

## Satrac Engineering Private Limited

July 31, 2024

| Facilities/Instruments                 | Amount<br>(₹ crore) | Rating <sup>1</sup>                                  | Rating Action  |
|--|---------------------|--|--|
| Long Term / Short Term Bank Facilities | 21.50               | CARE BB+; Stable / CARE A4+; ISSUER NOT COOPERATING* | Rating continues to remain under ISSUER NOT COOPERATING category and Revised from CARE BBB; Stable / CARE A3+; |

Details of instruments/facilities in Annexure-1.

\*Issuer did not cooperate; based on best available information.

### Rationale and key rating drivers

CARE Ratings Ltd. had, vide its press release dated February 05, 2024, placed the rating of Satrac Engineering Private Limited (SEPL) under the 'issuer non-cooperating' category as SEPL had failed to provide information for monitoring of the rating as agreed to in its Rating Agreement. SEPL continues to be non-cooperative despite repeated requests for submission of information through e-mails, phone calls and letter/emails dated July 16, 2024 and July 22, 2024. In line with the extant Securities and Exchange Board of India (SEBI) guidelines, CARE Ratings has reviewed the rating on the basis of the best available information which, however, in CARE Ratings' opinion is not sufficient to arrive at a fair rating. The rating on Satrac Engineering Private Limited bank facilities will be denoted as CARE BB+/CARE A4+; ISSUER NOT COOPERATING.

**Users of this rating (including investors, lenders and the public at large) are hence requested to exercise caution while using the above rating(s).**

The revision in the rating is pursuant to Securities and Exchange Board of India (SEBI)'s circular no. SEBI/HO/MIRSD/CRADT/CIR/P/2020/2 dated January 3, 2020, regarding 'Strengthening of the rating process in respect of Issuer Non-Cooperation (INC) ratings'. SEBI has in this circular mentioned that "If an issuer has all the outstanding ratings as non-cooperative for more than 6 months, then the CRA shall downgrade the rating assigned to the instrument of such issuer to non-investment grade with INC status."

**Analytical approach:** Standalone

**Outlook:** Stable

### Detailed description of the key rating drivers:

At the time of last rating on February 05, 2024, the following were the rating strengths and weaknesses.

### Key weaknesses

#### Customer concentration risk persists:

The top three customers of the company contributed around 45% of revenues of the company in FY22 (36% in FY21). Furthermore, with Daimler India Commercial Vehicles Private Ltd being its biggest customer contributing to around 25% of the revenues of the company in FY22 (FY21: 17%), any decline in orders from Daimler may impact the overall revenues of Satrac.

#### Presence in highly fragmented industry

The company is operating in a highly fragmented industry with intense competition from both the organized and largely unorganized players. This fragmented and highly competitive industry results in price competition, thereby affecting the profitability margins of the companies operating in the industry.

### Key strengths

#### Consistent improvement in scale of operations while maintaining healthy capital structure:

During the period FY23, Total Operating Income (TOI) of the company grew by 30% from Rs. 308.88 cr in FY22 to Rs. 401.39 cr in FY23. The growth in sales is aided by recovery in commercial vehicle segment and adequate plant capacity of Satrac to tap the increasing demand. EBITDA margins of the company remained largely stable with minor improvement in FY23, resulting in 11.13% against 10.12% in FY22. Similarly, PAT margin of the company improved to 7.85% in FY23 from 6.53% in FY22. Satrac has been able to protect its profitability margins on the back of its ability to pass on increased prices to its customers.

<sup>1</sup>Complete definition of the ratings assigned are available at [www.careedge.in](http://www.careedge.in) and other CARE Ratings Ltd.'s publications

### Strong parentage in Japanese MNC Kyokuto Kaihatsu Kogyo Co. Ltd:

Satrac enjoys strong parentage being a wholly owned subsidiary of Kyokuto. Kyokuto acquired Satrac to venture its operations in India. M.C. Bantwal, Managing Director of Satrac, Kyokuto has been retained as an MD for five years post-acquisition i.e., till FY25. Bantwal has more than 25 years of experience in the industry and is involved in the day-to-day operations of the company. Kyokuto plans to invest around USD 100 mn over the next 7-8 years in India with immediate plan being opening a plant in Chennai (under Satrac) during FY24 and FY25. In the long term, Satrac plans to set up a second facility in Bengaluru followed by Pune and Jamshedpur.

### Wide Product Range and well-established relationship with reputed clientele:

Satrac has a well-diversified product portfolio which includes various types of trailers, tippers, bulkers, tankers, truck bodies etc designed for different applications. Also, the company offers specifically designed products for over dimensional consignments) (ODC) and heavy-weight cargo to its clients. It also designs trailers based on customer requirements for particular applications and terrains. By virtue of its long presence, Satrac has successfully established relationships with reputed companies such as Daimler India Commercial Vehicles Private Ltd, Tata Motors Limited, Ashok Leyland Ltd etc. in commercial vehicle segment which helps the company in bagging repeat orders.

### Satisfactory operating cycle:

The operating cycle of the company stood satisfactory and similar to last year at 29 days as of March 2023 (25 days as of March 2022). Depending on business relationship, Satrac gets credit period of around 30-40 days from its suppliers against receivable period of around 30-45 days. Satrac maintains inventory of raw material (i.e., steel) in the range of 30 days with comfortable credit periods extended by suppliers.

