

December 16, 2024

## Rane Holdings Limited: Ratings reaffirmed

### Summary of rating action

| Instrument*                       | Previous Rated Amount<br>(Rs. crore) | Current Rated Amount<br>(Rs. crore) | Rating Action                                    |
|-----------------------------------|--------------------------------------|-------------------------------------|--|
| Long-term fund based - Term loans | 46.50                                | 75.00                               | [ICRA]AA- (Stable); Rating reaffirmed            |
| Long-term fund based- Cash Credit | 5.00                                 | 5.00                                | [ICRA]AA- (Stable); Rating reaffirmed            |
| Long term/short term- Unallocated | 48.50                                | 20.00                               | [ICRA]AA- (Stable)/[ICRA]A1+; Ratings reaffirmed |
| <b>Total</b>                      | <b>100.00</b>                        | <b>100.00</b>                       |  |

\*Instrument details are provided in Annexure-I

### Rationale

The ratings draw comfort from Rane Holdings Limited's (RHL) position as the holding company of the Rane Group (Group) of Companies and its strategic importance to the promoters, the hands-on management, and healthy credit profile of its investee entities. RHL's five key investee entities are auto component manufacturers, exposing its revenues to cyclicity in the automobile industry. Nevertheless, within the auto component industry, revenues are well diversified across products (steering products, friction materials, valve trains, seat belts, light metal castings and air bags), as well as across domestic original equipment manufacturers (OEMs), domestic replacement and exports.

RHL encourages its Group companies to fund their capital requirements on their own merits while usually limiting its role to that of a strategy provider. However, the company is open to creeping acquisitions, stake increases in the Group companies and financial support on need basis. Going forward, the company does not envisage significant investments in its investee entities (except the Rs. 50 crore proposed loan to Rane Steering Systems Private Limited, which has been already approved by RHL's Board of Directors), although it is open to the acquisition of companies in similar product lines.

RHL, as the holding company, derives its revenues from dividends (from investee companies), trademark fees for the use of the 'Rane' brand and income earned from extending common services on general management, training, information technology (IT), infrastructure and business development support. With no operations of its own, the standalone entity's revenue remained modest at Rs. 146.9 crore in FY2024 and Rs. 92.9 crore in H1 FY2025. Further, the company is expected to have moderate repayment obligations for its scale of operations over the medium term. Nevertheless, RHL's standalone debt compared to the market value of its unencumbered listed investments have been low for the last several years and is likely to remain so going forward, lending strong financial flexibility. ICRA also draws comfort from RHL's ability to access capital markets at short notice and its strong relationships with lenders.

The 'Stable' outlook on the long-term rating reflects ICRA's expectation that RHL will continue to benefit from its healthy investment portfolio, market value buffer and stable cashflows from investee companies.

### Key rating drivers and their description

#### Credit strengths

**Position as the holding entity of the reputed Rane Group** – RHL's ratings draw comfort from its position as the holding company of the Rane Group. The promoters hold a 46.6% stake in RHL, which, in turn, holds a stake in all Group companies with no cross holding among entities. The promoters, Mr. L. Lakshman (Chairman Emeritus), his brother, Mr. L. Ganesh (Chairman and Managing Director), and his son, Mr. Harish Lakshman (Vice Chairman and Joint Managing Director), have been

involved in the auto component industry for decades. Mr. L. Ganesh has retired from his position as the Chairman of the operating entities of Rane Group, effective March 31, 2024, and Mr. Harish Lakshman has taken over as the Chairman of the Group effective April 01, 2024.

