

July 10, 2024

## Rane Holdings Limited – Update on material event

### Summary of ratings outstanding

| Instrument*                       | Previous Rated Amount<br>(Rs. crore) | Current Rated Amount<br>(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+ |
| <b>Total</b>                      | <b>100.00</b>                        | <b>100.00</b>                       |                              |

\*Instrument details are provided in Annexure-1

### Rationale

On July 01, 2024, the Board of Directors of Rane Holdings Limited (RHL/the company) have approved the acquisition of the balance 51% equity stake in Rane NSK Steering Systems Private Limited (RNSSPL) from the joint venture partner NSK Ltd., Japan. Upon completion of this acquisition, RNSSPL will become a wholly owned subsidiary of the company. The acquisition is subject to regulatory approvals and customary closing conditions and is expected to be completed on or before September 30, 2024. RHL is required to pay Rs. 45 crore in cash for acquiring the 51% stake from NSK Ltd. Further, NSK Ltd., Japan would pay Rs. 176 crore to RNSSPL towards settlement of various claims including warranty claims.

ICRA notes that the stake acquisition in RNSSPL by RHL is likely to be funded primarily through internal accruals and is unlikely to have any material impact on the credit profile of the company. Based on discussions with the management, ICRA also understands that the acquisition has been in line with the company's long-term strategy of growing its business and that there would be no impact on day-to-day operations. Despite the change in shareholding, RNSSPL would continue the existing technology license and supply agreements with NSK Steering & Control, Inc. ICRA would continue to monitor for any further developments on this front.

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 | <a href="#">Corporate Credit Rating Methodology</a><br><a href="#">Rating Methodology for Investment Companies</a> |
| 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. 7,360 crore in FY2024. 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. Rane NSK Steering Systems Private Limited (RNSSPL) is currently a 49:51 joint venture between RHL and NSK Ltd., Japan and will become a wholly owned subsidiary of RHL once the acquisition of the balance 51% equity stake is completed. ZF Rane Automotive India Private Limited (ZFRAIPL, rated [ICRA]AA-(Stable)/[ICRA]A1+) is a 49:51 joint venture between RHL and ZF Automotive J.V. US LLC (part of ZF Friedrichshafen AG, a reputed global auto component supplier). Both RNSSPL and ZFRAIPL 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   | FY2023 | FY2024 |
|--|--------|--------|
| Operating income                                     | 117.7  | 146.9  |
| PAT  | 48.3   | 73.1   |
| OPBDIT/OI  | 60.7%  | 64.8%  |
| PAT/OI   | 41.1%  | 49.7%  |
| Total outside liabilities/Tangible net worth (times) | 0.1    | 0.0    |
| Total debt/OPBDIT (times)                            | 0.8    | 0.0    |
| Interest coverage (times)                            | 12.7   | 20.4   |

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 (FY2025)     |                             | Chronology of rating history for the past 3 years |                             |                             |                             |  |
|-------------------------------------|-----------------------|-----------------------------|-----------------------------|---|-----------------------------|-----------------------------|-----------------------------|--|
|                                     |                       | Amount rated<br>(Rs. crore) | Date & rating in FY2025     | Date & rating in FY2024                           |                             | Date & rating in FY2023     | Date & rating in FY2022     |  |
|                                     |                       |                             | Jul 10, 2024                | Feb 20, 2024                                      | Dec 04, 2023                | Dec 14, 2022                | Dec 01, 2021                |  |
| 1 Term Loans                        | Long-Term             | 46.50                       | [ICRA]AA-(Stable)           | [ICRA]AA-(Stable)                                 | [ICRA]AA-(Stable)           | [ICRA]AA-(Stable)           | [ICRA]AA-(Stable)           |  |
| 2 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)           |  |
| 3 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+ |  |

#### Complexity level of the rated instrument

| Instrument                        | Complexity Indicator |
|-----------------------------------|----------------------|
| Term loans                        | Simple               |
| Long-term-Fund based              | Simple               |
| Long-term/Short-term– Unallocated | NA                   |

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                      | NA <sup>1</sup> | NA            | 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

<sup>1</sup> Not applicable as the loans have been fully repaid as on date

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### Branches



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