



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-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	-
20-May-2016	A-	A2	Rating Watch- Developing	Maintain	-
18-Feb-2016	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 tracking industry, emanating from its multifaceted product portfolio and sanguine technology infrastructure. The Company is adding more diversity and flexibility to its existing product portfolio in order to sustain a position as a tech savvy solutions provider. Tracking services segment relies significantly on the growth of automobile industry, there had been significant recovery in this sector during FY21, which is a positive sign. There is an increasing trend of services / delivery apps catered towards providing consumer with maximum convenience. The development of various special economic zones alongside a number of CPEC projects has created opportunities in cargo tracking and fleet management. In tracking segment, TPLT is creating diversification by exploring new and untapped avenues both, product and geography wise. Looking ahead, the Company is focusing on vertical specific solutions for industries such as, manufacturing, telecommunication, Oil & Gas and transportation. There is developing trend on digitalization and shifting to IoT solutions to bring multiple efficiencies and TPLT is positioned well to take advantage of this opportunity. In digital mapping & LBS segment, the focus of the TPLT is to introduce a new dimension of digital maps platform which will enable movers to have a wholesome travelling experience with smart companionship, travel assistance, tour planning, and facilitation through a single integrated application. On the operational front, multiple revenue generating avenues are near to completion with major portion of capital expenditure already incurred. The sponsors have a good understanding of the business and the Company is led by experienced management. Financial profile of the Company is demonstrated by stretched working capital and moderate cash flows where borrowings are a mix of short term and long term. Keeping view of modest growth in revenue and reduction in loss relative to last year, the outcome of upcoming projects remain critical.

The ratings are dependent upon successful translation of the 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-21),Criteria Correlation Between Long-term & Short-term Rating Scales(Jun-21)
Related Research	Sector Study Tracking Services(Dec-21)
Rating Analysts	Nabeel Ashrif nabeel.ashrif@pacra.com +92-42-35869504

Profile

Legal Structure TPL Vehicle Tracking (Private) Limited was incorporated in Pakistan on December 27, 2016 as a private limited company under the repealed Companies Ordinance, 1984 (now Companies Act, 2017). In 2020, TPL Trakker listed itself on stock exchange.

Background In July 2017, TPL Trakker was demerged and as a consequence, two major segments i) Vehicle Tracking and ii) Maps were spun off from the company into two separate wholly owned subsidiaries i) TPL Tracker and TPL Maps (TPL M). As a result, TPL Corp was formed, which became the holding company for TPL Vehicles and TPL Maps. During the year 2020 major developments occurred : a) Both TPL Maps and TPL Rupiya were merged into TPL Trakker limited and b) The company successfully achieved the IPO - Prior to being listed it was a wholly owned subsidiary of TPL Corp Limited

Operations TPL Trakker's core business includes vehicle tracking and fleet management solutions. TPL Trakker is now making its way in new business arenas by stepping into Internet of things-IoT service provision. Post merger, digital mapping and location based services is yet another auspicious addition to its product offerings. It is serving over 300 leading corporate clients; corporate, retail and institutional sector constitute the client mix and operates a network of 9 branches, across major cities of Pakistan with an installation center at Karachi.

Ownership

Ownership Structure TPL Corp. Limited is the major shareholder of the company who beneficially owns ~64% shareholding. Rest of the shareholding is held with Banks, DFI, NBFI, Modarabas, insurance and General Public. TPL Corp is a 62% subsidiary of TPL Holdings.

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

Business Acumen TPL Corp. Limited is majorly owned by TPL Holdings, 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 across 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 background. 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, six 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 board Audit Committee. Ernst & Young Ford Rhodes Sidat Hyder, Chartered Accountants are the external auditors of TPL Trakker.

Management

Organizational Structure After the restructuring of 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. Sarwar Ali Khan, CEO of the Company, is a seasoned professional with over a decade of experience and has been associated with the Company for more than five years.

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 Oracle ERP suite to automate its installation and repair center countrywide. This solution has complete 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 raging pandemic there were tremendous challenges being faced by the sector. Pakistan's tracking Industry is largely driven by the automobile segment, which was in the phase of turmoil in the last 2/3 years showing a constant decline. However, the beginning of 2021, 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, The Company holds a prominent 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 sale ii) Rental income iii) Monitoring income iv) Navigation income v) E-ticketing income and vi) Other services. During FY21, revenue clocked in at PKR 1.9bln, which is nearly close to last year (FY20: PKR 1.6bln) while during 3MFY22 it stood at PKR 472mln (3MFY21: PKR 396mln), in line with industry dynamics. Approximately ~47% of the revenue comes from rental of tracking devices followed by monitoring income. The revenue base is expected to augment in coming periods in view of growth in Internet of things (IoT), CPEC and transshipment project begins to take up pace. Location based services is yet another promising segment to add more value to the business.

Margins The company has done certain reclassifications in profit and loss account as a result GP margins of FY20 have changed from ~39% to ~24%. Gross profit margins for FY21 stood at ~32% which has slightly improved to ~33% in 3MFY22 (FY20: 24%, FY19: ~57%). Although operating expenses have reduced, both operating and net margin remained in red zone. Major hurdle to translation of gross margins into bottom-line is the financing cost, although reduced for the period but is still at a higher end. During FY21, bottom-line showed a net loss of PKR~-120mln (FY20: PKR -459mln), representing shrink in the loss gap. The Company's bottom-line is expected to witness recovery in near future when revenues begin to instill.

