Press Release

Track Component Limited (TCL)

November 19, 2024

Ratings

Instrument / Facility	Amount (Rs. crore)	Current Ratings	Previous Ratings	Rating Action	Complexity Indicator
Long Term Facilities	70.00 (Increased from Rs.55.00 crore)	IVR BBB/ Stable (IVR Triple B with Stable outlook)	IVR BBB-/ Stable (IVR Triple B Minus with Stable outlook)	Upgraded	**Simple**
Total	**70.00 (Rupees Seventy Crore only)**				

Details of Facilities/Instruments are in Annexure 1. Facility wise lender details are at Annexure 2. Detailed explanation of covenants is at Annexure 3.

Detailed Rationale

Infomerics Ratings has upgraded the ratings to the bank facilities of Track Components Limited (TCL). The rating upgrade factors in continuous improvement in overall financial performance of the company in FY24 (refers to the period from April 01, 2023, to March 31, 2024) and 6MFY25. The rating also factors in experience of promoters with extensive track record of operations, moderate financial risk profile and debt protection metrics of the company. However, the rating strengths remain constrained by exposure to intense competition in automotive ancillary industry, high client concentration and inherent cyclicality in auto industry.

Stable outlook reflects Infomerics expectations that the company will continue to benefit from the experience of its promoters, growing scale of operations with sustained operating margins.

Key Rating Sensitivities:

Upward Factors

- Substantial and sustained improvement in revenue and profitability margins while maintaining the debt protection metrics.

Downward Factors

- Any decline in scale of operations and/or moderation in profitability leading to decline in the debt protection metrics.

- Withdrawal of subordinated unsecured loans and /or any unplanned capex impacting the capital structure and debt protection metrics.

List of Key Rating Drivers with Detailed Description

Key Rating Strengths

- **Experienced promoters with extensive track record of operations in precision component industry.**

The promoter, Mr. Rattan Kapur, has 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. He is well supported by an experienced team of professionals. Majority of the sales revenue of the company comes from a reputable client which offers revenue stability in the long term.

- **Continuous improvement in the scale of operations of the company**

TCL has registered total operating income of Rs. 752.52 crore in FY24 as against Rs. 601.04 crore in FY23 reporting a growth of 25.20% on a y-o-y basis. The EBITDA of company has improved to Rs. 55.65 crore in FY24 from Rs. 44.32 crore in FY23. The EBITDA margin stood at 7.40% in FY24 against 7.37% in FY23. PAT improved to Rs. 12.50 crore in FY24 from Rs. 10.42 crore in FY23. However PAT margin registered slight moderation to 1.66% in FY24 from 1.73% in FY23 on account of increased interest cost with additional borrowings taken to facilitate scale up of operations.
For 6MFY25, TCL has reported total revenue of Rs.397.49 crore (Rs.353.75 crore in 6MFY24) with EBTIDA and PAT margin of 7.82% and 2.18% respectively.
TCL anticipates incremental revenue from supply of battery boxes for electric vehicle and body in white to M & M from Q4FY25, which will further support the revenue growth and profitability.

- **Moderate financial risk profile and debt protection metrics**

The financial risk profile of TCL remained comfortable marked by moderate capital structure and debt protection metrics. The overall gearing (based on adjusted TNW) of the company stood stable at 1.00x as on March 31, 2024, compared to 0.93x as on March 31, 2023. Adjusted TOL/ adjusted TNW ratio moderated to 1.96x as on March 31, 2024, against 1.55x as on March 31, 2023, on account of increase in long term borrowing, deposits from customers and sundry creditors. DSCR of the company is 1.38x in FY24 against 1.31x in FY23. The interest coverage ratio for the period improved to 2.26x in FY24 (2.00x in FY23) mainly due to improvement in EBITDA of the company.

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 majority revenue emanating from two customers.**

Over the years, the revenues of the company had been driven by only selected customers indicating a high client concentration risk. Company has recently added Bellsonica Auto to its client base and discussing with Volkswagen for future business participation. However, majority revenue will continue to be generated from M&M with new products being supplied to the same going forward. Any change in key commercial terms can have significant impact on profitability and credit risk profile of TCL.

