

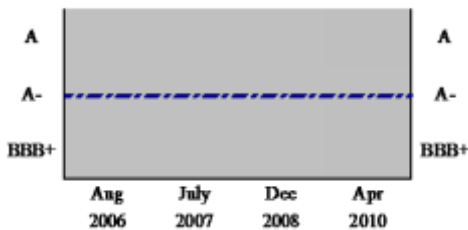
## The Pakistan Credit Rating Agency Limited

RATINGS (May 2010)

**TPL TRAKKER LIMITED (TTPL)**

Entity	New	Previous
Long Term	A-	A-
Short Term	A2	A2
<b>TFC (Privately Placed)</b>		
PKR 200mln	A	A
Outlook	Negative	-

### HISTORY – LT ENTITY RATING



### FINANCIAL DATA

	PKR (mln)		
	Dec-09*	Jun-09	Jun-08
Total	3,329	3,300	1,369
Assets			
Equity	1,916	1,903	119
Turnover	397	716	909
Net Income	13	(6)	20
Gross	63	55	35
Margin (%)			
EBIDTA	86	195	133
Net Debt / Equity (%)	28.9	27.7	523.9

\* Based on unaudited results per 6 months

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### PROFILE

- TPL Trakker Limited (TTPL) is Pakistan's largest vehicle tracking and fleet management company. The tracking operations of the company, earlier managed by Trakker (Private) Limited (TPL), now known as TPL Holdings Limited (THL), were commercially launched in Pakistan in April, 2000. The company has a network of 10 branches across Pakistan, with head office in Karachi. DigiCore, based in South Africa owns 30% of TTPL, while the balance 70% is owned by THL, which, in turn, is equally owned by Ali Jameel and Ali Bhai families.
- Mr. Ali Jameel, a Chartered Account from England & Wales, is the Group CEO. He has diversified experience in managing various business ventures. Mr. Jameel has been instrumental in designing and spearheading the company's strategy.

### RATING RATIONALE AND KEY DRIVERS

- The ratings reflect TTPL's sustained position as a market leader in the vehicle tracking industry, emanating from its superior technology infrastructure, well-known brand, and quality human resource. The company maintains competitive edge over its peers on account of association with one of the world's leading tracking solution providers – DigiCore Group. Although the subdued socio-economic environment has limited the business growth, TTPL is managing its core margins by bringing further cost efficiencies.
- The ratings have negative outlook highlighting the company's high financial risk. High financial charges, a result of significant quantum of borrowings, have deteriorated the coverages and strained the cash flows of the company. The group is aggressively pursuing various options to plough back funds in TTPL. This is expected to provide much needed financial space and would help de-lever TTPL. However, the timeline is uncertain.

### ASSESSMENT

- Trakker group underwent a significant corporate restructuring during FY09. Trakker Holdings Limited (THL), formerly known as Trakker (Private) Limited, became the holding company of the group. TPL Trakker Limited has been established as a new company to oversee the tracking business of the group. The tracking operations of THL were subsequently acquired by TTPL in accordance with the scheme of arrangements duly approved by the court.
- TTPL has two main sources of revenue including tracking unit sales and monitoring fees generated from already installed units. Monitoring fee is major source of income accounting for two-third of the total turnover in FY09 (FY08: 66%). The company witnessed a 21% decline in overall turnover in FY09 mainly on account of subdued economic fundamentals in general and relatively lower sales of vehicles in particular, that translated into reduced demand of tracking devices.
- During FY09, the company negotiated sizeable discounts from its venture partner and main vendor, DigiCore, translating in to significant increase in gross margins. Meanwhile, the company managed its operating expenses largely at the last year's level, thereby enabling it to achieve substantial rise in operating margins. However, the trickledown effect of this was not reflected in the bottom line mainly because of higher financial charges and increased tax expense during the year. The company largely maintained its profitability trends in 1HFY10.
- Going forward, the company has plans to focus mainly on institutional sales – corporate and financial institutions – to achieve targeted growth in revenue. The company has recently gained contracts from various organizations, both in public and private sectors. Meanwhile, the company is hopeful of finalizing a deal with customs, ensuring sizeable business volume. In the medium term, the company intends to target the commercial transport sector. These initiatives of the management are expected to help in further diversifying the revenue stream of the company, while limiting business concentration (FY09: top ten clients contributed 56% in turnover). At the same time, the company would continue to bring further efficiencies in its business functions while rationalizing its operating costs.
- Customer relationship management (CRM), being core focus of TTPL, is reflected in various initiatives taken by the company including deployment of a CRM module with Oracle ERP solutions. Moreover, a strong MIS system exists within the company. Reports regarding operational activity and targets are sent to the top management on a daily basis to keep track of the overall performance.
- The company has sizeable investments in other group companies including TPL Direct Insurance Limited (TDIL), Trakker Middle East LLC (TME), and Trakker Management Services (Private) Limited (TMS). While the dividend stream from these companies is yet to accrue, the company derives synergies mainly from TDIL, in terms of installation of tracking units in vehicles insured by the company.
- The company's cashflows are mainly a function of its monitoring fee, which is received in advance. During FY09, the overall cash flows of the company showed an improvement mainly on account of positive changes in working capital requirements. However, these witnessed deterioration in the later period. The coverages also registered a decline mainly on account of weak cashflows and a slight increase in debt in 1HFY10.
- The company's total debt-to-equity witnessed a significant improvement on YoY basis, though the company had retired its debt only partially. This was mainly on account of a hefty rise in equity owing to recognition of goodwill subsequent to corporate restructuring of the group. The company is exploring various options – including IPO – to improve its liquidity profile while reducing its debt further.

### TFC ISSUE

- The company issued secured, privately placed TFCs of PKR 200mln in Sep07, for a tenor of 4 years. The instrument carries profit at the rate of 6-month KIBOR plus 3.5% per annum, payable semi-annually. The principal redemption would be made through eight equal semi-annual instalments, which have started from Mar08.
- The TFC holders have first exclusive charge over annual monitoring fee of the 26,500 assigned tracking units. The monitoring fee of these units is deposited in a separate collection account that is operated under the control of the trustee. Additionally, the TFC holders have a pari passu charge on all present and future receivables, a ranking charge on other assets of the company, and a first charge on a property located in Lahore.