

TRF Limited (Revised)

October 04, 2022

Ratings

Facilities/Instruments	Amount (₹ crore)	Rating ¹	Rating Action
Long Term Bank Facilities	224.00	CARE A- (CWP) (Single A Minus) (Under Credit watch with Positive Implications)	Revised from CARE BBB+; Stable (Triple B Plus; Outlook: Stable); Placed on Credit watch with Positive Implications
Long Term / Short Term Bank Facilities	377.10	CARE A- / CARE A2+ (CWP) (Single A Minus / A Two Plus) (Under Credit watch with Positive Implications)	Revised from CARE BBB+; Stable / CARE A2 (Triple B Plus; Outlook: Stable / A Two); Placed on Credit watch with Positive Implications
Short Term Bank Facilities	10.00	CARE A2+ (CWP) (A Two Plus) (Under Credit watch with Positive Implications)	Revised from CARE A2 (A Two); Placed on Credit watch with Positive Implications
Total Bank Facilities	611.10 (₹ Six Hundred Eleven Crore and Ten Lakhs Only)		

Details of instruments/facilities in Annexure-1

Detailed Rationale & Key Rating Drivers

CARE Ratings Ltd. has placed the ratings of TRF Limited (TRF or the Company) on 'Credit watch with Positive implications' on account of the announcement of scheme of amalgamation with Tata Steel Limited (TSL).

On September 22, 2022, TSL announced the amalgamation of TRF Limited and other 6 subsidiaries with TSL, subject to necessary approvals from various stakeholders, the National Stock Exchange (NSE)/Bombay Stock Exchange (BSE), the Securities and Exchange Board of India (SEBI), the National Company Law Tribunal (NCLT), the Competition Commission of India (CCI), and other regulatory approvals as may be required in due course. The scheme is expected to be completed in a year's time. Upon the effectiveness of the scheme, the shareholding of TRF Limited will be extinguished and the other shareholders of TRF Limited will receive shares of TSL based on the approved swap ratio for their holding in the company and TRF Limited will cease to exist.

The scheme of amalgamation is expected to bring operational synergies with centralized sourcing which would result in procurement synergies and reduction in store through common inventory management system. This would also bring simplified structure in the group and management efficiency which will result in simplification, scale, sustainability, and speed. Additionally, it would reduce administrative costs of maintaining separate entities.

The revision in ratings assigned to the bank facilities of TRF is on account of improvement in the operational performance that has resulted in the company generating positive cash flows from operating activity over the last two quarters.

The operating and financial performance of TRF Limited improved in FY22, with the company reporting a total operating income (TOI) of ₹127.14 crore in FY22 (PY: ₹113.95 crore). However, the PAT remained negative but improved, stood at ₹16.11 crore (PY: ₹65.49 crore). In Q1FY23, the TOI registered a growth of 167% to ₹41.39 crore (PY: ₹15.51 crore) and displayed a positive PAT of ₹18.96 crore which bettered from negative PAT of ₹19.87 crore in Q1FY22 on account of improvement in operations. The improvement in operational and financial performance, reduction in total outside liabilities (excluding TSL) has further aided the rating revision. Further in Q1 FY 23, Tata Steel has infused ₹25 crore via OCRPS and ₹165 crore via NCRPS during Q1FY23 which has been utilized to repay loans (long term and short term) and operational creditors.

The above rating strengths are partially offset by continued weak financial performance in FY22 (refers to the period April 1 to March 31) leading to weak debt coverage indicators, weak capital structure and negative net worth of TRF, susceptibility of profitability to volatile input prices and elongated operating cycle on account of working capital-intensive nature of operations. Receipt of continued support from parent group shall be a key rating monitorable.

Rating Sensitivities

Positive Factors - Factors that could lead to positive rating action/upgrade:

- Sustained improvement in operating profitability leading to positive cash flows from operations.

¹ Complete definition of the ratings assigned are available at www.careedge.in and other CARE Ratings Ltd.'s publications

- Improvement in the orderbook position of the company both from TSL and other clients.
- Infusion of capital from TSL and support of business orders in product and project divisions from TSL which would result into reduction in its external long-term and short-term borrowings.

Negative Factors- Factors that could lead to negative rating action/downgrade:

- Further deterioration in the financial performance of the company from current levels
- Any un-envisaged incremental debt funded capital expenditure
- Any un-envisaged increase in working capital cycle owing to elongation of receivables.

Outlook: Not Applicable

Detailed description of the key rating drivers

Key rating strengths

Strong parentage and support of Tata Group

TRF belongs to the renowned TATA group, with TATA Steel Limited (TSL, rated CARE AA+; Stable) holding 34.11% stake as on March 31, 2022.

