

TRF Limited
January 08, 2019

Ratings

Facilities	Amount (Rs. crore)	Ratings ¹	Rating Action
Long-term Bank Facilities	256.02 (reduced from 297.45)	CARE BBB+; Negative (Triple B Plus; Outlook: Negative)	Reaffirmed
Long-term/Short-term Bank Facilities	1,253.00 (reduced from 1,323.00)	CARE BBB+; Negative/ CARE A2 (Triple B Plus; Outlook: Negative/ A Two)	Reaffirmed
Total Bank Facilities	1,509.02 (Rupees One Thousand Five Hundred Nine Crore and Two lakh Only)		

Details of facilities in Annexure-1

Detailed Rationale & Key Rating Drivers

The ratings assigned to the bank facilities of TRF Limited (TRF) continue to draw strength from financial flexibility available in view of strong parentage of Tata group, long track record of operations, moderate order book position with reputed clientele profile. The ratings also favourably factor in positive cashflow from operation, divestment of stake in group entity and demonstrated support from parent company in terms of order & funds resulting in improved liquidity position and reduction of consolidated debt level. Receipt of continued support from parent entity shall be a key rating monitorable.

The above rating strengths are partially offset by weak consolidated financial performance in FY18 (refers to the period from April 01 to March 31) & H1FY19, weak capital structure & negative net-worth of TRF, susceptibility of profitability to volatile input prices and working capital intensive nature of operations.

The ability of the Company to successfully execute existing orders of parent company Tata Steel Ltd (TSL; rated CARE AA; Stable/CARE AA-; Stable (Perpetual Bond)) to establish credentials for future orders, complete legacy contracts without significant delay and timely release of retention money shall be the key rating sensitivities.

Outlook: Negative

The outlook on long-term rating is negative on continued weak financial performance and negative network position. The outlook may be revised to 'Stable' if the operational performance improves resulting in improved financial performance and network position.

Detailed description of the key rating drivers**Key Rating Strengths****Strong parentage support of Tata Group**

TRF belongs to the Tata group, with TSL being the largest equity stakeholder and holds 34.1% stake in the company as on September 30, 2018. TSL and Tata International DLT Private Limited (joint venture of TRF; engaged in the manufacture of trailers) are also one of the major customers of TRF, accounting for about 45% of total operating income in FY18. The existence of Tata group provides considerable group support in terms of a highly qualified management team and financial flexibility to the company in times of stress. TSL has recently infused unsecured loans of Rs.93 crore (Rs.45 crore in September 2018 and Rs.48 crore in October 2018) demonstrating need based fund support to TRF.

Long track record of operation

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 through various acquisitions. With a successful track record of operation, the company has developed a name in the material handling equipment and processing systems required in the infrastructure development industries.

Moderate order book position

TRF's order book outstanding as on December 01, 2018 was Rs. Rs.515 crore (apart from the legacy orders) which comprises of project order and the orders for products, spares and services. The clientele profile of TRF includes both PSU and private players. This apart, TRF has also received orders amounting to Rs.250 crore from TSL and expects to receive

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

further orders in phased manner over the next 3 years.

Divestment in group company leading to improvement in liquidity position of the company

TRF sold its entire stake (51%) in Adithya Automotive Applications Private Limited (AAAPL; rated CARE BBB+; Stable/ CARE A2) for a consideration of Rs.30.6 crore in Q4FY18.

TRF had also sold its entire stake in York Transport Equipment (Asia) Pte Limited, through group company, to SAF-Holland GMBH in April 2018 for Rs.290 crore (USD 40 mn). As on September 30, 2018, TRF had a cash and bank balance of Rs.181 crore. The fund was utilised towards reduction of group loans and balance has been repatriated in TRF through capital reduction in TRF Holding Pte Ltd.

Liquidity Analysis

TRF had a cash and bank balance of Rs.181 crore as on September 30, 2018 (on a consolidated level) which was utilised for repayment of group debt in October 2018 (Rs.105 crore). Subsequently, TRF also received unsecured loan of Rs.48 crore in October 2018 from TSL. Hence, the liquidity profile remains comfortable in the medium term.

Key Rating Weaknesses

Weak consolidated financial performance in FY18 & H1FY19

The group continued to incur loss in FY18 and H1FY19 due to continued losses in project & services division coupled with lower margin in product & services division. The declining revenue in project division has also led to higher loss due to lower absorption of fixed overheads. The company has also provided for doubtful receivables and advances of Rs.68 crore in FY18 which is non-cash in nature. Accordingly, despite cash loss, the cashflow from operations remained comfortable at around Rs.155 crore in FY18.

In H1FY19, the company earned PAT (consolidated) of Rs.27.3 crore on a total turnover of Rs.172.5 crore, mainly due to recognition of profit on sale of York (Rs.74 crore) and foreign currency gain of Rs.38 crore on repatriation of sale proceeds to TRF. This apart, the company also recognized impairment on investment in subsidiaries of Rs.23 crore towards Dutch Lanka Trailers Manufacturers Ltd.