**Relatively healthy credit profile of investee companies** – Rane Brake Lining Limited (RBLL, rated [ICRA]AA- (Stable)/[ICRA]A1+) and ZF Rane Automotive India Private Limited (ZFRAIPL, rated [ICRA]AA- (Stable)/[ICRA]A1+) have strong financial profiles. These two entities have been driving a sizeable share of the company's dividends in the last few years (100% in FY2024). While warranty issues in RSSPL have led to an increase in debt levels in the company, it continues to have a relatively healthy financial profile. The financial profile of the other two key entities of the Group, Rane (Madras) Limited (RML) and Rane Engine Valve Limited (REVL), have also improved over the last few quarters, with sale of the overseas subsidiary in the former, and sustained turnaround of operations in the latter. The credit profile of key investee entities is likely to remain healthy in the near to medium term.

**Relatively lower debt levels than the market value of unencumbered listed investments** – RHL's standalone debt, compared to the market value of its unencumbered listed investments, have been low for the last several years, lending strong financial flexibility. In addition, RHL also has high returns offering unlisted investments in ZFRAIPL and RSSPL. While the investment buffer<sup>1</sup> remains vulnerable to industry-related systemic risks exists because of the concentration of investments in a single industry, debt as a proportion of the market value of its unencumbered listed investments is expected to remain low, going forward as well.

## Credit challenges

**Modest scale on standalone basis with moderate financial risk** – With no operations of its own, the standalone entity's revenues remained modest at Rs. 146.9 crore in FY2024 and Rs. 92.9 crore in H1 FY2025. The company's repayment obligations and investments are likely to be moderate in proportion to its anticipated accruals over the medium term. Nevertheless, relatively stable revenue streams in the form of service income and trademark fees and RHL's strong financial flexibility, by virtue of the market value of its unencumbered listed investments remaining sizeable over its standalone debt, provide comfort.

**Concentration of investments in automobile space; vulnerable to cyclicity inherent in the auto industry, and any other headwinds** – The Rane Group entities are entirely focused in the auto component space. The performance of RHL's investee companies, therefore, is strongly correlated to the automobile industry. Further, the Group derived over 60% of its revenues from the passenger vehicle segment in FY2024. However, within the automotive industry, the product portfolio of investee companies is diversified across steering, valve train, friction material, light metal castings, seat belts and airbags. The focus on the automotive industry and lack of diversification expose the company's revenues and earnings to the cyclicity inherent in the auto industry, regulatory changes and any other industry-specific headwinds. The Group's established presence and diversified customer base of several large Indian and global auto/auto component players, as well as its ability to acquire repeat orders, however, provide comfort.

## Environmental and Social Risks

**Environmental considerations** - RHL's investee companies, as auto component suppliers, remain indirectly exposed to climate-transition risks by virtue of their automotive manufacturing customers making products that are used across different fuel powertrains. Accordingly, the prospects of RHL's investee entities are linked to the ability of their customers to meet tightening emission requirements. Further, its investee entities catering to certain product segments such as engine and transmission parts specifically face climate transition risks. This is evident as customer demand progressively shifts away from fossil fuel-based powertrains, and the emission standards continue to tighten. RHL's investee entities also remain exposed to tightening

---

<sup>1</sup> Investment buffer is the market value of unencumbered listed investments minus book value of unencumbered listed investments

environmental regulations with regard to waste and pollution norms, which can lead to increased operating costs and new capacity installation expenditure. This can also require capital investments to upgrade its infrastructure to reduce the carbon footprint and waste generation. One of the investee entities also has asbestos products, although the contribution of the same to the group's topline is relatively low. The Group has been taking steps to minimise the impact of environmental risks on its operations and carbon footprint, by enhancing its reliance on renewable sources and other energy-saving efforts such as the adoption of energy-efficient fixtures/equipment and extensive water recycling. Currently, about one-third of the power used is from renewable energy sources and this is expected to increase further going forward. Also, on the product side, the company manufactures environment-friendly products like asbestos-free and copper-free friction productions and is engaged in light-weighting measures, among others. It has also invested in capabilities to migrate entirely to asbestos-free friction materials.

