

TRF Limited
July 07, 2021
Ratings

Facilities	Amount (Rs. crore)	Rating ¹	Rating Action
Long Term Bank Facilities	33.58	CARE BBB+; Negative (Triple B Plus; Outlook: Negative)	Assigned
Long Term Bank Facilities	280.00	CARE BBB+; Negative (Triple B Plus; Outlook: Negative)	Reaffirmed
Long Term / Short Term Bank Facilities	417.10 (Reduced from 518.00)	CARE BBB+; Negative / CARE A2 (Triple B Plus; Outlook: Negative / A Two)	Reaffirmed
Short Term Bank Facilities	10.00	CARE A2 (A Two)	Reaffirmed
Long Term Bank Facilities	0.00	-	Withdrawn
Total Facilities	740.68 (Rs. Seven Hundred Forty Crore and Sixty-Eight Lakhs Only)		

Details of instruments/facilities in Annexure-1; for classification of instruments please refer to Annexure-3

Detailed Rationale & Key Rating Drivers

The reaffirmation of ratings assigned to the bank facilities of TRF Limited (TRF) continues to draw strength from the strong parentage of the Tata group and demonstrated financial, management and operational support from the parent company, Tata Steel Limited (TSL), long track record of operations of TRF and moderate order book position with reputed client profile. The rating also factors in the likely reduction in the external debt through funds realized from sale of subsidiaries.

The above rating strengths are partially offset by the continued weak financial performance in FY21 (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.

The rating also takes into consideration the impact of COVID19 on the business operation and liquidity position of the company. Further, receipt of continued support from parent group shall be a key rating monitorable.

Key Rating Sensitivity**Positive Factors:**

- Ability to successfully secure and execute higher value of orders from TSL
- Ability to complete legacy contracts and improve profitability with precise assessment of fresh orders
- Materializing the stake sale of its subsidiaries (overseas) to improve the liquidity of the company in the short to medium term

Negative Factors

- Any sustained deterioration in the financial performance of the company from current levels
- Any un-envisaged incremental debt funded capital expenditure deteriorating its capital structure.
- Increase in working capital intensity led by further elongation in receivable days due to delay in collection of retention money/ realization of debtors

Outlook: Negative

The outlook on the long-term rating continues to be negative on the expectation of continual weak coverage indicators and dependence on support to meet debt obligations along with negative networth which restricts the ability of TRF to bid for large orders. The outlook may be revised to 'Stable' if there is sustained improvement in operational performance resulting in improvement in debt coverage indicators and net-worth position.

Detailed description of the key rating drivers**Key Rating Strengths****Strong parentage of the TATA Group and demonstrated support from TSL**

TRF belongs to the Tata group, with TSL being the largest equity stakeholder (holds 34.11% stake) as on March 31, 2021. TSL has demonstrated financial support to TRF by subscribing to 12.5% Non-Convertible Redeemable Preference Shares of Rs.250 crore in FY19 and operational support by awarding work orders of Rs.155 crore in FY19, Rs.254 crore in FY20 and Rs.26 crore in FY21.

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

The management of TRF had changed in November 2019 with induction of senior level management of TSL, on the board of TRF, indicating strategic importance of TRF to TSL. The present Chairman cum Add. Director of TRF is Mr. T.V. Narendran having more than three decades of experience in the Mining and Metals industry and having served TSL since 1988. The MD of TRF Mr. Alok Krishna also has around 3 decades of experience in TSL in various positions. TRF enjoys extensive management support from TSL and other Tata group companies.

Long track record of operations

TRF was incorporated in 1962 as Tata-Robins-Fraser Ltd. Over the past five 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. With a successful track record of operation, 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

TRF's outstanding order book position (apart from slow moving legacy projects) as on March 31, 2021 was Rs.226 crore (P.Y.: Rs.311 crore) which comprise of project orders and orders for products, spares and services. Orders from TSL stood at Rs.62 crore (P.Y.: Rs.145 crore) as on the same date. Legacy orders which are slow moving for various reasons stood at Rs.105 crore. Going forward, TRF expects to receive continued orders from TSL.

Key Rating Weaknesses

Continued weak financial performance in FY21

The consolidated total operating income of the company moderated by 39% y-o-y in FY21 to Rs.118.37 crore (abridged) from Rs.193.96 crore in FY20 (audited) mainly on account of focus on high margin projects, less than expected order from TATA Steel and slow execution of orders attributable to Covid19 and its fallouts like men power shortage, logistic disruptions, delay from vendors' side etc. The company continued to report operational losses in FY21 owing to under-recovery of fixed overheads and losses with respect to legacy projects.

Elongated working capital cycle

The current ratio continued to remain below unity (0.43x) as on March 31, 2021 mainly due to high WC borrowing and stretched creditors. The working capital cycle however improved from 332 days in FY20 to 262 days in FY21 mainly due to continued stretching of creditors. Nevertheless, debtors' realization has improved in FY21 and TRF has collected around Rs.150 crore from debtors in FY21. Consequently, on absolute level, debtors (net-off provision) have declined to Rs.182 crore in FY21 from Rs.220 crore in FY20. Average collection period is high on account of large amount of retention money and delay in realization of receivables due to long certification process. Inventory period is high due to accumulation of inventory at various stages of the contract(s).

