

NOVEMBER 29, 2016

**CARE REAFFIRMS RATINGS ASSIGNED TO BANK FACILITIES OF  
 TALBROS ENGINEERING LTD**
**Ratings**

Facilities	Amount (Rs. crore)	Ratings <sup>1</sup>	Remarks
Long Term Bank Facilities	18.00 (Enhanced from Rs. 10.80 crore)	CARE BBB+ (Triple B Plus)	<b>Reaffirmed</b>
Long/Short Term Bank Facilities	30.00 (Enhanced from Rs. 20.00 crore)	CARE BBB+ / CARE A2 (Triple B Plus / A Two)	<b>Reaffirmed</b>
<b>Total</b>	<b>48.00</b> <b>(Rupees forty eight crore only)</b>		

**Rating Rationale**

The ratings assigned to the bank facilities of Talbros Engineering Ltd (TEL) continue to derive strength from the experience of the promoters in the auto ancillary industry, long track record of operations, reputed client base with longstanding relationship, integrated manufacturing units 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**

Talbros Engineering Ltd (TEL) originally a part of Talbros Automotive Components Ltd (TACL), was separated into another 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 total three manufacturing plants. Two plants are located at Faridabad (Haryana) and one plant at Hathin (Haryana) with a total manufacturing capacity of 13 lac axle shafts per annum as on March 31, 2016. The company has an integrated manufacturing plant encompassing forging, heat treatment, computerized numerical control turning, spline cutting induction hardening and its in-house die manufacturing capability. TEL manufactures and sells its products majorly to domestic Original Equipment Manufacturers (OEMs) and Tier-1 suppliers of auto components.

For FY16 (Audited), TEL registered a total income of Rs. 140.56 crore and a PAT of Rs. 3.37 crore against total income of Rs. 128.05 crore with a PAT of Rs. 4.55 crore in FY15. During H1FY17 (provisional), TEL reported a total operating income of Rs. 76.45 crore with a PAT of Rs. 3.24 crore.

<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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*CARE has classified instruments rated by it on the basis of complexity. This classification is available at [www.careratings.com](http://www.careratings.com). Investors/market intermediaries/regulators or others are welcome to write to [care@careratings.com](mailto:care@careratings.com) for any clarifications.*

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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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