

December 30, 2024

## Rockman Advanced Composites Pvt. Ltd.: Ratings reaffirmed; rated amount enhanced

### Summary of rating action

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Long-term – Fund-based – Term loan	5.19	0.00	-
Long-term/ Short-term – Fund/ Non-Fund based limits	9.00	21.00	[ICRA]BBB+ (Stable)/[ICRA] A2; Reaffirmed/ assigned for the enhanced amount
<b>Total</b>	<b>14.19</b>	<b>21.00</b>	

\*Instrument details are provided in Annexure-I

### Rationale

The ratings reaffirmation for the bank facilities of Rockman Advanced Composites Pvt. Ltd. (RACPL) factors in the expectation of continuation of steady operational performance of the company, going forward, aided by its experienced promoters with sound knowledge of the composites industry and healthy relationships with various customers. The company's revenue rose ~33% on a YoY basis in FY2024 to ~Rs. 88.0 crore. It reported revenue of ~Rs. 47.8 crore in 7M FY2025 (provisional financials), aided by addition of new customers and continued healthy orders from the existing customers. Its OPM also improved in FY2024 to ~33.1% from ~31.4% in FY2023, aided by benefits of operating leverage and healthy profit margins in some of the businesses. ICRA notes that the company's operating profit margin (OPM) has moderated to ~24.1 % in 7M FY2025 because of higher operational expenses during the ongoing capacity expansion plans. Nonetheless, RACPL's business prospects are expected to remain healthy, going forward, aided by healthy order flows, addition of new customers, favourable growth prospects for the carbon composite industry and its collaboration with MCT Engineering Ltd. (MCT), a UK-based carbon composite manufacturer. An improved scale of operations is expected to lend stability to the company's earnings and support its credit profile.

The ratings factor in the extensive experience of the founders in the carbon composite industry, and the financial and business support from its parent company, Rockman Industries Limited (Rockman; [ICRA]AA(Positive)/[ICRA]A1+). The company's founders have significant experience in developing carbon composite parts for motorsport companies and have been associated with several leading companies. However, given the seasonality in the motorsport business, RACPL's revenue growth has tended to be volatile. To address this revenue volatility, RACPL has widened its horizon over the past few years to include high-end luxury vehicle manufacturers and acquired a minority stake in MCT in Q4 FY2018. Besides the business from MCT, RACPL has also received new businesses from other customers in sectors such as motorsport and aerospace, which will support expansion of operations over the medium term.

ICRA notes that the company has acquired a UK based entity – 'Project 12 Limited', which is engaged in painting and lacquering business for the composite parts and is thus a natural extension for the company's business. Even as the company has undertaken ~Rs. 30 crore of debt at its international subsidiary to fund the acquisition, the cash flows of the acquired entity are expected to be adequate enough to meet the debt servicing requirements. The acquisition is expected to aid the revenue growth prospects of the company over the medium term, with the company now in a position to offer complete solutions to its customers.

Despite the ongoing capex plans of ~Rs. 25 crore in FY2025 towards capacity expansion, RACPL's credit metrics are expected to remain comfortable on the back of healthy profit margins and accretion to reserves. Despite the improved scale of operations, the company's ratings remain constrained by its modest scale of operations along with a relatively lower share of recurring business. Further, the company's profitability remains volatile because of its modest scale of operations and varying levels of profit margins across orders tied up.

The Stable outlook on the long-term rating reflects ICRA's expectation that RACPL will continue to generate healthy cash flows, which would help it maintain a comfortable financial risk profile. The company's strong parentage (it is a subsidiary of Rockman) would also aid in maintaining its credit profile.

## Key rating drivers and their description

### Credit strengths

**Strong parentage with major stake held by Rockman, experienced promoters with sound knowledge of the composites industry** – The company receives financial and business support from its parent company, Rockman, as well as its other promoters. This has been demonstrated in the equity infusion by its promoters in FY2018 and FY2019 to support its capex plans. Further, Rockman infused funds into RACPL via debentures in FY2020 to support its liquidity position. The company's founders have significant experience in the carbon composite industry, which has helped it acquire business over the years.

**Favourable growth prospects for carbon composite industry** – The carbon composite industry is at a nascent stage and is expected to grow significantly over the medium term, aided by increased penetration of carbon fibre-based components in applications across several industries, including automobiles. Carbon composite parts are made from high-value carbon fibres and offer advantages of low weight, high tensile strength, high temperature tolerance and low thermal expansion vis-à-vis conventional alternatives, such as aluminium and high-tensile steel. As a result, these are extensively used in the aerospace industry to develop high strength and low weight components. Additionally, its penetration is gradually increasing in the automobile sector, especially in the motorsport and high-end luxury car segments, gaining prominence with the increasing trend of light-weight vehicles.

**Collaboration with MCT and addition of new customers augment business prospects over medium term** – The acquisition of a minority stake in MCT has provided RACPL access to technical capabilities in developing auto components for luxury car original equipment manufacturers (OEMs), besides benefitting from the strong ties of MCT with several European OEMs. Moreover, some of the business procured by MCT is routed via RACPL. Besides the business from MCT, RACPL has added several new customers over the last few years. Its efforts to gain new businesses from old and new customers are expected to help improve its scale of operations over the medium term.

