



The Pakistan Credit Rating Agency Limited

Rating Report

TPL Trakker Limited

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Rating History

Dissemination Date	Long Term Rating	Short Term Rating	Outlook	Action	Rating Watch
23-Dec-2022	A-	A2	Stable	Maintain	-
23-Dec-2021	A-	A2	Stable	Maintain	-
23-Dec-2020	A-	A2	Stable	Maintain	-
29-Jun-2020	A-	A2	Stable	Maintain	Yes
14-Dec-2019	A-	A2	Stable	Maintain	-
14-Jun-2019	A-	A2	Stable	Maintain	-
13-Dec-2018	A-	A2	Stable	Maintain	-
13-Jun-2018	A-	A2	Stable	Maintain	-
16-Sep-2017	A-	A2	Stable	Maintain	-
18-Feb-2017	A-	A2	Stable	Maintain	-

Rating Rationale and Key Rating Drivers

The ratings incorporate TPL Trakker's ("the Company" or "TPLT") prominent position in Pakistan's vehicle tracking industry, emanating from its multifaceted product portfolio and robust technology infrastructure. As an industry pioneer operating for over two decades, the Company was able to achieve synergistic diversification of its portfolio and offers tailored solutions to a wide array of clients and sectors driving a sustainable edge and leading market position in Telematics, Internet of Things (IoT) and Data analytics. Tracking segment typically relies on the growth of the automobile industry, which remains under pressure due to import restrictions in the last quarter of FY22. That said, the overall market penetration across both heavy and light vehicles remains untapped and the Company has shown consistent growth with major clients in accelerating their fleet digitization journeys, which are still in their infancy in Pakistan. TPLT is further complementing its offering with a growing ecosystem of sensors and IoT devices coupled with real-time visibility and analytics across both web and mobile dashboards to provide a seamless customer experience. Overall growth in digital commerce alongside future development of special economic zones and CPEC projects are creating new opportunities across cargo tracking and fleet management which the Company is poised to benefit from. TPLT will soon be launching a new mobile App as well as a device agnostic IoT dashboard to leverage our growing ecosystem via a SaaS-based (Software as a Service) platform providing visibility and efficiencies across the customer supply chain. As part of their strategy, TPL Maps has also been carved out from TPL Trakker as a wholly owned subsidiary named "Astra Location Services (Pvt) Ltd". This will enhance dedicated focus and potentially invite external capital investment to bolster development and build new, localized digital mapping products and services through a single integrated platform. On the operational front, multiple revenue-generating avenues are near completion with a major portion of capital expenditure already incurred. The sponsors have a deep understanding of the business and the Company is led by experienced management. Financial profile of the Company is demonstrated by stretched working capital cycle and moderate coverages and cash flows. Due to increase in the cost of doing business, there is consistent pressure on margins and profits as depicted in 1QFY23. Capital structure is leveraged where borrowings are a mix of short-term and long-term. Keeping a view of modest growth in revenue the outcome of upcoming projects remains critical.

The ratings are dependent upon the successful translation of upcoming ventures into sustainable revenue streams and positive performance indicators such as retaining sufficient cash flows, profits and margins where adherence to financial discipline is crucial.

Disclosure

Name of Rated Entity	TPL Trakker Limited
Type of Relationship	Solicited
Purpose of the Rating	Entity Rating
Applicable Criteria	Methodology Corporate Rating(Jun-22),Methodology Correlation Between Long-term & Short-term Rating Scales(Jun-22),Methodology Rating Modifiers(Jun-22)
Related Research	Sector Study Tracking Services(Dec-22)
Rating Analysts	Sohail Ahmed Qureshi sohail.ahmed@pacra.com +92-42-35869504

Profile

Legal Structure TPL Trakker Limited ("the company") was listed on the stock exchange on August 10th, 2020.

Background TPL Vehicle Tracking (Private) Limited (the Company) was incorporated in Pakistan on December 27, 2016 as a private limited company under the repealed Companies Ordinance, 1984 (now Companies Act, 2017). Effective from November 30, 2017, the name of the Company was changed to TPL Trakker (Private) Limited. The Company was later converted into a public unlisted company on January 17, 2018, and accordingly, the name was changed to TPL Trakker Limited.

