscription information, please contact us at www.careratings

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