- **Exposure to cyclicality inherent in auto industry.**

TCL'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 manufacturing companies](#)
[Criteria on assigning rating outlook](#)

[Policy on Default Recognition and Post-Default Curing Period]

[Complexity Level of Rated Instruments/Facilities]

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

Liquidity – Adequate

The liquidity of TCL is expected to remain adequate in the near to medium term with sufficient accruals and to meet the term debt repayment in the period FY25-FY27. The average fund-based working capital limit utilisation for the past twelve months ending August 2024 remained at ~89%. Company's current ratio stood at 1.10x as on March 31, 2024. TCL has cash and bank balance equivalent of Rs. 0.86 crore as on March 31, 2024.

About the Company

Track Components Limited (TCL) is an auto component manufacturer 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 six manufacturing facilities at three different locations which includes Manesar (Haryana), Nashik and Pune (Maharashtra).

Financials (Standalone):

(Rs. crore)

For the year ended/ As on*	31-03-2023	31-03-2024
	Audited	Audited
Total Operating Income	601.04	752.52
EBITDA	44.32	55.65
PAT	10.42	12.50
Total Debt	131.65	156.40
Tangible Net Worth (Adjusted)	142.21	156.91
EBITDA Margin (%)	7.37	7.40
PAT Margin (%)	1.73	1.66
Overall Gearing Ratio (Adjusted)(x)	0.93	1.00
Interest Coverage (x)	2.00	2.26

* *Classification as per Infomerics' standards.*

Status of non-cooperation with previous CRA: Nil

Any other information: Nil

Rating History for last three years:

Sr. No.	Name of Facilities	Current Ratings (Year 2024-25)			Rating History for the past 3 years		
		Type (Long Term/Short Term)	Amount outstanding (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2023-24	Date(s) & Rating(s) assigned in 2022-23	Date(s) & Rating(s) assigned in in 2021-22
					September 20, 2023	January 12, 2023	February 17, 2022
					Rating	Rating	Rating
1.	Cash Credit	Long Term	70.00	IVR BBB/ Stable (IVR Triple B with Stable outlook)	IVR BBB-/ Stable (IVR Triple B Minus with Stable outlook)	IVR BB+/ Positive (IVR Double B Plus with Positive outlook)	IVR BB/ Stable (IVR Double B with Stable outlook)

Analytical Contacts:

Name: Jalaj Srivastava

Tel: (079) 40393043

Email: jalaj.srivastava@infomerics.com

About Infomerics:

Infomerics Valuation and Rating Private Ltd (Informatics) was founded in the year 1986 by a team of highly experienced finance professionals for research and risk evaluation. Infomerics commenced its activities as External Credit Assessment Institution after obtaining registration from Securities Exchange Board of India (SEBI) and accreditation from Reserve Bank of India (RBI).

Adhering to best international practices and maintaining high degree of ethics, the team of analysts at Infomerics deliver quality credit ratings. Infomerics evaluates wide range of debt instruments which helps corporates access to financial markets and provides investors credit ratings backed by in-depth research. The transparent, robust, and credible ratings have gained the confidence of investors and the banks.

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

Infomerics also has international presence with credit rating operations in Nepal through its JV subsidiary.

For more information and definition of ratings please visit www.infomerics.com.

Press Release

Annexure 1: Instrument/Facility Details

Name of Facility/ /Security	ISIN	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs. Crore)	Rating Assigned/ Outlook
Cash Credit	-	-	-	Revolving	70.00	IVR BBB/ Stable (IVR Triple B with Stable outlook)

Annexure 2: Facility wise lender details:
https://www.infomerics.com/admin/prfiles/len-TrackComponents-nov24.pdf

Annexure 3: Detailed explanation of covenants of the rated Security/facilities: Not Applicable

Annexure 4: List of companies considered for consolidated/Combined analysis: 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.