



## Press Release

### Track Components Limited (TCL)

September 20, 2023

#### Ratings

Instrument Facility /	Amount (Rs. crore)	Ratings	Rating Action	<a href="#">Complexity Indicator</a>
Long Term Bank Facility	55.00 (Increased from 45.00)	IVR BBB-/ Stable (IVR triple B minus with Stable outlook)	Revised	Simple
<b>Total</b>	<b>55.00</b> <b>(INR Fifty five crores only)</b>			

Details of Facilities are in Annexure 1

#### Detailed Rationale

The revision in the ratings assigned to the bank facilities of Track Components Limited (TCL) factors in significant improvement in the topline and profit during FY23 and Q1FY24. 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 exposure to cyclicity inherent in auto industry.

#### Key Rating Sensitivities:

##### Upward Factors

- Substantial and sustained improvement in revenue and profitability margins while maintaining the debt protection metrics may lead to a positive rating action.

##### Downward Factors

- Any decline in scale of operations and/or moderation in profitability leading to decline in the debt protection metrics
- Withdrawal of subordinated unsubordinated loans/any unplanned capex impacting the capital structure



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### List of Key Rating Drivers with Detailed Description

#### Key Rating Strengths

- **Significant improvement in the topline and profit during FY23 and Q1FY24**

The topline of the company increased to Rs.606.62 crore in FY23 against Rs.384.43 crores in FY22, depicting y-o-y increase of 58% on the back of improvement in sales volume along with increased contribution per vehicle. Consequently, the profits and cash accruals of the company also improved significantly in FY23. EBITDA and PAT increased to Rs.45.77 crore (Rs.33.80 crore in FY22) and Rs.10.53 crore (Rs.2.61 crore in FY22) respectively in FY23. Also the company achieved a topline of Rs.169.57 crore in Q1FY24 as against Rs.131.04 crore in Q1FY23. Registering y-o-y increase of 29.40%. Consequently, EBITDA and PAT increased to Rs.13.56 crore and Rs.3.42 crore, respectively in Q1FY24 as against Rs. 9.65 crore and Rs. 0.92 crore respectively during the same period in the previous fiscal.

- **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.

- **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.

- **Exposure 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:**

[Criteria for assigning outlook](#)

[Rating Methodology for manufacturing companies](#)

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

### **Liquidity – Adequate**

The liquidity position of the company is adequate on account of the fact that the expected gross cash accruals of the company are likely to remain favourable relative to its debt-servicing obligations during FY24-FY26. Further, company has reported current ratio at 1.10x as on March 31, 2023. TCL's average working capital utilization for twelve months ended August 2023 stands at 90.24%. TCL has cash and bank balance of Rs. 2.64 crore as on March 31st 2023.



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### **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 in Crore**

For the Year ended*/As on	31-March-22 (Audited)	31-March-23 (Provisional)
Total Operating Income	384.43	606.62
EBITDA	33.80	45.77
PAT	2.61	10.53
Total Debt	112.62	131.64
Tangible Net Worth (including quasi equity)	129.07	143.70
EBITDA Margin (%)	8.79	7.55
PAT Margin (%)	0.68	1.73
Overall Gearing ratio(X)	0.87	0.92

**\* Classifications as per Infomerics standards**

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

**Any other information: Nil**



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### Rating History for last three years:

Sr. No.	Name of Instrument/Facilities	Current Ratings (Year 2023-24)			Rating History for the past 3 years		
		Type	Amount (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2022-23 (January 12, 2023)	Date(s) & Rating(s) assigned in 2021-22 (February 17, 2022)	Date(s) & Rating(s) assigned in 2020-21
1.	Cash Credit	Long Term	55.00	IVR BBB-/Stable	IVR BB+/Positive	IVR BB/Stable	-

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### About Infomerics:

Infomerics Valuation and Rating Private Ltd (Infomerics) 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.



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

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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	-	-	Revolving	55.00	IVR BBB-/ Stable

**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-sep23.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).