Operations TPL Trakker's core business includes vehicle tracking and fleet management solutions. TPL Trakker is now making its way into new business arenas by stepping into the Internet of things-IoT service provision. Post-merger, digital mapping, and location-based services are yet another auspicious addition to its product offerings. It is serving leading corporate clients; corporate, retail, and institutional sectors constitute the client mix and operates a network of 9 branches, across major cities of Pakistan with an installation centre in Karachi.

Ownership

Ownership Structure TPL Corp. Limited is the major shareholder of the company which beneficially owns ~64% shareholding. The rest of the shareholding is held with Banks, DFI, NBFI, Modarabas, insurance, and General Public. TPL Corp is a 53% subsidiary of TPL Holdings.

Stability Overall group ownership displays a stable pattern of a holding group structure as TPL Corp. owns a major stake in all entities, running different business lines.

Business Acumen TPL Corp. Limited is majorly owned by TPL Holdings, and has extended footings in diversified business avenues with a sizeable portfolio of strategic investments, representing firm business profiles.

Financial Strength Group level business portfolio spans various segments including Asset Tracking, Container Tracking along with diversified business avenues demonstrating healthy financial strength.

Governance

Board Structure The board of directors consist of eight members including 1 female director and 3 non-executive directors. Also, the roles of chairman and CEO are held by separate individuals.

Members' Profile All members are from diverse professional backgrounds. Mr. Jameel Yusuf, a businessman by profession is the Chairman of TPL Trakker Limited. He also serves as the Chairman of TPL Corp Limited with vast expertise expanded in managing various business ventures.

Board Effectiveness The board has made two committees namely i) Audit and ii) HR Committee, which are chaired by independent directors. During the year, three board meetings were held. Attendance of board members in these meetings remained strong and the meeting minutes are documented adequately.

Financial Transparency The Company has its own internal audit function which reports directly to the board Audit Committee. BDO Ebrahim & Co, Chartered Accountants are the external auditors of TPL Trakker. They have given an unqualified opinion on the financial statements for the year ending June 2022.

Management

Organizational Structure After the restructuring of its business profile, TPL Trakker maintains a well-defined yet concentrated business process with established real-time management systems.

Management Team TPL Trakker's management portfolio is enriched with experienced professionals. Mr. Muhammad Harris Jamali, CEO of the Company, is a seasoned professional, over the course of his 15-year career, he has worked with a wide range of high-profile clients and customers from different industries. Mr. Harris was previously the CEO of TCS Private Limited and the Group Head of Strategy of TCS Holdings Limited.

Effectiveness The Company has an able management team. The long association of the management team with the group bodes well for the overall growth of the company. Somehow, all pertinent issues are resolved at department levels by the department heads and managers.

MIS The organization has implemented the Oracle ERP suite to automate its installation and repair centre countrywide. This solution has completed integration with the company's financial and Customer Relationship Management (CRM) enterprise applications. ERP facilitates information flow between all business functions inside the organization and manages connections to outside stakeholders.

Control Environment TPL is equipped with the most advanced technological solutions to support its business operations proficiently, allowing timely reporting.

Business Risk

Industry Dynamics In the backdrop of the raging economic instability, there are tremendous challenges being faced by the sector. Lockdowns by the Government and limited scope of operations have drastic implications. Pakistan's tracking Industry is largely driven by the automobile segment, which is showing a negative growth outlook due to an increase in interest rates and L/C restrictions imposed by SBP and the future outlook suggests further downfall. However, the beginning of 2022, fortunately, witnessed a recovery. The tracking industry also faced a demand shift towards other services such as monitoring services from vehicle tracking/other related business avenues. Tracking business will be more dependent on fleet management and container tracking, going forward.

Relative Position Despite increasing challenges and competition in the market, management claims to hold a market share of ~42% in the tracking & fleet management industry and still outperforming the market. This was made possible primarily due to the shift in strategy by TPL Trakker and entering new avenues such as the Internet of Things (IoT) instead of relying solely only on the Vehicle Tracking market.

