

MARCH 08, 2016

## CARE ASSIGNS 'CARE BBB+' AND 'CARE A2' RATINGS TO THE BANK FACILITIES OF TALBROS ENGINEERING LIMITED

### Ratings

Facilities	Amount (Rs. crore)	Ratings <sup>1</sup>	Remarks
Long-term Bank Facilities	10.80	CARE BBB+ (Triple B Plus)	<b>Assigned</b>
Long/Short-term Bank Facilities	20.00	CARE BBB+ / CARE A2 (Triple B Plus / A Two)	<b>Assigned</b>
<b>Total</b>	<b>30.80</b> <b>(Rupees Thirty crore and Eighty lakh only)</b>		

### Rating Rationale

The ratings assigned to the bank facilities of Talbros Engineering Ltd (TEL) derive strength from the experience of the promoters in the auto ancillary industry, long track record of operations, reputed client base with long-standing relationship, integrated manufacturing units at strategic location and comfortable financial risk profile. However, the ratings are constrained by customer and product concentration risk, small scale of operations, susceptibility to volatility in raw material prices and dependence on the fortunes of the cyclical auto industry.

Going forward, the ability of the company to increase the scale of operations while improving profitability margins would be the key rating sensitivities. The timely completion of the expansion projects within the envisaged cost would also be a rating sensitivity.

### Background

TEL, originally a part of Talbros Automotive Components Ltd, was demerged into a separate company in 1996. TEL is engaged in the manufacturing of automotive rear axle shafts and other splined shafts and forgings used in commercial vehicles, utility vehicles and tractors. TEL has three plants of which two are located in Faridabad and one in Hathin (both in Haryana) with a total manufacturing capacity of 13 lakh axle shafts per annum as on March 31, 2015. The company manufactures and sells its products majorly to domestic Original Equipment Manufacturers (OEMs) and Tier-1 suppliers of auto components.

For FY15 (refers to the period April 01 to March 31), TEL registered a total income of Rs.128.05 crore and a PAT of Rs. 4.55 crore against total income of Rs.119.80 crore with a PAT of Rs.3.89 crore in FY14. During H1FY16 (provisional), TEL reported a total operating income of Rs.65 crore with a PAT of Rs. 0.92 crore.

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<sup>1</sup> Complete definition of the ratings assigned are available at [www.careratings.com](http://www.careratings.com) and other CARE publications

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In case of partnership/proprietary concerns, the rating assigned by CARE is based on the capital deployed by the partners/proprietor and the financial strength of the firm at present. The rating may undergo change in case of withdrawal of capital or the unsecured loans brought in by the partners/proprietor in addition to the financial performance and other relevant factors.

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