Weak capital structure with negative networth position

TRF's networth (consolidated) got completely eroded due to substantial losses reported by the group and parent entity (TRF). The networth of the company continued to remain negative at Rs.355.4 crore as on March 31, 2018. The total debt declined from Rs.561 crore as on March 31, 2017 to Rs.398.5 crore as on March 31, 2018 with scheduled repayment of term debt obligation, and lower out-standing of working capital during the aforesaid period.

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. 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.

Analytical approach: Consolidated. 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 (FY18)
TRF Singapore Pte Limited	Singapore	100
TRF Holding Pte Limited	Singapore	100
York Transport Equipment (Asia) Pte Limited	Singapore	100
York Transport Equipment (India) Pvt Ltd	India	100
York Transport Equipment Pty Limited	Australia	100
York Sales (Thailand) Company Limited	Thailand	100
York Transport Equipment (SA) (Pty) Ltd	South Africa	100
Rednet Pte Limited	Singapore	100
PT York Engineering	Indonesia	100
YTE Special Products Co. Limited	Singapore	100
Qingdao YTE Special Products Co. Limited	China	100
York Transport Equipment (Shanghai) Co. Limited	China	100
Dutch Lanka Trailer Manufacturers Limited	Sri Lanka	100
Dutch Lanka Engineering (Pvt) Ltd	Sri Lanka	100
Dutch Lanka Trailers LLC	Oman	70
Hewitt Robins International Limited	United Kingdom	100
Hewitt Robins International Holding Limited	United Kingdom	100
Tata International DLT Private Limited		50

Applicable Criteria

[Criteria on assigning Outlook to Credit Ratings](#)

[CARE's Policy on Default Recognition](#)

[Rating Methodology: Factoring Linkages in Ratings](#)

[CARE's methodology for manufacturing companies](#)

[CARE's methodology for Auto Ancillary Sector](#)

[Financial ratios – Non-Financial Sector](#)

About the Company

TRF, incorporated in 1962 as Tata Robins Fraser, belongs to the Tata Group with TSL holding an equity stake of 34.1% as on September 30, 2018. TRF is engaged in offering solutions for material handling equipment and processing systems required in the infrastructure development and automotive applications. The company operates through two divisions, namely product and project. Product division includes manufacturing of bulk material handling equipment and automotive applications. The product division manufacturing facility is located at Jamshedpur. Project division is engaged in the business of design, manufacture, supply, installation and commissioning of customized material handling system for infrastructure development industries such as power, steel, cement, ports, mining, etc.

Over the past few years, the group is facing tight liquidity position due to continued losses and delay in release of retention money as performance test is pending for major contracts. To tide over the situation TRF had sold its stake in AAAPL. TRF group had also sold its entire stake in York Transport Equipment (Asia) Pte Limited (step-down subsidiary) to SAF-Holland GMBH.

Brief Financials (Rs. Crore)	FY17 (A)	FY18 (A)
Total Operating Income	975.26	453.54
PBILDT	14.99	-131.89
PAT	-24.12	-134.11
Overall gearing (times)	NM	NM
Interest coverage (times)	0.25	NM

A: Audited

Status of non-cooperation with previous CRA: NA

Any other information: Not Available

Rating History (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.

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

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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 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+; Negative
Non-fund-based - LT/ST-BG/LC	-	-	-	1253.00	CARE BBB+; Negative / CARE A2
Term Loan-Long Term	-	-	December 2019	66.02	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 2018-2019	Date(s) & Rating(s) assigned in 2017-2018	Date(s) & Rating(s) assigned in 2016-2017	Date(s) & Rating(s) assigned in 2015-2016
1.	Short Term Instruments-CP/STD	ST	-	-	-	1)Withdrawn (06-Oct-17)	1)CARE A2 (16-Dec-16)	1)CARE A2+ (18-Dec-15) 2)CARE A1+ (06-Apr-15)
2.	Fund-based - LT-Cash Credit	LT	190.00	CARE BBB+; Negative	1)CARE BBB+; Negative (24-Apr-18)	1)CARE BBB+; Negative (06-Oct-17)	1)CARE BBB+; Negative (16-Dec-16)	1)CARE A- (18-Dec-15) 2)CARE A+ (06-Apr-15)
3.	Non-fund-based - LT/ST-BG/LC	LT/ST	1253.00	CARE BBB+; Negative / CARE A2	1)CARE BBB+; Negative / CARE A2 (24-Apr-18)	1)CARE BBB+; Negative / CARE A2 (06-Oct-17)	1)CARE BBB+; Negative / CARE A2 (16-Dec-16)	1)CARE A- / CARE A2+ (18-Dec-15) 2)CARE A+ / CARE A1+ (06-Apr-15)
4.	Fund-based - ST-Working Capital Demand loan	ST	-	-	-	-	-	1)Withdrawn (18-Dec-15) 2)CARE A1+ (06-Apr-15)
5.	Term Loan-Long Term	LT	66.02	CARE BBB+; Negative	1)CARE BBB+; Negative (24-Apr-18)	1)CARE BBB+; Negative (06-Oct-17)	1)CARE BBB+; Negative (16-Dec-16)	1)CARE A- (18-Dec-15) 2)CARE A+ (06-Apr-15)

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