

February 20, 2024

Rane Holdings Limited – Update on material event

Summary of ratings outstanding

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Outstanding
Long-term fund based - Term loans	46.50	46.50	[ICRA]AA- (Stable)
Long-term fund based- Cash Credit	5.00	5.00	[ICRA]AA- (Stable)
Long term/short term- Unallocated	48.50	48.50	[ICRA]AA- (Stable)/[ICRA]A1+
Total	100.00	100.00	

*Instrument details are provided in Annexure-1

Rationale

Vide an announcement dated February 09, 2024, Rane Group (Group) has announced that the Board of Directors of Rane Brake Lining Limited (RBLL), Rane Engine Valve Limited (REVL) and Rane (Madras) Limited (RML) have approved the scheme of amalgamation of RBLL and REVL into RML. The scheme is subject to the necessary regulatory and customary approvals including approval of the stock exchanges, Securities and Exchange Board of India (SEBI), the respective shareholders, and creditors of each of the companies and National Company Law Tribunal (NCLT) (Chennai bench). Implementation of the scheme is expected to take around 9 to 12 months subject to receipt of the requisite approvals. RBLL and REVL would be dissolved without winding up, once the amalgamation is completed.

The transaction is non-cash, wherein shareholders of RBLL would get 21 shares in RML for every 20 shares in RBLL, while shareholders of REVL would get 9 shares in RML for every 20 shares in REVL. Rane Holdings Limited (RHL) is the hold co of the Group and held 50.03% stake in RBLL, 58.29% stake in REVL and 71.7% in RML as on December 31, 2023. It is expected to hold 63.80% in the merged entity. The proposed reorganization aims to simplify the group structure, unlock synergies from unification of businesses leveraging on business connect across product lines, enhance operational and financial efficiencies through scale, and create a platform for growth, including better flexibility to raise capital. ICRA notes that the transaction is unlikely to have any material impact on RHL's financials or day-to-day operations.

Please refer to the following link for the previous detailed rationale that captures the key rating drivers and their description, liquidity position and rating sensitivities: [Click Here](#).

Analytical approach

Analytical Approach	Comments
Applicable rating methodologies	Corporate Credit Rating Methodology Rating Methodology for Investment Companies
Parent/Group support	Not Applicable
Consolidation/Standalone	The ratings are based on standalone financial profile of the company.

About the company

RHL is the holding company of the larger Rane Group, involved in auto-component manufacturing, with aggregate revenues of over Rs. 6,800 crore in FY2023. The promoters hold a 46.6% stake (as on December 31, 2023) in RHL, which, in turn, holds

strategic investments in subsidiaries and joint ventures. In addition to acting as a holding company, RHL also provides various support services to the Group companies like training, infrastructure, IT and business development support.

RHL has seven investee companies manufacturing/ trading/ servicing different products. Out of RHL's subsidiaries, Rane (Madras) Limited, Rane Brake Lining Limited (rated [ICRA]AA-& /[ICRA]A1+&) and Rane Engine Valve Limited manufacture automotive components. Rane Holdings America Inc. and Rane Holdings Europe GmbH provide business development support for Group products in their respective geographies. The joint ventures, ZF Rane Automotive India Private Limited (rated [ICRA]AA-(Stable)/[ICRA]A1+) and Rane NSK Steering Systems Private Limited, also manufacture automotive components. RHL sold its entire stake of 99.47% in its subsidiary, Rane t4u Private Limited (Rt4u), in H1 FY2024 - it was involved in transport analytics and vehicle tracking software services.

Key financial indicators (audited)

Standalone	FY2022	FY2023
Operating income	88.8	117.7
PAT	33.9	48.3
OPBDIT/OI	60.8%	60.7%
PAT/OI	38.2%	41.1%
Total outside liabilities/Tangible net worth (times)	0.2	0.1
Total debt/OPBDIT (times)	1.3	0.8
Interest coverage (times)	9.2	12.7

Source: Company, ICRA Research; Note: Amount in Rs. crore; PAT: Profit after Tax; OPBDIT: Operating profit before depreciation, interest, taxes and amortisation; Financial ratios in the report are ICRA adjusted figures and may not be directly comparable with results reported by the company in some instances.

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

Instrument	Type	Current rating (FY2024)				Chronology of rating history for the past 3 years			
		Amount rated (Rs. crore)	Amount Outstanding as of Sep 30, 2023 (Rs. crore)	Date & rating in FY2024		Date & rating in FY2023	Date & rating in FY2022	Date & rating in FY2021	
				Feb 20, 2024	Dec 04, 2023			Jan 04, 2021	Nov 27, 2020
Term Loans	Long-Term	46.50	46.50	[ICRA]AA-(Stable)	[ICRA]AA-(Stable)	[ICRA]AA-(Stable)	[ICRA]AA-(Stable)	[ICRA]AA-(Stable)	[ICRA]AA-(Stable)
Long-term fund based cash credit	Long-Term	5.00	-	[ICRA]AA-(Stable)	[ICRA]AA-(Stable)	[ICRA]AA-(Stable)	[ICRA]AA-(Stable)	[ICRA]AA-(Stable)	[ICRA]AA-(Stable)
Long-term/short-term unallocated	Long-Term/Short-Term	48.50	-	[ICRA]AA-(Stable)/[ICRA]A1+	[ICRA]AA-(Stable)/[ICRA]A1+	[ICRA]AA-(Stable)/[ICRA]A1+	[ICRA]AA-(Stable)/[ICRA]A1+	[ICRA]AA-(Stable)/[ICRA]A1+	[ICRA]AA-(Stable)/[ICRA]A1+

Complexity level of the rated instrument

Instrument	Complexity Indicator
Term loans	Simple
Long-term-Fund based	Simple

Long-term/Short-term– Unallocated	NA
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The Complexity Indicator refers to the ease with which the returns associated with the rated instrument could be estimated. It does not indicate the risk related to the timely payments on the instrument, which is rather indicated by the instrument's credit rating. It also does not indicate the complexity associated with analysing an entity's financial, business, industry risks or complexity related to the structural, transactional, or legal aspects. Details on the complexity levels of the instruments are available on ICRA's website: [Click Here](#)

Annexure-1: Instrument details

ISIN No/ Banker Name	Instrument Name	Date of Issuance / Sanction	Coupon Rate	Maturity Date	Amount Rated (Rs. crore)	Current Rating and Outlook
NA	Term loan	FY2021	9.30%	FY2028	46.50	[ICRA]AA- (Stable)
NA	Long-term fund based	FY2021	NA	NA	5.00	[ICRA]AA- (Stable)
NA	Long-term/short-term unallocated	NA	NA	NA	48.50	[ICRA]AA- (Stable) / [ICRA]A1+

Source: Company

Annexure-2: List of entities considered for consolidated analysis – Not Applicable

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