TRF Limited

January 08, 2025

Facilities/Instruments	Amount (₹ crore)	Rating[1]	Rating Action
Long Term / Short Term Bank Facilities	-	-	Reaffirmed at CARE A-; Stable/ CARE A2+ and Withdrawn
Long Term Bank Facilities	-	-	Reaffirmed at CARE A-; Stable and Withdrawn
Short Term Bank Facilities	-	-	Reaffirmed at CARE A2+ and Withdrawn

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

CARE Ratings Limited (CARE Ratings) has reaffirmed and withdrawn outstanding ratings of 'CARE A-; Stable/CARE A2+' assigned to bank facilities of TRF Limited (TRF) with immediate effect. The above action has been taken at the request of TRF along with receipt of 'No Objection Certificate' for bank facilities amounting to ₹52 crore and 'No Dues Certificate' for bank facilities amounting to ₹165 crore, received from respective banks that have extended facilities rated by CARE Ratings.

The ratings continue to factor in strong operational and financial linkages with Tata Steel Limited (TSL), long track record of operation and moderate financial risk profile supported by negligible external debt. The rating further takes into account the financial support extended to the company along with placement of orders by TSL.

However, ratings are constrained due to moderation in operating performance in FY24, negative net worth from historically continued losses, though, net worth is expected to gradually improve with accumulation of profits going ahead. The company's profitability is exposed to fluctuations in commodity prices of steel and intense competition within the industry, given that the company pursues new external orders.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors

- Sustained improvement in operating profitability, leading to positive cash flow from operations.
- Improvement in orderbook position of the company from TSL and other clients.

Negative factors

- Weakening linkages with TSL.
- Deterioration in the liquidity profile and capital structure of the company with increased reliance on external debt.

Analytical approach:

Consolidated approach is adopted considering operational and financial linkages of TRF with its subsidiaries. Ratings also factor in past and expected support from its major shareholder-TSL. Entities consolidated has been listed under Annexure-6.

Outlook: Stable

Stable outlook reflects the entity will continue to derive orders from TSL, resulting in positive cash generation. The revenues are expected to decline from the current levels in the absence of any new major external orders. However, the entity is likely to sustain its comfortable financial risk profile with negligible external debt (excluding non-convertible redeemable preference shares [NCRPS] and optionally convertible redeemable preference shares [OCRPS] from TSL) and strong cash and liquid investments.

Detailed description of key rating drivers:

Key strengths

Operational and financial linkages with TATA Steel Limited

TRF belongs to the TATA group, with TSL (rated CARE AA+; Stable) holding 34.12% stake as on March 31, 2024. TRF Limited is engaged in material handling and plays a pivotal role in fulfilling orders from TSL. Given that the location of TRF plant is close to the TSL plant and the raw material (steel) is also procured from TSL, TRF has a strong competitive advantage in better serving TSL compared to other external vendors (if). TSL has demonstrated support to TRF by subscribing to 12.5% NCRPS of ₹250 crore in FY19 and further ₹239 crore of 12.17% NCRPS in FY23. Currently, most new orders are from TSL. Historically, TSL has been

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

supported TRF by infusing funds in the form of inter-corporate deposits (ICDs), preference shares and unsecured loans in case of liquidity mismatches.

Long track record of operation
TRF was incorporated in 1962 as Tata-Robins-Fraser Limited Over the past six decades, the company has expanded its material handling equipment portfolio with the introduction of new variants. The company also expanded its presence in the international market. The company 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. The company has undertaken work orders from major PSUs including BHEL, SAIL and NPGC over the years.

Moderate financial risk profile supported by reduction in external borrowings
In FY23, the company repaid all its external borrowings, including a long-term debt of ₹57 crore, working capital borrowings of ₹107 crore and ICDs amounting to ₹100 crore. These repayments were done through the proceeds from NCRPS received from TSL, aggregating to ₹264 crore. This has resulted in improvement in the financial risk profile. The newly issued NCRPS (in FY23) of ₹239 crore has maturity period in FY2038. However, given the option of early redemption, NCRPS in its entirety has been considered as debt for analysis, resulting in negative overall gearing. The company's net worth is expected to improve gradually with accumulation of profits going ahead. However, given the high accumulated losses of ₹550 crore till FY24, it may take few more years until these accumulated losses are completely reversed.

Key weaknesses

Moderation in operating performance in FY24
TRF's total operating income (TOI) declined by 20.5% y-o-y to ₹140.69 crore in FY24, led by decline in revenue from sectional and mine conveyors, vibrating screens and components and miscellaneous products. Revenue from services, which includes design, engineering supervision, manpower deployment, and leasing of facilities, encompasses rental income from an operating lease with TSL amounting to ₹28.89 crore. However, the company has effectively managed its fixed overheads by sharing certain resources with TSL.

Working capital intensive operations
TRF's business, being execution of engineering, procurement and construction (EPC) contracts and providing customized equipment is working capital intensive considering high collection period due to disbursement of payment by the client on achievement of certain milestone and blockage in the form of retention money, which gets released after the successful completion of performance guarantee test period. Operations are also characterised by high collection period owing to milestone payment mechanism. Collection of old debtors remains challenging due to underlying contractual issues. However, the company successfully completed performance guarantee tests at some projects. Completion of such projects has resulted in the write-back of the provisions and resulted in income of ₹11.18 crore for the company in FY24. Bank guarantees have also been reduced by 30% in FY24.

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

Intense competition in the industry
TRF faces intense competition in the material handing industry as both domestic players (including Elecon Engineering Co Ltd, L&T) and international players (including ThyssenKrupp) have increased presence in the past few years. As most TRF orders are tender driven, it restricts the company's profitability with new and existing players bidding aggressively to gain market share. Therefore, TRF forecasts on providing its services only to TSL in the coming years. The company's prospect is largely contingent on 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. Ability of the company to reduce the debtors and retention money position would also remain crucial from liquidity point of view.