**Social considerations** - Social considerations for RHL relate primarily to maintaining healthy industrial relations and product safety in its investee entities. Attracting and nurturing skilled manpower is critical, as it seeks to keep pace with innovation and technological changes. On the product front, vehicle recalls by original equipment manufacturers (OEMs) because of defective auto parts could create additional cost burden and liabilities on the investee entities. The Rane Group also has exposure to changing consumer preferences, including but not restricted to increasing awareness of the potential environmental damage from emissions, shift towards electric vehicles (EVs), usage of sustainable materials and societal trends such as preference for ride-sharing. The company is also vulnerable to data security and data privacy risks. However, its ability to mitigate risks arising from human capital issues in the past provides comfort.

### Liquidity position: Adequate

The company's standalone liquidity position is adequate, with anticipated positive free cash flows, going forward, and negligible utilisation of working capital limits. In addition, sizeable market value buffer on its investments lends strong financial flexibility. Further, being the Rane Group's flagship company, RHL can access capital markets at short notice and enjoys strong relationships with the banks. These factors are cumulatively expected to support the company's liquidity position over the medium term. RHL has annual capex commitments of Rs. 5-10 crore during H2 FY2025 to FY2027, which are likely to be funded primarily through internal accruals. The company is expected to have moderate repayment obligations on its sanctioned loans over the medium term. Overall, ICRA expects RHL to be able to meet its medium-term commitments through internal sources of cash and undrawn term loans, and yet be left with a cash surplus.

### Rating sensitivities

**Positive factors** – Significant improvement in the business and financial profiles of the investee companies, or diversification of the company's investment portfolio across multiple sectors could result in a long-term rating upgrade.

**Negative factors** – Downward pressure on the ratings could emerge if there is a significant deterioration in the credit profile of RHL's major investee companies, resulting in significantly higher-than-budgeted debt-funded investment requirements, or if its income reduces significantly, resulting in increased leverage and pressure on its coverage metrics, on a sustained basis.

### Analytical approach

| Analytical Approach             | Comments  |
|---------------------------------|---|
| Applicable rating methodologies | <a href="#">Corporate Credit Rating Methodology</a><br><a href="#">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 ~Rs. 7,300 crore in FY2024. The promoters hold a 46.6% stake (as on September 30, 2024) 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+ rating watch with developing implications), Rane Steering Systems Private Limited 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. 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 (a part of ZF Friedrichshafen AG, a reputed global auto component supplier). It manufactures automotive components as well.

### 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; 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                 | Amount rated<br>(Rs. crore) | Current rating (FY2025)     |                             | Chronology of rating history<br>for the past 3 years |                             |                             |                             |  |
|--------------------------|----------------------|-----------------------------|-----------------------------|-----------------------------|--|-----------------------------|-----------------------------|-----------------------------|--|
|                          |                      |                             | Date & rating in FY2025     |                             | Date & rating in FY2024                              |                             | Date & rating in FY2023     | Date & rating in FY2022     |  |
|                          |                      |                             | Dec 16, 2024                | Jul 10, 2024                | Feb 20, 2024   | Dec 04, 2023                | Dec 14, 2022                | Dec 01, 2021                |  |
| 1 Fund-based-Term Loans  | Long-Term            | 75.00                       | [ICRA]AA-(Stable)           | [ICRA]AA-(Stable)           | [ICRA]AA-(Stable)                                    | [ICRA]AA-(Stable)           | [ICRA]AA-(Stable)           | [ICRA]AA-(Stable)           |  |
| 2 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)           |  |
| 3 Unallocated            | Long-Term/Short-Term | 20.00                       | [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 instruments

| Instrument                        | Complexity Indicator |
|-----------------------------------|----------------------|
| Long-term fund based - Term loans | Simple               |
| Long-term fund based- Cash Credit | Simple               |
| Long term/short term- Unallocated | Not Applicable       |