Revenues TPL Trakker's revenue mainly comprises i) Equipment installation sales ii) Rental from tracking devices iii) Monitoring fees iv) Navigation income v) E-ticketing income and vi) Other services. During FY22, revenue clocked in at PKR 2.1bln (FY21: 1.9bln FY20: PKR 1.6bln) in line with industry dynamics. Approximately ~53% of the revenue comes from the rental of tracking devices followed by monitoring income. The revenue base is expected to augment in coming periods in view of growth in the Internet of things (IoT), CPEC, and transshipment projects begin to take up pace. Location-based services are yet another promising segment to add more value to the business.

Margins Gross profit margins for FY22 stood at ~35% (FY21: FY20: 24%, FY19: ~57%). Operating margin improved from ~6% in FY21 to ~13% in FY22 and the net margin turned positive and stood at ~9.4%. Improvement in Operating margin is due to an increase in sales. During FY22, the bottom line showed a profit of PKR 197mln (FY21: -120mln, FY20: PKR -459mln), as compared to losses in previous years. In 3MFY22, the bottom line showed a loss of PKR -32mln. The Company's bottom line is expected to witness recovery in the near future when revenues begin to instill.

Sustainability Multiple yet diversified revenue streams ensure sustainable inflows for the business. The Company has secured the Export Processing Zone mandate which is in the 2nd phase of the STE project covering and from container movement from Karachi Port to Export Processing Zone. In the near future, the EPZs will be covering dry ports as well. Additionally, the introduction of integrated products, 'connected cars, in collaboration with auto manufacturers and near-time CPEC project routing is expected to support the Company's revenues. Moreover, a revised strategy is formulated with the TPL Maps division being carved out from TPL Trakker as a separate entity duly named 'Astra Location Services (Pvt) Ltd'.

Financial Risk

Working Capital TPL's working capital requirements emanate from credit allowance to corporates and financial institutions; financed through short-term borrowings. In FY22, the cash cycle has been reduced to 164 days (FY21: 194 days). As per the norms of the industry, ageing analysis reveals that most of the debtors take about a minimum of four months to pay, which mainly constitute corporate clientele.

Coverages During FY22, free cash flows from operations (FCFO) stood at PKR 641mln as compared to PKR 615mln in FY21. The high finance cost kept the overall coverages conservative at 2.1x in FY22 (FY21: 1.6x). In 3MFY22, FCFO stood at PKR 171mln with coverage of 1.7x.

Capitalization The equity base stood at PKR 2.2bln as of FY22 (FY21: PKR 2.3bln). Borrowings stood at PKR 2.3bln in FY22 (FY21 PKR 3.7bln, FY20 PKR 3.4bln). Debt-to-Equity ratio of the company stands at; ~51% in FY22 (FY21: ~62%, FY20: ~69%).