### Applicable criteria

[Definition of Default](#)

[Liquidity Analysis of Non-financial sector entities](#)

[Policy in respect of non-cooperation by issuers](#)

[Rating Outlook and Rating Watch](#)

[Financial Ratios – Non financial Sector](#)

[Auto Components & Equipments](#)

[Short Term Instruments](#)

### About the company and industry

#### Industry classification

| Macro Economic Indicator | Sector                         | Industry        | Basic Industry               |
|--------------------------|--------------------------------|-----------------|------------------------------|
| Consumer Discretionary   | Automobile and Auto Components | Auto Components | Auto Components & Equipments |

Satrac was incorporated in 1997 by M. C. Bantwal and Geetha Bantwal. Bengaluru-Based, Satrac is engaged in manufacturing of trailers, tippers, tractors and various other truck bodies for some of the major truck and engineering equipment manufacturers. During September 2020, Satrac was entirely acquired by the Japanese transportation equipment manufacturer 'Kyokuto Kaihatsu Kogyo Co. Ltd (Kyokuto)'. Satrac has a manufacturing capacity of 5,000 products (multiple products) per annum and its manufacturing unit is located in Karnataka.

| Brief Financials (₹ crore) | March 31, 2022 (A) | March 31, 2023 (A) |
|----------------------------|--------------------|--------------------|
| Total operating income     | 308.88             | 401.39             |
| PBILDT                     | 31.27              | 44.68              |
| PAT                        | 20.16              | 31.51              |
| Overall gearing (times)    | 0.00               | 0.00               |
| Interest coverage (times)  | 24.69              | 162.35             |

A: Audited UA: Unaudited; Note: 'the above results are latest financial results available'

**Status of non-cooperation with previous CRA:** Not applicable

**Any other information:** Not applicable

**Rating history for last three years:** Annexure-2

**Covenants of rated instrument / facility:** Detailed explanation of covenants of the rated instruments/facilities is given in Annexure-3

**Complexity level of various instruments rated:** Annexure-4

**Lender details:** Annexure-5

### Annexure-1: Details of instruments/facilities

| Name of the Instrument                           | ISIN | Date of Issuance | Coupon Rate (%) | Maturity Date | Size of the Issue (₹ crore) | Rating Assigned along with Rating Outlook            |
|--|------|------------------|-----------------|---------------|-----------------------------|--|
| LT/ST Fund-based/Non-fund-based-CC/WCDL/OD/LC/BG | -    | -                | -               | -             | 21.50                       | CARE BB+; Stable / CARE A4+; ISSUER NOT COOPERATING* |

\*Issuer did not cooperate; based on best available information.

### Annexure-2: Rating history for the last three years

| Sr. No. | Name of the Instrument/Bank Facilities           | Current Ratings |                              |  | Rating History                              |  |   |   |
|---------|--|-----------------|------------------------------|--|---|--|---|---|
|         |  | Type            | Amount Outstanding (₹ crore) | Rating   | Date(s) and Rating(s) assigned in 2024-2025 | Date(s) and Rating(s) assigned in 2023-2024                        | Date(s) and Rating(s) assigned in 2022-2023 | Date(s) and Rating(s) assigned in 2021-2022 |
| 1       | LT/ST Fund-based/Non-fund-based-CC/WCDL/OD/LC/BG | LT/ST           | 21.50                        | CARE BB+; Stable / CARE A4+; ISSUER NOT COOPERATING* | -   | 1)CARE BBB; Stable / CARE A3+; ISSUER NOT COOPERATING* (05-Feb-24) | 1)CARE BBB+; Stable / CARE A2 (27-Dec-22)   | 1)CARE BBB; Stable (09-Nov-21)              |
| 2       | Non-fund-based - ST-Letter of credit             | ST              | -                            | -  | -   | -  | 1)Withdrawn (27-Dec-22)                     | 1)CARE A3+ (09-Nov-21)                      |
| 3       | Non-fund-based - ST-Bank Guarantee               | ST              | -                            | -  | -   | -  | 1)Withdrawn (27-Dec-22)                     | 1)CARE A3+ (09-Nov-21)                      |

\*Issuer did not cooperate; based on best available information.

LT: Long term; ST: Short term; LT/ST: Long term/Short term

**Annexure-3: Detailed explanation of covenants of the rated instruments/facilities:** Not applicable

**Annexure-4: Complexity level of the various instruments rated**

| Sr. No. | Name of the Instrument                           | Complexity Level |
|---------|--|------------------|
| 1       | LT/ST Fund-based/Non-fund-based-CC/WCDL/OD/LC/BG | Simple           |

**Annexure-5: Lender details**

To view the lender wise details of bank facilities please [click here](#)

**Note on the complexity levels of the rated instruments:** CARE Ratings has classified instruments rated by it on the basis of complexity. Investors/market intermediaries/regulators or others are welcome to write to [care@careedge.in](mailto:care@careedge.in) for any clarifications.

### Contact us

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### About us:

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### Disclaimer:

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