



Rane Holdings Limited

Instrument	Amount (Rs. Crore*)	Rating action
Fund based facilities	Rs. 5.00 crore	[ICRA]AA- (Stable) reaffirmed
Term loan facilities	Rs. 30.00 crore	[ICRA]AA- (Stable) reaffirmed
Proposed long-term facilities	Rs. 15.00 crore	[ICRA]AA- (Stable) reaffirmed
Commercial Paper/Short term debt	Rs. 10.00 crore	[ICRA]A1+ reaffirmed

ICRA has reaffirmed the long-term rating of [ICRA]AA- (pronounced ICRA double A minus) assigned to the Rs.5.00 crore fund based facilities, the Rs.30.00 crore term loan and Rs. 15.00 crore proposed long term facilities of Rane Holdings Limited ("RHL" / "the company") . The outlook on the long-term rating is stable. ICRA has also reaffirmed the short-term rating of [ICRA]A1+ (pronounced ICRA A one plus) assigned to the Rs. 10.0 crore commercial paper/short term debt facilities of RHL.

The ratings draw comfort from RHL's position as the holding company (hold co.) of the Rane group of companies, its strategic importance to the promoters, the hands on management, the strong investment buffer of its listed portfolio of companies and the performance of its group companies. The group via its eight companies, derives majority of its revenues from sale of auto components namely steering gears; steering columns; seat belts; steering and suspension systems; friction material; valve train; wiring harness and diecast components. RHL as the hold co. derives its revenues from dividends (from these investee companies), trademark fees for the use of the Rane brand and income earned for extending common services on HR, training, IT infrastructure and support. RHL encourages its group companies to fund their capital requirements on their own merits, while limiting its role to that of a strategy provider. The hold co. is however open to small to medium scale inorganic acquisitions in related verticals, but has not finalized on any projects.

RHL (standalone) enjoys a comfortable financial profile characterized by healthy margins, low gearing, and strong coverage indicators. During 2015-16, RHL proposes to spend Rs. 50.0 crore, partly towards acquiring land for future development. This will be funded through a term loan of Rs. 30.0 crores; despite which, the company will continue to maintain a healthy financial profile.

The group's revenues are entirely dependent on the auto component industry and are impacted to an extent by the cyclicity inherent to this industry. While ICRA draws comfort from the sizable premium of the market value of its group investments (as against the book value), the same remains volatile given their strong linkage to the cyclical automotive industry.

Nevertheless, within the auto component industry, revenues are well diversified across products, and automotive segments (passenger vehicle, commercial vehicles, tractors, multi-utility vehicles, and two-wheelers). The group also derives 16% of its revenues from exports and 15% from the replacement markets. Given the improvement expected in the domestic auto component industry over the next 2-4 quarters, we expect the group to post healthy revenue growth and profits during 2015-16. Consolidation measures undertaken within the group over the past two-three years are also expected to support profits. During the past three years, the group amalgamated two of the smaller group companies into bigger entities for synergy benefits (Rane Diecast Limited was merged with Rane Madras Limited during FY-14 and Kar Mobiles Limited was merged with Rane Engine Valve Limited in FY-15). As part of the consolidation exercise, VRS schemes have been offered at few older plants. This has also freed up sizable real estate bank, part of which was monetized during Q4FY15 and Q1FY16. The company continues to hold the balance and will divest them as and when required.

* 100 lakh = 1 Crore = 10 million



Company Profile

RHL is the holding company of the auto-component manufacturing house-the Rane group with aggregate revenues of Rs. 29.2 billion during 2014-15. The promoter's hold 46.41% stake (June 30, 2015) in RHL, which in turn holds strategic investments in subsidiaries, joint ventures, and associate companies (collectively known as "the Group"). The group entities are engaged primarily in manufacturing of components for the transportation industry, mainly the automotive sector. In addition to acting as a holding company, RHL also provides various support services to the group companies like training, infrastructure, Information Technology support.

The eight investee companies in the Rane group manufacture/trade in different products – subsidiaries Rane (Madras) Limited (RML [ICRA]A (Positive)/A1), Rane Brake Lining Limited (RBL [ICRA] A+ (Stable)/A1, Rane Engine Valve Limited ([ICRA]BBB+ (Positive)/ A2+), marketing subsidiary Rane Holdings America Inc., associates SasMos HET Technologies Limited., one trading joint venture-JMA Rane Marketing Limited and two manufacturing joint ventures – Rane TRW Steering Systems Private Limited (RTSS [ICRA]A+(Stable)/[ICRA]A1+) and Rane NSK Steering Systems Private Limited (RNSS).

Recent Results

RHL (Consolidated) reported net profit of Rs.96.6 crore on operating income of Rs.2,225.5 crore during the year ended March 31, 2015 as against net profit of Rs.50.1 crore on operating income of Rs.1,944.6 crore during the previous fiscal. RHL (Standalone) reported net profit of Rs.25.9 crore on operating income of Rs.58.7 crore during the year ended March 31, 2015 as against net profit of Rs.21.7 crore on operating income of Rs.52.3 crore during the previous fiscal.

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