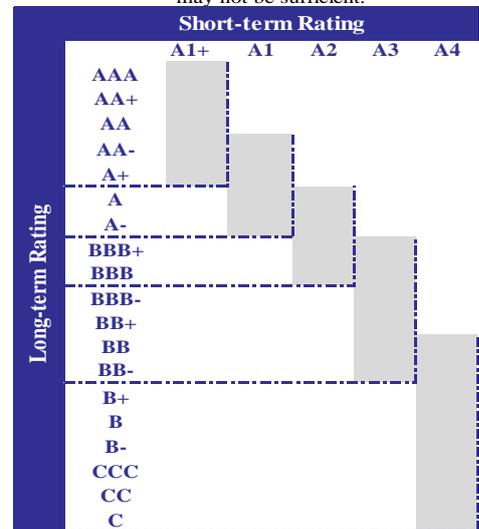
TPL Trakker Tracking Services	Sep-22 3M	Jun-22 12M	Jun-21 12M	Jun-20 12M
A BALANCE SHEET				
1 Non-Current Assets	2,141	3,232	3,444	3,368
2 Investments	-	-	-	-
3 Related Party Exposure	2,163	1,110	1,688	1,142
4 Current Assets	1,964	1,763	2,081	1,629
a Inventories	365	270	371	228
b Trade Receivables	729	820	1,124	1,023
5 Total Assets	6,268	6,105	7,212	6,140
6 Current Liabilities	1,120	1,163	1,020	1,078
a Trade Payables	350	370	322	420
7 Borrowings	2,167	2,290	3,659	3,408
8 Related Party Exposure	548	455	255	98
9 Non-Current Liabilities	-	-	1	2
10 Net Assets	2,433	2,197	2,279	1,554
11 Shareholders' Equity	2,433	2,197	2,279	1,554
B INCOME STATEMENT				
1 Sales	532	2,106	1,886	1,605
a Cost of Good Sold	(355)	(1,360)	(1,280)	(1,222)
2 Gross Profit	177	746	606	383
a Operating Expenses	(108)	(543)	(494)	(498)
3 Operating Profit	69	203	112	(115)
a Non Operating Income or (Expense)	29	211	191	161
4 Profit or (Loss) before Interest and Tax	98	413	303	46
a Total Finance Cost	(115)	(327)	(390)	(515)
b Taxation	(15)	111	(34)	11
6 Net Income Or (Loss)	(32)	197	(120)	(459)
C CASH FLOW STATEMENT				
a Free Cash Flows from Operations (FCFO)	171	641	615	398
b Net Cash from Operating Activities before Working Capital Changes	81	321	202	(13)
c Changes in Working Capital	31	694	(325)	(1,342)
1 Net Cash provided by Operating Activities	113	1,015	(123)	(1,355)
2 Net Cash (Used in) or Available From Investing Activities	(14)	86	(235)	236
3 Net Cash (Used in) or Available From Financing Activities	(98)	(818)	471	1,118
4 Net Cash generated or (Used) during the period	1	283	113	(1)
D RATIO ANALYSIS				
1 Performance				
a Sales Growth (for the period)	1.1%	11.7%	17.5%	-9.4%
b Gross Profit Margin	33.3%	35.4%	32.1%	23.9%
c Net Profit Margin	-5.9%	9.4%	-6.4%	-28.6%
d Cash Conversion Efficiency (FCFO adjusted for Working Capital/Sales)	38.1%	63.4%	15.4%	-58.8%
e Return on Equity [Net Profit Margin * Asset Turnover * (Total Assets/Sh	-5.4%	8.8%	-6.3%	-29.0%
2 Working Capital Management				
a Gross Working Capital (Average Days)	187	224	266	320
b Net Working Capital (Average Days)	125	164	194	212
c Current Ratio (Current Assets / Current Liabilities)	1.8	1.5	2.0	1.5
3 Coverages				
a EBITDA / Finance Cost	1.7	2.2	1.7	0.8
b FCFO / Finance Cost+CMLTB+Excess STB	0.7	0.6	0.3	0.1
c Debt Payback (Total Borrowings+Excess STB) / (FCFO-Finance Cost)	5.2	5.1	11.3	-25.1
4 Capital Structure				
a Total Borrowings / (Total Borrowings+Shareholders' Equity)	47.1%	51.0%	61.6%	68.7%
b Interest or Markup Payable (Days)	38.1	37.8	62.4	63.4
c Entity Average Borrowing Rate	17.2%	10.9%	11.6%	18.0%

Credit Rating

Credit rating reflects forward-looking opinion on credit worthiness of underlying entity or instrument; more specifically it covers relative ability to honor financial obligations. The primary factor being captured on the rating scale is relative likelihood of default.

Scale	Long-term Rating Definition
AAA	Highest credit quality. Lowest expectation of credit risk. Indicate exceptionally strong capacity for timely payment of financial commitments
AA+	
AA	Very high credit quality. Very low expectation of credit risk. Indicate very strong capacity for timely payment of financial commitments. This capacity is not significantly vulnerable to foreseeable events.
AA-	
A+	
A	High credit quality. Low expectation of credit risk. The capacity for timely payment of financial commitments is considered strong. This capacity may, nevertheless, be vulnerable to changes in circumstances or in economic conditions.
A-	
BBB+	
BBB	Good credit quality. Currently a low expectation of credit risk. The capacity for timely payment of financial commitments is considered adequate, but adverse changes in circumstances and in economic conditions are more likely to impair this capacity.
BBB-	
BB+	
BB	Moderate risk. Possibility of credit risk developing. There is a possibility of credit risk developing, particularly as a result of adverse economic or business changes over time; however, business or financial alternatives may be available to allow financial commitments to be met.
BB-	
B+	
B	High credit risk. A limited margin of safety remains against credit risk. Financial commitments are currently being met; however, capacity for continued payment is contingent upon a sustained, favorable business and economic environment.
B-	
CCC	
CC	Very high credit risk. Substantial credit risk "CCC" Default is a real possibility. Capacity for meeting financial commitments is solely reliant upon sustained, favorable business or economic developments. "CC" Rating indicates that default of some kind appears probable. "C" Ratings signal imminent default.
C	
D	Obligations are currently in default.

