



## Press Release

### Track Components Limited (TCL)

January 12, 2023

#### Ratings

Instrument/ Facility	Amount (Rs. crore)	Ratings	Rating Action	<a href="#">Complexity Indicator</a>
Long Term Bank Facilities	45.00	IVR BB+/ Positive (IVR double B plus with Positive Outlook)	Revised	Simple
<b>Total</b>	<b>45.00 (Forty five crore only)</b>			

Details of Facilities are in Annexure 1

#### Detailed Rationale

The revision in the ratings with positive outlook to the bank facilities of Track Components Limited (TCL) factors in improvement in the scalability and PAT margin of the company in FY22. The ratings continue to factor in the long track record of promoters in the precision component industry and reputed customers in client mix. The ratings are, however, constrained by TCL's exposure to intense competition in automotive ancillary industry, high client concentration and working capital intensive nature of business.

#### Key Rating Sensitivities

##### Upward Factor

- Effective working capital management with improvement in operating cycle and liquidity.
- Substantial improvement in Interest Coverage above 2.75x on sustainable basis.



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### **Downward Factor**

- Any further elongation of the operating cycle weakening the liquidity position
- Dip in interest coverage below 1.50x.

### **Detailed Description of Key Rating Drivers**

#### **Key Rating Strengths**

##### **Extensive experience of the promoters in the precision component industry**

The promoters of Track Components Limited have an extensive experience in the precision component industry over 40 years which has enabled the company to establish and maintain a healthy relationship with the customers and suppliers. Promoters are well supported by an experience team of professionals.

##### **Improvement in Scalability and PAT margin of the company in FY22**

TCL's top line improved by 117% in FY22 compared to FY21 mainly due to positive demand outlook of four wheeler segment in FY22. TCL reported topline of Rs.384.43 crore in FY22 compared Rs.177.39 crore in FY21. TCL's PBT & PAT turns positive to Rs.2.72 crore and Rs.2.61 crore in FY22 respectively. However, EBITDA margin deteriorated from 13.19% in FY21 to 8.79% in FY22. The deterioration in EBITDA margin mainly attributed to revenue mix & volatile raw material prices.

TCL has reported topline of Rs.288.44 crore with PBT of Rs.3.94 crore as on September 2022 (6MFY23). TCL is in process to set up additional manufacturing facility to execute orders of Mahindra & Mahindra (M&M) at Pune. Approximate cost of capex is Rs.25.00 crore funded by way of term loan of RS.15.00 crore and balance from internal accruals. TCL's scalability and profitability expected to improve further once capex operationalize. The capex is expected to operationalize in IQFY24.

##### **Reputed customers in the client mix reducing counterparty risk to an extent**

TCL's customer mix comprises of reputed names from automobile industry which includes Mahindra & Mahindra (M&M), Mark Exhaust Systems Limited (MESL). Reputed client base and high creditworthiness of the customers reduces the credit counterparty risk to an extent. These customers have year on year provided the necessary repeated orders to TCL.



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### **Key Rating Weaknesses**

#### **Intense competition in automotive ancillary industry exert pressure on margins**

Despite healthy scale up in operations over the years, the operating margins of the company had remained range bound owing to the presence of other automotive component manufacturers, which exerts pricing pressures. With increasing presence of domestic as well as international players in the automotive ancillary business, the competition had increased over the years. Nonetheless, TCL's established relationship with its clients mitigates the risk to a certain extent.

#### **High client concentration risk, with total revenues emanating from two customers**

Over the years, the revenues of the company had been driven by selected customers only indicating a high client concentration risk. Any change in key commercial terms can have significant impact on profitability and credit risk profile of TCL.

#### **Working capital intensive nature of operations**

Being in auto ancillary industry, the operations of the company are working capital intensive in nature. Though the operating cycle of the company moderated to 94 days (PY: 208 days) in FY22, it still remains on the higher side.

**Analytical Approach:** Standalone

**Applicable Criteria:**

[Criteria of assigning rating Outlook](#)

[Rating Methodology for Manufacturing Companies](#)

[Financial Ratios & Interpretation \(Non-Financial Sector\)](#)



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### **Liquidity- Adequate**

The liquidity of the company is expected to remain adequate in the near to medium term with sufficient accruals to meet the term debt repayment in the period FY23-FY25. The average fund based utilization for the past twelve months ended September, 2022 remained at ~95%. TCL's current ratio standing at 1.31x as on March 31st 2022. TCL has cash and bank balance of Rs. 0.64 crore as on March 31st 2022.

### **About the Company**

Track Components Limited (TCL) is an auto component manufacturer engaged in manufacturing of smaller sized sheet metal-based components and tubular pipes established in 2002. TCL is engaged in manufacturing tubular pipe assemblies and sheet metal components, which find application in two-wheelers and four-wheelers. The company is promoted by Mr. Rattan Kapur and Mr. Sandeep Chandhok. Currently, TCL has four manufacturing facilities in Manesar (Haryana), Nashik (Maharashtra) and two plants in Pune (Maharashtra).

### **Financials (Standalone)**

(Rs. crore)

For the year ended / As On*	31-03-2021 (Audited)	31-03-2022 (Audited)
Total Operating Income	177.39	384.43
EBITDA	23.40	33.80
PAT	(5.98)	2.61
Total Debt	114.47	112.62
Adj. Tangible Net Worth (After adjusting subordinated loans)	124.47	129.07
<b>Ratios</b>		
EBITDA Margin (%)	13.19	8.79
PAT Margin (%)	(3.37)	0.68
Adjusted Overall Gearing Ratio (x)	0.92	0.87

\*As per Infomerics' standards



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**Status of non-cooperation with previous CRA: Nil**

**Any other information: Nil**

**Rating History for last three years:**

Sl. No.	Name of Instrument/Facilities	Current Rating (Year 2022-23)			Rating History for the past 3 years		
		Type	Amount (Rs. crore)	Rating	Date(s) & Rating(s) assigned in 2021-22 (February 17, 2022)	Date(s) & Rating(s) assigned in 2020-21	Date(s) & Rating(s) assigned in 19-20
1	Cash Credit	Long Term	45.00	IVR BB+/ Positive	IVR BB/ Stable	-	-

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**About Infomerics:**

Infomerics was founded in the year 1986 by a team of highly experienced and knowledgeable finance professionals. Subsequently, after obtaining Securities Exchange Board of India registration and RBI accreditation and the activities of the company are extended to External Credit Assessment Institution (ECAI).

Adhering to best International Practices and maintaining high degree of ethics, the team of knowledgeable analytical professionals deliver credible evaluation of rating.

Infomerics evaluates wide range of debt instruments which helps corporates open horizons to raise capital and provides investors enlightened investment opportunities. The transparent, robust and credible rating has gained the confidence of Investors and Banks.

Infomerics has a pan India presence with Head Office in Delhi, branches in major cities and representatives in several locations.

For more information visit [www.infomerics.com](http://www.infomerics.com)



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### Annexure 1: Details of Facilities

Name of Facility	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs. crore)	Rating Assigned/ Outlook
Cash Credit	-	-	-	45.00	IVR BB+/ Positive

**Annexure 2: List of companies considered for consolidated analysis:** Not Applicable

### Annexure 3: Facility wise lender details

<https://www.infomerics.com/admin/prfiles/Len-TCL-jan23.pdf>

**Annexure 4: Detailed explanation of covenants of the rated instrument/facilities:** Not Applicable

**Note on complexity levels of the rated instrument:** Infomerics has classified instruments rated by it on the basis of complexity and a note thereon is available at [www.infomerics.com](http://www.infomerics.com).