



Press Release

Track Components Limited

February 17, 2022

Ratings

Instrument/ Facility	Amount (Rs. crore)	Ratings	Rating Action	Complexity Indicator
Long Term Bank Facilities	45.00	IVR BB/ Stable (IVR double B with Stable Outlook)	Assigned	Simple
Total	45.00 (Forty five crore only)			

Details of Facilities are in Annexure 1

Detailed Rationale

The rating assigned to bank facilities of Track Components Limited (TCL) considers experienced promoters with established track record of operations and reputed customers in its client mix. However, the rating is constrained on account of weak financial risk profile, high client and geographical concentration risks, fragmented and highly competitive nature of the industry and exposed to inherent cyclicalities in the auto industry.

Key Rating Sensitivities:

Upward Factors

- Significant improvement in scale while sustaining or albeit improving the profitability metrics

Downward Factors

- Dip in operating income and/or profitability adversely impacting the financial risk profile
- Any additional debt burden than expected pressurizing the capital structure and the coverage indicators



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List of Key Rating Drivers with Detailed Description

Key Rating Strengths

- **Long experience of promoters in the precision component industry**

The promoters of Track Components Limited have an extensive experience in the precision component industry spanning 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

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

The company clientele consists of reputed names including Mahindra & Mahindra, MESL etc. which reduces counterparty credit risk to an extent. Majority of the sales revenue of the company comes from reputed client which offers revenue stability in long term

Key Rating Weaknesses

- **Weak financial risk profile**

The company has a weak financial risk profile, characterised by a low RoCE (4.12% in FY2021), high gearing (6.74 times as on March 31, 2021). Total debt of the company increased from Rs 194.99crore in FY20 to Rs 208.07 crore in FY21. With no major capex plans, TCL's financial risk profile is likely to improve in the near-to-medium term due to stable operations and high revenue visibility through promising order books.

- **High client concentration risk, with total revenue emanating from two customers**

Over the years, the revenues of the company had been driven by two customers—MESL, M&M, the company's dependence on its two customers increases the client concentration risk. Nonetheless, TCL's position as a captive supplier to MESL and a healthy share of business with M&M provides comfort to an extent



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- **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.

- **Exposed to cyclicity inherent in auto industry**

The company's business is susceptible to inherent cyclicity in the automotive industry, linked to the performance of the economy

Analytical Approach: Standalone

Applicable Criteria:

[Rating Methodology for Infrastructure Companies](#)

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

Liquidity – Adequate

Infomerics notes that the Company's liquidity position remains adequate marked by current ratio standing at 1.44 times in FY21. GCA of the company expected to remain in the range of Rs 15crore to Rs 21crore during FY22 to FY24. At the same time, its bank limits are highly utilized to the extent of ~97% on an average for the period ended on December 2021 indicating extensive utilization of working capital. However, no significant debt funded capex or working capital limit availment provides comfort to the liquidity to an extent.

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. The company currently has four



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manufacturing facilities in Manesar (Haryana), Nashik (Maharashtra) and two plants in Pune (Maharashtra).

Financials (Standalone):

Rs in Crore

For the Year ended*/As on	31-March-20 (Audited)	31-March-21 (Audited)
Total Operating Income	199.34	177.39
EBITDA	24.20	23.40
PAT	0.34	-5.98
Total Debt	194.99	208.07
Tangible Net Worth (Adjusted)	44.32	41.27
EBITDA Margin (%)	12.14	13.19
PAT Margin (%)	0.17	-3.37
Overall Gearing ratio(X)(Adjusted)	4.19	4.79

Status of non-cooperation with previous CRA: Nil

Any other information:

Rating History for last three years:

Sr. No.	Name of Instrument/Facilities	Current Ratings (Year 2021-22)			Rating History for the past 3 years		
		Type	Amount outstanding (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2020-21	Date(s) & Rating(s) assigned in 2019-20	Date(s) & Rating(s) assigned in 2018-19
1.	Cash Credit	Long Term	45.00	IVR BB/ Stable	-	-	-

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About Infomerics:

Infomerics commenced rating & grading operations in April 2015 after having spent over 25 years in various segments of financial services. Infomerics is registered with the Securities and Exchange Board of India (SEBI) and accredited by Reserve Bank of India. It is gradually



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gaining prominence in domestic rating and/or grading space. Infomerics is striving for positioning itself as the most trusted & credible rating agency in the country and is gradually widening its product portfolio. Company's long experience in varied spectrum of financial services is helping it to fine-tune its product offerings to best suit the market.

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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/ Stable

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

Annexure 3: Facility wise lender details

<https://www.infomerics.com/admin/prfiles/Track-Components-lenders-feb22.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.