Scale	Short-term Rating Definition
A1+	The highest capacity for timely repayment.
A1	A strong capacity for timely repayment.
A2	A satisfactory capacity for timely repayment. This may be susceptible to adverse changes in business, economic, or financial conditions.
A3	An adequate capacity for timely repayment. Such capacity is susceptible to adverse changes in business, economic, or financial conditions.
A4	The capacity for timely repayment is more susceptible to adverse changes in business, economic, or financial conditions. Liquidity may not be sufficient.



*The correlation shown is indicative and, in certain cases, may not hold.

Outlook (Stable, Positive, Negative, Developing) Indicates the potential and direction of a rating over the intermediate term in response to trends in economic and/or fundamental business/financial conditions. It is not necessarily a precursor to a rating change. 'Stable' outlook means a rating is not likely to change. 'Positive' means it may be raised. 'Negative' means it may be lowered. Where the trends have conflicting elements, the outlook may be described as 'Developing'.

Rating Watch Alerts to the possibility of a rating change subsequent to, or, in anticipation of some material identifiable event with indeterminable rating implications. But it does not mean that a rating change is inevitable. A watch should be resolved within foreseeable future, but may continue if underlying circumstances are not settled. Rating watch may accompany rating outlook of the respective opinion.

Suspension It is not possible to update an opinion due to lack of requisite information. Opinion should be resumed in foreseeable future. However, if this does not happen within six (6) months, the rating should be considered withdrawn.

Withdrawn A rating is withdrawn on a) termination of rating mandate, b) the debt instrument is redeemed, c) the rating remains suspended for six months, d) the entity/issuer defaults, or/and e) PACRA finds it impractical to surveil the opinion due to lack of requisite information.

Harmonization A change in rating due to revision in applicable methodology or underlying scale.

Surveillance. Surveillance on a publicly disseminated rating opinion is carried out on an ongoing basis till it is formally suspended or withdrawn. A comprehensive surveillance of rating opinion is carried out at least once every six months. However, a rating opinion may be reviewed in the intervening period if it is necessitated by any material happening.

Note. This scale is applicable to the following methodology(s):

a) Broker Entity Rating	e) Holding Company Rating
b) Corporate Rating	f) Independent Power Producer Rating
c) Debt Instrument Rating	g) Microfinance Institution Rating
d) Financial Institution Rating	h) Non-Banking Finance Companies Rating

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(1) Rating is just an opinion about the creditworthiness of the entity and does not constitute recommendation to buy, hold or sell any security of the entity rated or to buy, hold or sell the security rated, as the case may be | Chapter III; 14-3-(x)

2) Conflict of Interest

i. The Rating Team or any of their family members have no interest in this rating | Chapter III; 12-2-(j)

ii. PACRA, the analysts involved in the rating process and members of its rating committee, and their family members, do not have any conflict of interest relating to the rating done by them | Chapter III; 12-2-(e) & (k)

iii. The analyst is not a substantial shareholder of the customer being rated by PACRA [Annexure F; d-(ii)] Explanation: for the purpose of above clause, the term "family members" shall include only those family members who are dependent on the analyst and members of the rating committee

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(3) No director, officer or employee of PACRA communicates the information, acquired by him for use for rating purposes, to any other person except where required under law to do so. | Chapter III; 10-(5)

(4) PACRA does not disclose or discuss with outside parties or make improper use of the non-public information which has come to its knowledge during business relationship with the customer | Chapter III; 10-7-(d)

(5) PACRA does not make proposals or recommendations regarding the activities of rated entities that could impact a credit rating of entity subject to rating | Chapter III; 10-7-(k)

Conduct of Business

(6) PACRA fulfills its obligations in a fair, efficient, transparent and ethical manner and renders high standards of services in performing its functions and obligations; | Chapter III; 11-A-(a)

(7) PACRA uses due care in preparation of this Rating Report. Our information has been obtained from sources we consider to be reliable but its accuracy or completeness is not guaranteed. PACRA does not, in every instance, independently verifies or validates information received in the rating process or in preparing this Rating Report | Clause 11-(A)(p).

