

February 20, 2024

Rane Brake Lining Limited - Placed on Rating Watch with Developing Implications

Summary of ratings outstanding

Instrument*	Previous Rated Amount (Rs. Crore)	Current Rated Amount (Rs. Crore)	Rating Action
Long-term fund based	20.50	20.50	[ICRA]AA-; Placed on Rating Watch with Developing Implications
Long-term unallocated	100.32	100.32	
Short-term fund based	25.00	25.00	[ICRA]A1+; Placed on Rating Watch with Developing Implications
Short-term fund based – sublimit	(27.50)	(27.50)	
Short-term non-fund based	19.50	19.50	
Total	165.32	165.32	

*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 has placed the ratings of [ICRA]AA- and [ICRA]A1+ outstanding on the Rs.165.32 crore bank lines of RBLL on watch with developing implications, taking into account the aforementioned development. 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 Auto Components
Parent/Group support	Not Applicable
Consolidation/Standalone	The ratings are based on the standalone financial profile of the company. RBLL does not have subsidiaries or joint ventures.

About the company

Rane Brake Lining Limited is primarily engaged in manufacturing friction material, such as brake linings, disc pads, clutch facings, clutch buttons and brake pads, primarily for the automobile industry. The company caters to four broad segments—

a) tier-I suppliers of automobile OEMs; b) aftermarkets, comprising the replacement segment and state transport units; c) the Indian Railways; and d) export markets, primarily Sri Lanka, Nepal, Bangladesh and Europe. Majority of RBLL's revenues during H1 FY2024 were derived from brake linings and disc pads, as well as from asbestos-free products. The company enjoys a technology collaboration with M/s. Nisshinbo Brake Inc., Japan; and has four manufacturing capacities in Chennai, Hyderabad, Puducherry and Trichy.

RBLL is part of the larger Rane Group, represented by key companies such as Rane Holdings Limited (RHL, rated [ICRA]AA-(Stable)/[ICRA]A1+), Rane (Madras) Limited, Rane Engine Valve Limited, ZF Rane Automotive India Private Limited (ZFRAIPL, rated [ICRA]AA-(Stable)/[ICRA]A1+) and Rane NSK Steering Systems Private Limited. RHL and M/s. Nisshinbo Holdings Inc., Japan, hold 50.03% and 20.64% stakes, respectively, in RBLL (as on December 31, 2023).

Key financial indicators (audited)

Standalone	FY2022	FY2023
Operating income	505.2	598.8
PAT	27.1	33.5
OPBDIT/OI	8.8%	9.6%
PAT/OI	5.4%	5.6%
Total outside liabilities/Tangible net worth (times)	0.6	0.4
Total debt/OPBDIT (times)	0.0	0.0
Interest coverage (times)	177.4	1148.2

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	Amount rated (Rs. crore)	Amount outstanding as of Sep 30, 2023 (Rs. crore)	Current rating (FY2024)		Chronology of rating history for the past 3 years			
				Date & rating in FY2024		Date & rating in FY2023	Date & rating in FY2022	Date & rating in FY2021	
				Feb 20, 2024	Jan 04, 2024	Jan 19, 2023	Jan 27, 2022	Feb 26, 2021	
1 Long-term fund based	Long-Term	20.50		[ICRA]AA-; Rating Watch with Developing Implications	[ICRA]AA-(Stable)	[ICRA]AA-(Stable)	[ICRA]AA-(Stable)	[ICRA]AA-(Stable)	
2 Long-term unallocated	Long-Term	100.32		[ICRA]AA-; Rating Watch with Developing Implications	[ICRA]AA-(Stable)	[ICRA]AA-(Stable)	[ICRA]AA-(Stable)	[ICRA]AA-(Stable)	
3 Short-term fund based	Short-Term	25.00		[ICRA]A1+; Rating Watch with Developing Implications	[ICRA]A1+	[ICRA]A1+	[ICRA]A1+	[ICRA]A1+	

4	Short-term fund based – sublimit	Short-Term	(27.50)					[ICRA]A1+; Rating				
								Watch with Developing Implications	[ICRA]A1+	[ICRA]A1+	[ICRA]A1+	[ICRA]A1+
5	Short-term non-fund based	Short-Term	19.50					[ICRA]A1+; Rating				
								Watch with Developing Implications	[ICRA]A1+	[ICRA]A1+	[ICRA]A1+	[ICRA]A1+
6	Short-term non-fund based-sublimit	Short-Term	-	-	-	-	-		[ICRA]A1+	[ICRA]A1+	[ICRA]A1+	[ICRA]A1+

Complexity level of the rated instrument

Instrument	Complexity Indicator
Long-term-Fund based	Simple
Long-term-Unallocated	NA
Short term -Fund based	Simple
Short term -Fund based- Sublimit	Very Simple
Short term -Non-fund based	Very 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-1: Instrument details

ISIN No	Instrument Name	Date Issuance / Sanction	Coupon Rate	Maturity Date	Amount Rated (Rs. crore)	Current Rating and Outlook
NA	Cash Credit	NA	NA	NA	20.50	[ICRA]AA-; Rating Watch with Developing Implications
NA	Unallocated facilities	NA	NA	NA	100.32	[ICRA]AA-; Rating Watch with Developing Implications
NA	Short-term loan/Buyer's credit	NA	NA	NA	25.00	[ICRA]A1+; Rating Watch with Developing Implications
NA	WCDL/PCFC/EPC/Buyer's Credit	NA	NA	NA	(27.50)	[ICRA]A1+; Rating Watch with Developing Implications
NA	LC/BG	NA	NA	NA	19.50	[ICRA]A1+; Rating Watch with Developing Implications

Source: Company

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

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

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