Liquidity: Adequate

The company's liquidity position is adequate with a cash and bank balance of ₹72.27 crore as on September 30, 2024. Liquidity has significantly improved for the company in the last two fiscals with additional investments in mutual funds amounting to ₹65.5 crore. The company has also reduced debtors and old debtors (from legacy projects excluding TSL) outstanding stands at ~₹11.18 crore. The company draws comfort from flexibility of the parent- TSL, where the treasury department of both companies are undergoing merger, which will further extend the cushion for TRF.

Applicable criteria

Definition of Default
Consolidation
Factoring Linkages Parent Sub JV Group
Liquidity Analysis of Non-financial sector entities
Rating Outlook and Rating Watch
Manufacturing Companies
Financial Ratios – Non financial Sector
Withdrawal Policy

About the company and industry

Industry classification

Macroeconomic indicator	Sector	Industry	Basic industry
Industrials	Capital goods	Industrial products	Other industrial products

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. The project division is engaged in design, manufacture, supply, installation, and commissioning customised material handling system for infrastructure development industries such as power, steel, cement, ports, and mining, among others. The product division is engaged in manufacturing bulk material handling equipment with its manufacturing facility at Jamshedpur. Major equipment includes crushers, screens, feeders, conveying equipment, mining equipment, wagon tippler systems and stacker reclaimers.

Brief Consolidated Financials (₹ crore)	March 31, 2023 (A)	March 31, 2024 (A)	H1FY25 (UA)
Total operating income	177.12	140.69	70.32
PBILDT	59.29	35.66	11.92
PAT	88.57	39.58	11.01
Overall gearing (times)	-1.24	-1.41	NA
Interest coverage (times)	2.40	2.57	1.65

A: Audited UA: Unaudited; Note: these are latest available financial results; NA- Not Available

Status of non-cooperation with previous CRA: Not applicable

Any other information: Not applicable

Rating history for last three years: Annexure-2

Detailed explanation of covenants of rated instrument / facility: Annexure-3

Complexity level of instruments rated: Annexure-4

Lender details: Annexure-5

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 and Rating Outlook
Fund-based - LT-Cash Credit		-	-	-	0.00	Withdrawn
Non-fund-based - LT/ ST-BG/LC		-	-	-	0.00	Withdrawn
Non-fund-based - ST-BG/LC		-	-	-	0.00	Withdrawn

Annexure-2: Rating history for 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 2024-2025	Date(s) and Rating(s) assigned in 2023-2024	Date(s) and Rating(s) assigned in 2022-2023	Date(s) and Rating(s) assigned in 2021-2022
1	Fund-based - LT-Cash Credit	LT	-	-	1)CARE A-; Stable (08-Jan-25)	1)CARE A-; Stable (15-Feb-24) 2)CARE A- (RWP) (03-Jan-24)	1)CARE A- (RWP) (27-Dec-22) 2)CARE A- (CW with Positive Implications) (04-Oct-22) 3)CARE BBB+; Stable (05-Aug-22)	1)CARE BBB+; Negative (07-Jul-21)
2	Non-fund-based - LT/ ST-BG/LC	LT/ST	-	-	1)CARE A-; Stable / CARE A2+ (08-Jan-25)	1)CARE A-; Stable / CARE A2+ (15-Feb-24) 2)CARE A- / CARE A2+ (RWP) (03-Jan-24)	1)CARE A- / CARE A2+ (RWP) (27-Dec-22) 2)CARE A- / CARE A2+ (CW with Positive Implications) (04-Oct-22) 3)CARE BBB+; Stable / CARE A2 (05-Aug-22)	1)CARE BBB+; Negative / CARE A2 (07-Jul-21)

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating History			
		Type	Amount Outstanding (₹ crore)	Rating	Date(s) and Rating(s) assigned in 2024-2025	Date(s) and Rating(s) assigned in 2023-2024	Date(s) and Rating(s) assigned in 2022-2023	Date(s) and Rating(s) assigned in 2021-2022
3	Term Loan-Long Term	LT	-	-	-	-	-	1)Withdrawn (07-Jul-21)
4	Non-fund-based - ST-BG/LC	ST	-	-	1)CARE A2+ (08-Jan-25)	1)CARE A2+ (15-Feb-24) 2)CARE A2+ (RWP) (03-Jan-24)	1)CARE A2+ (RWP) (27-Dec-22) 2)CARE A2+ (CW with Positive Implications) (04-Oct-22) 3)CARE A2 (05-Aug-22)	1)CARE A2 (07-Jul-21)
5	Term Loan-Long Term	LT	-	-	-	-	1)Withdrawn (05-Aug-22)	1)CARE BBB+; Negative (07-Jul-21)

LT: Long term; ST: Short term; LT/ST: Long term/Short term

Annexure-3: Detailed explanation of covenants of rated instruments/facilities: Not applicable

Annexure-4: Complexity level of instruments rated

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-BG/LC	Simple

Annexure-5: Lender details

To view lender-wise details of bank facilities please click here

Annexure-6: List of entities consolidated

Sr. No	Name	Extent of Consolidation	Rationale for Consolidation
1.	TRF Singapore Pte Limited	Full	Subsidiaries, with significant operational and management linkages
2.	TRF Holding Pte Limited	Full	
3.	Dutch Lanka Trailer Manufacturers Limited*	Full	
4.	Dutch Lanka Engineering Pvt Ltd*	Full	

* Divested on December 11, 2023, at a consideration of ~₹19 crore held under TRF Singapore Pte Limited.

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

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About us:

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