(8) PACRA prohibits its employees and analysts from soliciting money, gifts or favors from anyone with whom PACRA conducts business | Chapter III; 11-A-(q)

(9) PACRA ensures before commencement of the rating process that an analyst or employee has not had a recent employment or other significant business or personal relationship with the rated entity that may cause or may be perceived as causing a conflict of interest; | Chapter III; 11-A-(r)

(10) PACRA maintains principal of integrity in seeking rating business | Chapter III; 11-A-(u)

(11) PACRA promptly investigates, in the event of a misconduct or a breach of the policies, procedures and controls, and takes appropriate steps to rectify any weaknesses to prevent any recurrence along with suitable punitive action against the responsible employee(s) | Chapter III; 11-B-(m)

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(12) PACRA receives compensation from the entity being rated or any third party for the rating services it offers. The receipt of this compensation has no influence on PACRA's opinions or other analytical processes. In all instances, PACRA is committed to preserving the objectivity, integrity and independence of its ratings. Our relationship is governed by two distinct mandates i) rating mandate - signed with the entity being rated or issuer of the debt instrument, and fee mandate - signed with the payer, which can be different from the entity

(13) PACRA does not provide consultancy/advisory services or other services to any of its customers or to any of its customers' associated companies and associated undertakings that is being rated or has been rated by it during the preceding three years unless it has adequate mechanism in place ensuring that provision of such services does not lead to a conflict of interest situation with its rating activities; | Chapter III; 12-2-(d)

(14) PACRA discloses that no shareholder directly or indirectly holding 10% or more of the share capital of PACRA also holds directly or indirectly 10% or more of the share capital of the entity which is subject to rating or the entity which issued the instrument subject to rating by PACRA; | Reference Chapter III; 12-2-(f)

(15) PACRA ensures that the rating assigned to an entity or instrument is not be affected by the existence of a business relationship between PACRA and the entity or any other party, or the non-existence of such a relationship | Chapter III; 12-2-(i)

(16) PACRA ensures that the analysts or any of their family members shall not buy or sell or engage in any transaction in any security which falls in the analyst's area of primary analytical responsibility. This clause shall, however, not be applicable on investment in securities through collective investment schemes. | Chapter III; 12-2-(l)

(17) PACRA has established policies and procedure governing investments and trading in securities by its employees and for monitoring the same to prevent insider trading, market manipulation or any other market abuse | Chapter III; 11-B-(g)

Monitoring and review

(18) PACRA monitors all the outstanding ratings continuously and any potential change therein due to any event associated with the issuer, the security arrangement, the industry etc., is disseminated to the market, immediately and in effective manner, after appropriate consultation with the entity/issuer; | Chapter III | 18-(a)

(19) PACRA reviews all the outstanding ratings on semi-annual basis or as and when required by any creditor or upon the occurrence of such an event which requires to do so; | Chapter III | 18-(b)

(20) PACRA initiates immediate review of the outstanding rating upon becoming aware of any information that may reasonably be expected to result in downgrading of the rating; | Chapter III | 18-(c)

(21) PACRA engages with the issuer and the debt securities trustee, to remain updated on all information pertaining to the rating of the entity/instrument; | Chapter III | 18-(d)

Probability of Default

(22) PACRA's Rating Scale reflects the expectation of credit risk. The highest rating has the lowest relative likelihood of default (i.e, probability). PACRA's transition studies capture the historical performance behavior of a specific rating notch. Transition behavior of the assigned rating can be obtained from PACRA's Transition Study available at our website. (www.pacra.com). However, actual transition of rating may not follow the pattern observed in the past | Chapter III | 14-(F-VII)

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