The Tata group is a leading industrial conglomerate in India, comprising more than 90 operating companies in diverse business sectors. The Tata group provides considerable support to TSL in terms of a highly qualified management team and financial flexibility to the company in times of a stress situation.

Financial and operational benefits driven from the presence of TATA Steel Limited.

TRF Limited is engaged in material handling for TATA Steel Limited and plays a pivotal role in fulfilling orders from its parent group. TSL has demonstrated support to TRF by subscribing to 12.5% Non-Convertible Redeemable Preference Shares of Rs.250 crore in FY19. Tata Steel has further infused ₹25 crore via OCRPS and ₹165 crore via NCRPS during Q1FY23. These funds have mostly been utilized to repay loans (**long term and short term**) and operational creditors.

Further, TSL has also awarded work orders totaling to around Rs. 275 crore, pending to be executed as on June 30, 2022. Going forward, 75% of order book of TRF is from parent. Additionally, the parent supports TRF by infusing funds in the form of ICDs and unsecured loans in case of any liquidity mismatch.

Long track record of operation

TRF was incorporated in 1962 as Tata-Robins-Fraser Ltd. Over the past six decades, the company has expanded its material handling equipment portfolio with the introduction of new variants. The company has also expanded its presence in the international market. The company has developed an established name in the material handling equipment and processing systems required in the infrastructure development industries such as power, steel, cement, ports, and mining industries.

Moderate order book position

As on July 01, 2022, TRF has a total outstanding order book of ₹363 crore with about 25% of the order from the external parties. The company undertakes work orders from major PSUs like BHEL, SAIL and NPGC. However, comfort can be taken from the fact that TSL being the largest shareholder also contributes to the majority of the orderbook. Cash flows from execution of parent's order will provide comfort in terms of rating perspective.

Moderate financial performance in FY22

The total income of the company increased by 25% Y-o-Y to Rs. 147.94 crore in FY22 (PY:118.37 crore) driven by increase in service income which increased from ₹20.86 crore in FY21 to ₹38.86 crore in FY22. The company continued to report operational loss in FY22 owing to under-recovery of fixed overheads and losses with respect to legacy projects.

Key Rating Weaknesses

Elongated working capital cycle

TRF being an EPC contractor and customized equipment's manufacturer requires high working capital limits owing to the inherent nature of business operations. Further, the operations are also characterized by high collection period owing to milestone payment mechanism. As on March' 2022 the operating cycle stands at 87 days which has improved from 262 days as of March' 2021 driven by better inventory turnover and debtor realization's.

Weak capital structure with negative net-worth position

As on March 31, 2022, Capital structure of the company remains weak owing to the negative net worth base. The company has been reporting losses for the past three which led to the deterioration of net worth.

Total debt of TRF increased in FY22 to Rs. 522.79 crores from Rs. 487.21 crore (including Preference Share of Rs.250 crore) in FY21 on account of ECLGS limits availed by the company and ICDs from the parent. However, in Q1 FY 2023, the loans (long

term and short term) which has been utilized to repay loans (long term and short term) have been repaid from the funds infused from TSL.

Decline in outside liabilities

TRF's outside liabilities (adjusting TSL liabilities) as on March 2022 is ₹538 crore which decreased from ₹671 crore as on March 2021 as the company has raised funds from TSL and honored its obligations.

Liquidity: Adequate

Liquidity position of the company is adequate with a cash and bank balance of Rs 22.24 crore as on March 31, 2022. Majority of the outside liability of TRF (long term and short term) has been repaid through the funds infused from TSL. Going forward, liquidity position of TRF is expected to improve owing to likely improvement in cash flow from operating activity. Liquidity also draws comfort from need based implicit support of TSL, if required, and no major capex plan in the near term.

Analytical approach: Consolidated

Consolidated approach is adopted considering the operational and financial linkages of TRF with its subsidiaries. Further, rating also factors in the past and expected support from its parent TSL. CARE has taken a consolidated view of the following entities owned by TRF.

Name	Place of incorporation	% of shareholding	Nature of Business
TRF Singapore Pte Limited	Singapore	100	Investment company
TRF Holding Pte Limited	Singapore	100	Investment company
Dutch Lanka Trailer Manufacturers Limited	Sri Lanka	100	Manufacturer and supplier of heavy parts for CV industry
Dutch Lanka Engineering (Pvt) Ltd	Sri Lanka	100	

About the Company

TRF is engaged in manufacturing material handling equipment and delivering processing system required in the infrastructure sector. The company operates through two divisions, project division and product division. Project division is engaged in design, manufacture, supply, installation, and commissioning of customized material handling system for infrastructure development industries such as power, steel, cement, ports, mining, etc. The product division is engaged in manufacturing of bulk material handling equipment with its manufacturing facility being located at Jamshedpur. Major equipment includes crushers, screens, feeders, conveying equipment, mining equipment, wagon tippler systems and stacker reclaimers.