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 I: Instrument details**

| ISIN / Banker Name | Instrument Name                   | Date of Issuance / Sanction | Coupon Rate | Maturity Date | Amount Rated (Rs. crore) | Current Rating and Outlook     |
|--------------------|-----------------------------------|-----------------------------|-------------|---------------|--------------------------|--------------------------------|
| NA                 | Long-term fund based - Term loans | May 2024                    | 9.25%       | FY2031        | 75.00                    | [ICRA]AA- (Stable)             |
| NA                 | Long-term fund based- Cash Credit | FY2021                      | NA          | NA            | 5.00                     | [ICRA]AA- (Stable)             |
| NA                 | Long term/short term- Unallocated | NA                          | NA          | NA            | 20.00                    | [ICRA]AA- (Stable) / [ICRA]A1+ |

Source: Company

**Annexure II: List of entities considered for consolidated analysis – Not Applicable**

## ANALYST CONTACTS

**Shamsher Dewan**  
+91 124 4545 328  
[shamsherd@icraindia.com](mailto:shamsherd@icraindia.com)

**K Srikumar**  
+91 44 4596 4318  
[ksrikumar@icraindia.com](mailto:ksrikumar@icraindia.com)

**Vinutaa S**  
+91 44 4596 4305  
[vinutaa.s@icraindia.com](mailto:vinutaa.s@icraindia.com)

**Sriraman Mohan**  
+91 44 4596 4316  
[sriraman.mohan@icraindia.com](mailto:sriraman.mohan@icraindia.com)

## RELATIONSHIP CONTACT

**L. Shivakumar**  
+91 22 6114 3406  
[shivakumar@icraindia.com](mailto:shivakumar@icraindia.com)

## MEDIA AND PUBLIC RELATIONS CONTACT

**Ms. Naznin Prodhani**  
Tel: +91 124 4545 860  
[communications@icraindia.com](mailto:communications@icraindia.com)

### Helpline for business queries

+91-9354738909 (open Monday to Friday, from 9:30 am to 6 pm)  
[info@icraindia.com](mailto:info@icraindia.com)

### About ICRA Limited:

ICRA Limited was set up in 1991 by leading financial/investment institutions, commercial banks and financial services companies as an independent and professional investment Information and Credit Rating Agency.

Today, ICRA and its subsidiaries together form the ICRA Group of Companies (Group ICRA). ICRA is a Public Limited Company, with its shares listed on the Bombay Stock Exchange and the National Stock Exchange. The international Credit Rating Agency Moody's Investors Service is ICRA's largest shareholder.

For more information, visit [www.icra.in](http://www.icra.in)

## ICRA Limited



### Registered Office

B-710, Statesman House, 148, Barakhamba Road, New Delhi-110001

Tel: +91 11 23357940-45



### Branches



© Copyright, 2024 ICRA Limited. All Rights Reserved.

Contents may be used freely with due acknowledgement to ICRA.

ICRA ratings should not be treated as recommendation to buy, sell or hold the rated debt instruments. ICRA ratings are subject to a process of surveillance, which may lead to revision in ratings. An ICRA rating is a symbolic indicator of ICRA's current opinion on the relative capability of the issuer concerned to timely service debts and obligations, with reference to the instrument rated. Please visit our website [www.icra.in](http://www.icra.in) or contact any ICRA office for the latest information on ICRA ratings outstanding. All information contained herein has been obtained by ICRA from sources believed by it to be accurate and reliable, including the rated issuer. ICRA however has not conducted any audit of the rated issuer or of the information provided by it. While reasonable care has been taken to ensure that the information herein is true, such information is provided 'as is' without any warranty of any kind, and ICRA in particular, makes no representation or warranty, express or implied, as to the accuracy, timeliness or completeness of any such information. Also, ICRA or any of its group companies may have provided services other than rating to the issuer rated. All information contained herein must be construed solely as statements of opinion, and ICRA shall not be liable for any losses incurred by users from any use of this publication or its contents.