### Credit challenges

**Modest scale of operations and volatility in earnings** – Even though the company's scale of operations has increased materially over the last four years (~Rs. 88.0 crore in FY2024 from ~Rs. 17.9 crore in FY2019), supported by new businesses from MCT and addition of several new as well as existing customers over the past two years, it continues to remain modest. RACPL undertakes different businesses with varying levels of profit margins, due to which the profitability indicators are sensitive to the scale of operations. Nevertheless, the OPM improved significantly to ~33.1% in FY2024, aided by benefits of operating leverage, management's efforts to reduce fixed overheads and relatively higher profit margins over the previous year in some new businesses. Going forward, OPM is expected to remain comfortable over the medium term on the back of increasing scale of operations and benefits of operating leverage.

**Exposed to forex rate volatility due to unhedged export sales** – Most of the company's sales are made through exports and are unhedged, exposing it to foreign exchange (forex) fluctuation risk. However, the risk is mitigated to some extent as most of its raw materials and some of its employee costs are also denominated in foreign currency.

**Low penetration of carbon composites, especially in mass market, due to high cost differential with alternative materials** – At present, carbon composites are limited to niche applications, as the same are more expensive than aluminium or high-tensile steel. As a result, the company's scale-up of business is likely to be sensitive to mass adoption of carbon composites, especially by the automobile industry.

## Liquidity position: Adequate

RACPL's liquidity profile remains **adequate**, supported by expectation of comfortable cash flows from operations, cash and liquid investments of ~Rs. 20 crore as on October 31, 2024, and average buffer of Rs. 14.5 crore in working capital over the 12-month period ended in August 2024. The company also enjoys strong financial flexibility for being a part of the Rockman Group. In the past, both Rockman and RACPL's founding partners have provided financial support to the company in the form of equity infusion and ICRA expects the promoters to support the company in the future as well, if required. Against the available sources of cash, the company has long-term debt repayments of ~Rs. 0.3 crore and moderate capex requirements of ~Rs. 18.0 crore in FY2025, which are expected to be met by internal accruals.

## Rating sensitivities

**Positive factors** – A sustained scale-up in operations backed by healthy order flows, along with diversification in customer base, while maintaining healthy profitability indicators will be considered favourably for ratings upgrade.

**Negative factors** – The ratings could face pressure in case of a material weakening in the credit profile of its parent company, Rockman, or weakening of financial linkages with the parent. The ratings could also be downgraded in case of a deterioration in the financial profile of the company due to any large debt-fund capex or loss of business. Specific credit metrics that could lead to ratings downgrade include interest coverage below 2.8 times, on a sustained basis.

## Analytical approach

Analytical Approach	Comments
Applicable rating methodologies	<a href="#">Corporate Credit Rating Methodology</a> <a href="#">Auto Components</a>
Parent/Group support	<b>Parent Company: Rockman Industries Limited (rated [ICRA]AA (Positive)/[ICRA]A1+)</b> The ratings assigned factor in the high likelihood of its parent, Rockman, extending financial support to RACPL out of the need to protect its reputation from the consequences of a group entity's distress. Rockman also has a track record of extending timely financial support to RACPL, as and when needed.
Consolidation/Standalone	The ratings are based on the consolidated financial statements of the issuer. The list of entities consolidated are mentioned in Annexure II.

## About the company

Rockman Advanced Composites Pvt. Ltd. (erstwhile Moldex Composites Private Limited), a 51% subsidiary of Rockman Industries Limited (rated [ICRA]AA(Positive)/ [ICRA]A1+), manufactures niche carbon composite parts that especially find application in the automobile sector. The company was founded in 2007 by Mr. Parag Rajda, Mr. Ian Thomson and Mr. Robert Neumann for supplying cost-effective carbon composites manufactured in India. The company's promoters have extensive experience in the motorsport industry and have been actively involved in design and development of advanced composites for motorsport applications. Till FY2017, most of the company's revenues came from the motorsport sector, with General Motors being one of its key clients. After being acquired by Rockman in FY2018, RACPL started scaling up its business significantly and began developing components for the luxury passenger car segment, along with its ongoing motorsport business. This has helped the company reduce the seasonality in its business.

As part of its strategy to acquire new businesses, the company acquired a 27% stake in MCT Engineering Ltd., a UK-based manufacturer of carbon composite for passenger vehicle OEMs in Europe in Q4 FY2018. RACPL expects the partnership to add technical capabilities as well as generate significant revenues over the medium term.