Brief Financials (Rs. crore)	31-03-2021 (A)	31-03-2022(A)	30-06-2022 (UA)
Total operating income	113.95	127.14	41.93
PBILDT	-37.46	-3.87	27.04
PAT	-65.52	-16.09	18.13
Overall gearing (times)	-0.98	-1.00	NA
Interest coverage (times)	-0.99	-0.13	3.38

A: Audited; UA: Unaudited; NA: Not Available

Status of non-cooperation with previous CRA: Not Applicable

Any other information: Not Applicable

Disclosure of Interest of Independent/Non-Executive Directors of CARE Ratings Ltd.: Not Applicable

Disclosure of Interest of Managing Director & CEO: Not Applicable

Rating History for last three years: Please refer Annexure-2

Covenants of rated instrument / facility: Detailed explanation of covenants of the rated instruments/facilities is given in Annexure-3

Complexity level of various instruments rated for this company: Annexure 4

Annexure-1: Details of instruments/facilities

Name of the Instrument	ISIN	Date of Issuance (DD-MM-YYYY)	Coupon Rate (%)	Maturity Date (DD-MM-YYYY)	Size of the Issue (₹ crore)	Rating Assigned along with Rating Outlook
Fund-based - LT-Cash Credit		-	-	-	224.00	CARE A- (CWP)
Non-fund-based - LT/ST-BG/LC		-	-	-	377.10	CARE A- / CARE A2+ (CWP)
Non-fund-based - ST-Letter of credit		-	-	-	10.00	CARE A2+ (CWP)

Annexure-2: Rating History of last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating History			
		Type	Amount Outstanding (₹ crore)	Rating	Date(s) and Rating(s) assigned in 2022-2023	Date(s) and Rating(s) assigned in 2021-2022	Date(s) and Rating(s) assigned in 2020-2021	Date(s) and Rating(s) assigned in 2019-2020
1	Fund-based - LT-Cash Credit	LT	224.00	CARE A- (CWP)	1)CARE BBB+; Stable (05-Aug-22)	1)CARE BBB+; Negative (07-Jul-21)	1)CARE BBB+; Negative (07-Jul-20)	1)CARE BBB+; Negative (25-Feb-20) 2)CARE BBB+; Negative (17-Oct-19)
2	Non-fund-based - LT/ST-BG/LC	LT/ST*	377.10	CARE A- / CARE A2+ (CWP)	1)CARE BBB+; Stable / CARE A2 (05-Aug-22)	1)CARE BBB+; Negative / CARE A2 (07-Jul-21)	1)CARE BBB+; Negative / CARE A2 (07-Jul-20)	1)CARE BBB+; Negative / CARE A2 (25-Feb-20) 2)CARE BBB+; Negative / CARE A2 (17-Oct-19)
3	Term Loan-Long Term	LT	-	-	-	1)Withdrawn (07-Jul-21)	1)CARE BBB+; Negative (07-Jul-20)	1)CARE BBB+; Negative (25-Feb-20) 2)CARE BBB+; Negative (17-Oct-19)
4	Non-fund-based - ST-Letter of credit	ST	10.00	CARE A2+ (CWP)	1)CARE A2 (05-Aug-22)	1)CARE A2 (07-Jul-21)	1)CARE A2 (07-Jul-20)	1)CARE A2 (25-Feb-20) 2)CARE A2

								(17-Oct-19)	
5	Term Term	Loan-Long	LT	-	-	1)Withdrawn (05-Aug-22)	1)CARE BBB+; Negative (07-Jul-21)	-	-

*Long Term / Short Term

Annexure-3: Detailed explanation of covenants of the rated instrument / facilities: Not Applicable

Annexure 4: Complexity level of various instruments rated for this company

Sr. No.	Name of Instrument	Complexity Level
1	Fund-based - LT-Cash Credit	Simple
2	Non-fund-based - LT/ ST-BG/LC	Simple
3	Non-fund-based - ST-Letter of credit	Simple

Note on complexity levels of the rated instrument: CARE Ratings Ltd. has classified instruments rated by it on the basis of complexity. Investors/market intermediaries/regulators or others are welcome to write to care@careedge.in for any clarifications.

Annexure 5: Bank Lender Details for this Company

Click [here](#) to view Bank Lender Details

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About CARE Ratings Limited:

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With an established track record of rating companies over almost three decades, we follow a robust and transparent rating process that leverages our domain and analytical expertise backed by the methodologies congruent with the international best practices. CARE Ratings Limited has had a pivotal role to play in developing bank debt and capital market instruments including CPs, corporate bonds and debentures, and structured credit.

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