Sustainability Multiple yet diversified revenue streams ensure the sustainable inflows for the business. The Company has secured Export Processing Zone mandate which is in the 2nd phase of STE project covering to 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, introduction of integrated products, 'connected cars', in collaboration with auto manufacturers and near time CPEC project routing are expected to support the Company' revenues. As per the Group level strategic vision, the Company is now a listed company. Moreover, TPL Rupiya & TPL Maps has been merged into the company whereas international collaborations are under deliberations which is expected to augment synergies.

Financial Risk

Working Capital TPL's working capital requirements emanate from credit allowance to corporates and financial institutions; financed through short-term borrowings. In 3MFY22, the cash cycle has reduced to 149days (FY20: 212days). As per the norms of the industry, aging analysis reveals that most of the debtors take about minimum four months to pay, which mainly constitute corporate clientele

Coverages During 3MFY22, losses borne at PBIT, resulted in free cash flows (FCFO) of PKR 140mln as compared to PKR 615mln in FY21. The significant uptick in finance cost kept the overall coverages conservative at 1.6x in 3MFY22 (FY21: 1.7x)

Capitalization The equity base stood at PKR 2.2bln as at 3MFY22 (FY20: PKR 1.6bln). Borrowings stand at PKR 3.2bln in 3MFY22 (FY21 PKR 3.7bln, FY20 PKR 3.4bln). Debt-to-Equity ratio of the company stands at: ~59% in 3MFY22 (FY21: ~62%, FY20: ~69%)



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Financial Summary

PKR mln

TPL Trakker Limited Tracking Services	Sep-21 3M	Jun-21 12M	Jun-20 12M	Jun-19 12M
A BALANCE SHEET				
1 Non-Current Assets	3,395	3,444	3,368	2,808
2 Investments	-	-	-	-
3 Related Party Exposure	1,301	1,688	1,142	661
4 Current Assets	2,069	2,081	1,629	1,808
a Inventories	469	371	228	256
b Trade Receivables	886	1,124	1,023	1,310
5 Total Assets	6,765	7,212	6,140	5,278
6 Current Liabilities	1,175	1,020	1,078	866
a Trade Payables	993	322	420	536
7 Borrowings	3,198	3,659	3,408	2,129
8 Related Party Exposure	139	255	98	670
9 Non-Current Liabilities	1	1	2	-
10 Net Assets	2,253	2,279	1,554	1,613
11 Shareholders' Equity	2,253	2,279	1,554	1,613
B INCOME STATEMENT				
1 Sales	472	1,886	1,605	1,772
a Cost of Good Sold	(315)	(1,280)	(1,222)	(767)
2 Gross Profit	157	606	383	1,005
a Operating Expenses	(131)	(494)	(498)	(655)
3 Operating Profit	25	112	(115)	350
a Non Operating Income or (Expense)	45	191	161	31
4 Profit or (Loss) before Interest and Tax	70	303	46	381
a Total Finance Cost	(93)	(390)	(515)	(310)
b Taxation	(2)	(34)	11	(35)
6 Net Income Or (Loss)	(25)	(120)	(459)	36
C CASH FLOW STATEMENT				
a Free Cash Flows from Operations (FCFO)	140	615	398	541
b Net Cash from Operating Activities before Working Capital Changes	61	202	(13)	238
c Changes in Working Capital	124	(325)	(1,342)	(182)
1 Net Cash provided by Operating Activities	185	(123)	(1,355)	56
2 Net Cash (Used in) or Available From Investing Activities	(24)	(235)	236	105
3 Net Cash (Used in) or Available From Financing Activities	(54)	471	1,118	(155)
4 Net Cash generated or (Used) during the period	107	113	(1)	6
D RATIO ANALYSIS				
1 Performance				
a Sales Growth (for the period)	0.1%	17.5%	-9.4%	6.7%
b Gross Profit Margin	33.2%	32.1%	23.9%	56.7%
c Net Profit Margin	-5.4%	-6.4%	-28.6%	2.0%
d Cash Conversion Efficiency (FCFO adjusted for Working Capital/Sales)	56.0%	15.4%	-58.8%	20.3%
e Return on Equity [Net Profit Margin * Asset Turnover * (Total Assets/Sh	-4.5%	-6.3%	-29.0%	2.6%
2 Working Capital Management				
a Gross Working Capital (Average Days)	276	266	320	386
b Net Working Capital (Average Days)	149	194	212	297
c Current Ratio (Current Assets / Current Liabilities)	1.8	2.0	1.5	2.1
3 Coverages				
a EBITDA / Finance Cost	1.6	1.7	0.8	2.0
b FCFO / Finance Cost+CMLTB+Excess STB	0.4	0.3	0.1	0.5
c Debt Payback (Total Borrowings+Excess STB) / (FCFO-Finance Cost)	12.2	11.3	-25.1	5.1
4 Capital Structure				
a Total Borrowings / (Total Borrowings+Shareholders' Equity)	58.7%	61.6%	68.7%	56.9%
b Interest or Markup Payable (Days)	109.4	62.4	63.4	78.0
c Entity Average Borrowing Rate	11.3%	11.6%	18.0%	13.6%

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+	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	
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):

<p>Entities</p> <ul style="list-style-type: none"> a) Broker Entity Rating b) Corporate Rating c) Financial Institution Rating d) Holding Company Rating e) Independent Power Producer Rating f) Microfinance Institution Rating g) Non-Banking Finance Companies (NBFCs) Rating 	<p>Instruments</p> <ul style="list-style-type: none"> a) Basel III Compliant Debt Instrument Rating b) Debt Instrument Rating c) Sukuk 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

Restrictions

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- (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.
- (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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