

TATA International DLT Private Limited

Instrument	Amount	Rating Action
Term Loan	Rs. 12.0 crore (enhanced from Rs. 10.0 crore)	[ICRA]A-(Stable) assigned/outstanding
Cash Credit	Rs. 32.5 crore (enhanced from Rs 30.0 crore)	[ICRA]A-(Stable) assigned/outstanding
Non Fund based	Rs. 4.5 crore	[ICRA]A2+ assigned

ICRA has assigned a long term rating of [ICRA]A- (pronounced ICRA A Minus)[†] for the Rs. 12.0 crore¹ term loan (enhanced from Rs. 10.0 crore) and Rs 32.5 crore fund based bank facilities (enhanced from Rs. 30.0 crore) of TATA International DLT Private Limited (Tata-DLT). The outlook on long term rating is stable. ICRA has also assigned a short term rating of [ICRA]A2+ (pronounced ICRA A Two Plus) to the Rs 4.5 crore non fund based facilities of Tata-DLT.

The ratings continue to reflect strong operational, managerial and financial support that Tata-DLT derives from its promoter group companies i.e. TATA International Limited (TIL, rated [ICRA]A(Stable)/[ICRA]A1) and TRF Limited (TRF). ICRA notes that being a TATA group entity, Tata-DLT acts as a captive supplier of trailers to TATA Motors Limited (TML, rated [ICRA]AA(Stable)/[ICRA]A1+ by ICRA) which is largest CV manufacturer in India with dominant market share. Since FY2015, company has forayed into open market (direct sales to fleet operators) which now accounts for over 70% of revenue and mitigates single client concentration risk. Buoyed by recovery in domestic tractor trailer segment, Tata-DLT has also witnessed handsome growth over last two years after witnessing sharp decline and net losses during FY2014; however sales volumes have faltered in H1 FY2017 due to the subdued demand in the M&HCV segment and in particular, the lower offtake by TML during this period. The ratings are however constrained by company's small scale of operation, stiff competition from unorganized players in the industry and exposure to cyclical HCV segment. Following the establishment of the Ajmer unit in Rajasthan in FY2016 with a debt:equity mix of 2:1, in H1 FY2017, the company is in the process of establishing another unit at Pune, at an estimated cost of Rs. 5 crore, which would be funded by a debt:equity mix of 3:1. Till date, the company has availed loans worth ~Rs. 2 crore for the same. Though the project is expected to be fully completed by end of December 2016, this unit has already commenced commercial production. This debt-funded capex, in addition to the higher working capital borrowings to finance inventory buildup amid slowdown in demand has weakened debt coverage indicators during H1FY2017. With pre-buying expected ahead of BS IV implementation from Apr-17, the Q4FY2017 is likely to remain strong for the company. Given no major capex plans in the medium term, the cash flows and liquidity profile is likely to remain satisfactory. ICRA expects promoter to provide timely financial assistance in case of any exigencies.

Company Profile

Tata International DLT Private Limited (Tata DLT) was incorporated in June 2005 as a 50:50 joint venture between Tata International Limited (TIL) and Dutch Lanka Trailers Manufacturers Ltd (DLT, subsidiary of TRF Limited), Sri Lanka and has started its manufacturing activity from April 2006.

Tata DLT is in the business of designing, manufacturing and selling of Semi - Trailers. Trailers are being used for transportation of Containers, Steel Coil, Structural Steel, Cement, Granite & Marble, Coal and Heavy Cargo. The company has three major segment of product such as Flatbed, Skeletal and Sidewall in 35 ton, 40 ton and 49 ton with lengths between 7 mtrs to 12 mtrs. The company is the largest trailer manufacturer in India and it is preferred supplier for trailer to TATA Motors Limited (TML).

Recent Result

During the twelve month period ending March 31, 2016, the company has reported a net profit of Rs 5.3 crore on an operating income of Rs 163.3 crore. During the six month period ending September 30, 2016, the company has reported a net profit of Rs 2.6 crore on an operating income of Rs 85.7 crore (provisional).

December 2016

[†] For complete rating definition, please refer to ICRA website www.icra.in or any of the ICRA Rating Publications.

¹ 100 lakh = 1 crore = 10 million



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