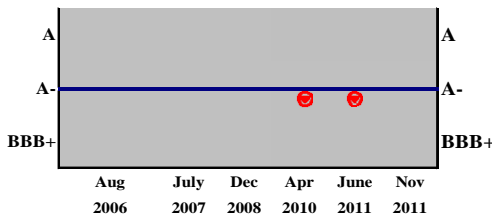


Entity	New	Previous
Long Term	A-	A-
Short Term	A2	A2
TFC (Privately Placed)*		
PKR 200mln	-	A
Outlook	-	Negative

*The TFC was redeemed in September 2011

HISTORY – LT ENTITY RATING



FINANCIAL DATA

	PKR (mln)		
	Jun-11	Jun-10	Jun-09
Total Assets	3,592	3,399	3,298
Equity	2,051	1,959	1,900
Turnover	833	822	716
Net Income	92	59	(6)
Gross Margin (%)	56	51	53
EBIDTA	308	254	225
Total Debt/ +Pure Equity(%)	77	87	95

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RATING RATIONALE AND KEY DRIVERS

- The ratings reflect TTL's sustained market leadership 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, TTL is managing its core margins by bringing further cost efficiencies and making efforts to explore new business opportunities, where, lately, it has managed new volumes. In addition, the recent fresh injection (long term debt and equity) in two group companies has eased the liquidity position of the group.
- The ratings are dependent on company's ability to sustain its market share while managing the overall business risk. At the same time adherence to financial discipline as envisaged by the company, thereby bringing down the current level of leveraging, would remain critical.

ASSESSMENT

- TTL has two main sources of revenue, a) tracking unit sales, and b) monitoring fees generated from already installed units. In FY11, while growth in topline (1.3%) stagnated owing to decline in unit sales, gross margins improved mainly due to i) better management of input costs by using lower cost tracking units, ii) discounts availed on unit purchases from DigiCore, and iii) increase in high margin fleet management contracts, particularly contracts for NATO supplies to Afghanistan. The trickledown effect of higher gross profit and further cost efficiencies was reflected in the bottom line.
- Going forward, materialization of large cargo/container tracking business deals would help in increasing the business margins besides an improvement in revenues. The management expects robust potential in this segment and is increasing the capacity to handle larger volumes. Sales growth, though remains under pressure, may pick up with the re-launch of Trakker NAV. Meanwhile, despite an increasing level of competition in the industry, the company has been continuously striving to maintain its market positioning. The initiatives include design and launch of new products, though their contribution would increase gradually. The expected diversification in revenue streams with entrance of TTL in other regional markets would help bring down the concentration risk emanating from sales to few large institutions.
- The company has sizeable investments in other group companies (PKR 1,414mln; 69% of its total equity at end Jun-11) 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. Moreover, TDIL has obtained listing lately, raising PKR 150mln by issuing new shares. Another group company – TPL Properties engaged in the business of real estate has recently received ~US\$12mln (Approved: US\$20mln) for its project under construction. These funds have provided requisite liquidity to TPL group.
- TTL's cashflows, though remained positive, declined due to increase in working capital requirements, financed through short term borrowings. Meanwhile, despite little room for additional borrowing, the company continued to support its group companies by injecting fresh cash. This has materially impacted self-liquidating mechanism for TTL, whereby short-term financing of the company is more than its net adjusted quick assets. Although the company has received around 50% of the loan due from TPL Properties, in which the company has invested PKR 450mln. However, these funds are likely to be utilized, largely, for repayment of dues to TDIL (~ PKR 183mln at end Jun-11). Thus, high borrowing level would remain a concern. Going forward, the company intends to augment the current equity level through profits, gradually bringing the capital structure to an optimal level.
- On account of improved profitability in FY11, interest coverages have improved. However, the total debt service coverages remain less than adequate owing to sizeable short term borrowing. The company intends to cover the mismatch through internal cash generation gradually.

PROFILE

- TPL Trakker Limited (TTL) 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 TTL, 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 Accountant 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 group's strategy.