## Key financial indicators (audited)

RACPL Standalone	FY2023	FY2024
Operating income	66.2	88.0
PAT	18.3	23.9
OPBDIT/OI	31.4%	33.1%
PAT/OI	27.7%	27.2%
Total outside liabilities/Tangible net worth (times)	0.2	0.2
Total debt/OPBDIT (times)	0.1	0.0
Interest coverage (times)	43.3	112.7

Source: Company, ICRA Research; All ratios as per ICRA's calculations; Amount in Rs. Crore; PAT: Profit after tax; OPBDIT: Operating profit before depreciation, interest, taxes and amortisation

## 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 (Rs. crore)	FY2025		FY2024		FY2023		FY2022	
			Date	Rating	Date	Rating	Date	Rating	Date	Rating
Term loans	Long term	-	30-Dec-2024	-	10-Nov-2023	[ICRA]BBB+ (Stable)	28-Nov-2022	[ICRA]BBB (Stable)	13-Sept-2021	[ICRA]BBB- (Stable)
Fund/ Non Fund-based Limits	Long term and short term	21.00	30-Dec-2024	[ICRA]BBB+ (Stable)/ [ICRA]A2	10-Nov-2023	[ICRA]BBB+ (Stable)/ [ICRA]A2	28-Nov-2022	[ICRA]BBB (Stable)/ [ICRA]A3+	13-Sept-2021	-
Cash Credit	Long term	-	30-Dec-2024	-	10-Nov-2023	-	28-Nov-2022	-	13-Sept-2021	[ICRA]BBB- (Stable)

## Complexity level of the rated instruments

Instrument	Complexity Indicator
Long-term/ Short -term – Fund/Non-Fund-based limits	Simple

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	Instrument Name	Date of Issuance	Coupon Rate	Maturity	Amount Rated (Rs. crore)	Current Rating and Outlook
NA	Fund/Non-Fund-based limits	NA	NA	NA	21.00	[ICRA]BBB+ (Stable)/[ICRA]A2

Source: Company

[Please click here to view details of lender-wise facilities rated by ICRA](#)

#### Annexure II: List of entities considered for consolidated analysis

Company Name	RACPL Ownership	Consolidation Approach
Rockman Advanced Composites Pvt. Ltd.	100% (Rated entity)	Full Consolidation
Rockman Advanced Composites UK Limited	100%	Full Consolidation
Project 12 Limited	100%	Full Consolidation

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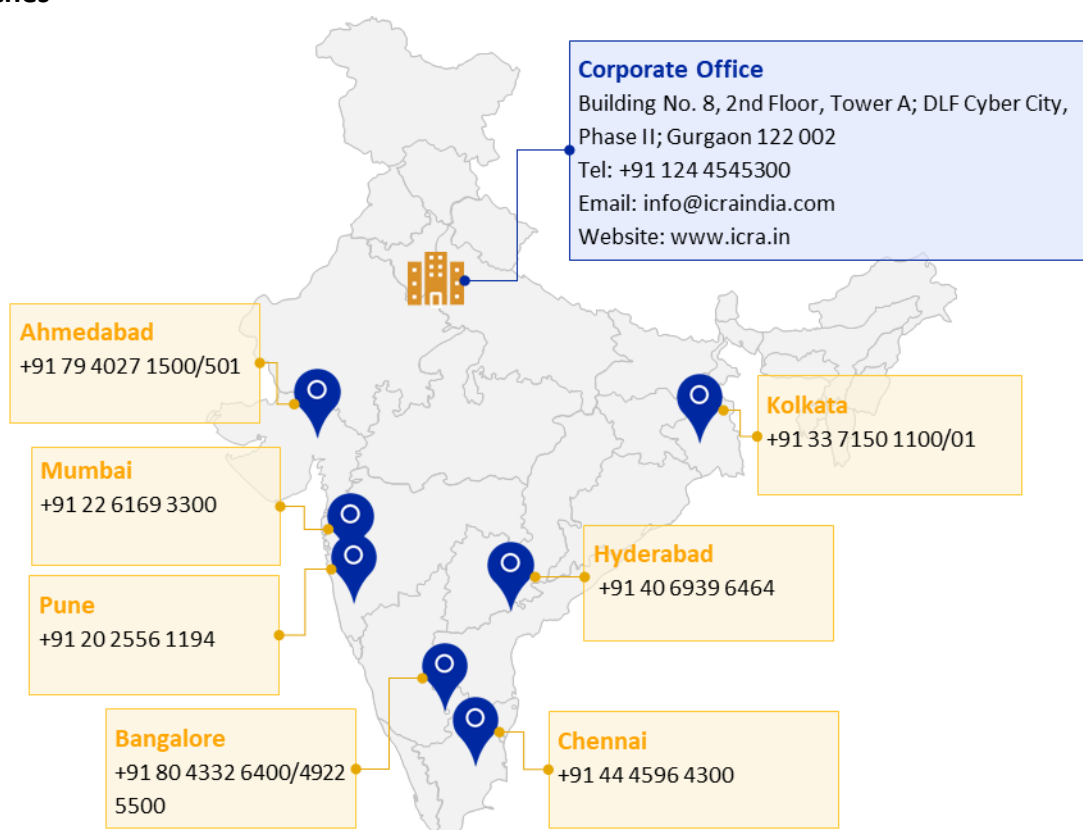
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