Weak capital structure with negative net worth position

TRF's net-worth (consolidated) got completely eroded due to substantial losses reported in the last few years. The net-worth continued to remain negative at Rs.497.22 crore as on March 31, 2021 (P.Y.: Rs.405.72 crore). For analysis purpose, CARE has considered entire Non-Convertible Redeemable Preference Shares allotted to TSL as debt. However, with infusion of funds from TSL and on receipt of proceeds from stake sale in subsidiary, the total outside debt is expected to reduce in the near term. The debt coverage indicators continued to be vulnerable as on March 31, 2021.

Profitability susceptible to volatility in input prices

Steel is the major cost component, followed by forgings, tubes, bearings, electrical & bought out components and the prices of the same are volatile in nature. Orders in projects division are more vulnerable to volatility in raw material price due to long gestation period of its nature. Though some orders have price escalation clause, the degree of passing the input cost to customers is limited with presence of many other clauses. Further, orders in project division with short-term cycle and product division are executed mainly on fixed price basis.

Competitive Industry scenario

TRF faces competition in the material handling industry as both domestic and international players have increased presence in the past few years. Most of the orders are tender driven and restrict the profitability with new and existing players bidding aggressively to gain market share.

TRF, though a relatively smaller player in the industry, has a long track record of operations. The company's prospect are dependent upon its ability to scale up operation and turnaround the operating performance, timely execution of the projects within the estimated cost structure and efficient management of working capital. Further, TRF is well positioned to benefit from its strong promoters, logistic proximity to TSL plants and its expertise in supplying customized products to TSL.

Liquidity Position: Adequate

The company had repaid its debt repayment obligations in FY21 largely out of debtors' collection and free cash and cash equivalents available with the company. Debtors' realization improved in FY21 and the company has realized debtors of around Rs.150 crore in FY21 alone. Further, the company had also availed moratorium till August, 2020 on interest/principal repayment.

Going forward, liquidity position of TRF is expected to remain adequate in FY22 on account of sufficient liquidity available in the form of free cash and cash equivalents of Rs.19.15 crore as on March 31, 2021 vis-à-vis debt repayment obligation of Rs.19.53 crore in FY22. Out of total debt repayment obligations of Rs.19.53 crore, Rs.12.50 crore has already been repaid in Q1FY22. The company has also got sanction for COVID-19 loan to the tune of around Rs.57 crore out of which

Rs.30.48 crores would be drawn in the current fiscal (FY22), which thereby further adds cushion to the liquidity profile of the company. 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 considering the operational and financial linkages with subsidiaries. Further, rating also factors support from its parent Tata Steel Limited (TSL) as demonstrated in the past. 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	
Joint Venture			
Tata International DLT Pvt Ltd*	India	50*	

*Divested on December 31, 2020

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: Factoring Linkages in Ratings](#)

[Rating Methodology-Manufacturing Companies](#)

About the Company

TRF is engaged in manufacturing material handling equipment and delivering processing systems required in the infrastructure sector. The company operates through two divisions, namely product division and project division. 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. 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.

Brief Financials (Rs. Crore)	FY20 (Audited)	FY21 (Abridged)
Total Operating Income	193.65	118.37
PBILDT	-94.26	-33.03
PAT – Continuing Operations	-132.51	-65.52
PAT – After Dis-continuing Operations	-185.03	-93.11
Overall gearing (times)	NM	NM
Interest coverage (times)	NM	NM

NM: Not Meaningful

Status of non-cooperation with previous CRA: Not Applicable

Any other information: Not Applicable

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

Complexity level of various instruments rated for this company: Annexure 3

Annexure-1: Details of 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	-	-	-	280.00	CARE BBB+; Negative
Non-fund-based - LT/ST-BG/LC	-	-	-	417.10	CARE BBB+; Negative / CARE A2
Non-fund-based - ST-Letter of credit	-	-	-	10.00	CARE A2
Term Loan-Long Term	-	-	-	0.00	Withdrawn
Term Loan-Long Term	-	-	May, 2026	33.58	CARE BBB+; Negative

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 2021-2022	Date(s) & Rating(s) assigned in 2020-2021	Date(s) & Rating(s) assigned in 2019-2020	Date(s) & Rating(s) assigned in 2018-2019
1.	Fund-based - LT-Cash Credit	LT	280.00	CARE BBB+; Negative	-	1)CARE BBB+; Negative (07-Jul-20)	1)CARE BBB+; Negative (25-Feb-20) 2)CARE BBB+; Negative (17-Oct-19)	1)CARE BBB+; Negative (08-Jan-19) 2)CARE BBB+; Negative (24-Apr-18)
2.	Non-fund-based - LT/ST-BG/LC	LT/ST	417.10	CARE BBB+; Negative / CARE A2	-	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)	1)CARE BBB+; Negative / CARE A2 (08-Jan-19) 2)CARE BBB+; Negative / CARE A2 (24-Apr-18)
3.	Term Loan-Long Term	LT	-	-	-	1)CARE BBB+; Negative (07-Jul-20)	1)CARE BBB+; Negative (25-Feb-20) 2)CARE BBB+; Negative (17-Oct-19)	1)CARE BBB+; Negative (08-Jan-19) 2)CARE BBB+; Negative (24-Apr-18)
4.	Non-fund-based - ST-Letter of credit	ST	10.00	CARE A2	-	1)CARE A2 (07-Jul-20)	1)CARE A2 (25-Feb-20) 2)CARE A2 (17-Oct-19)	-
5.	Term Loan-Long Term	LT	33.58	CARE BBB+; Negative	-	-	-	-

Annexure 3: Complexity level of various instruments rated for this Company

Sr. No.	Name of the 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
4.	Term Loan-Long Term	Simple

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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