

Rockman Industries Limited

Instruments	Amount (Rs. Crore)	Rating Action January 2016
Long Term Loans	61.78 (revised from Rs. 75.99 Crore)	Reaffirmed at [ICRA]AA (Stable)
Cash Credit Facility	88.00	Reaffirmed at [ICRA]AA
Buyer's Credit Facility/Letters of Credit	82.22 (revised from Rs. 105.00 Crore)	Reaffirmed at [ICRA]A1+
Total Rated Amount for Bank Facilities	232.00 (reduced from Rs. 268.99 crore)	
Commercial Paper	25.00	Reaffirmed at [ICRA]A1+

ICRA has reaffirmed the long-term rating of [ICRA]AA (pronounced ICRA Double A) for the long-term loans and working capital facilities of Rockman Industries Limited (RIL) . 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) for the working capital facilities of the company. The rated amount is reduced from Rs. 268.99 Crore to Rs. 232.00 Crore. ICRA has also reaffirmed the [ICRA]A1+ rating to the Rs. 25.00 Crore Commercial Paper / Short Term Debt (CP/STD) programme of RIL[†].

The reaffirmation of ratings reflects RIL's steady operating performance driven by strong business association with its primary customer – HMCL [ICRA]AAA(Stable)/[ICRA]A1+/IrAAA(Stable)], credit metrics and efforts towards client diversification. By virtue of being part of the Hero Group, RIL's ratings incorporate its established business position as a key supplier of aluminum based die-cast components to HMCL. With continuous investments in manufacturing capabilities, over the years, RIL has expanded its product portfolio as well as its share of business with HMCL and is expected to maintain its position as a strategic supplier. However, the ratings are constrained by RIL's high client concentration with ~85% of its business being currently derived from HMCL and its ancillaries. This risk is mitigated to an extent by HMCL's leadership position in the domestic two-wheeler market and track record of RIL's improving share of business with HMCL. ICRA also favourably considers RIL's diversification plans primarily targeted at increasing its after-market sales, expanding its exports business and component supplies to other automobile segments (such as passenger vehicles). The ratings are constrained by the marginal decline in profitability in FY 2015, due to the commencement of a new plant leading to unabsorbed cost overheads. As the company has sizeable capital expenditure and investment plans over the medium term too, funding of the same in a manner that sustains the company's credit profile and efficient scale up of operations that complements profitability will be a key rating sensitivity.

Company Profile

Rockman Industries Limited (RIL), formerly Rockman Cycle Industries Limited, was established in 1961 as a partnership firm. It was converted into a private limited company in 1981 and became a deemed public company in 1988, finally getting converted into a public limited company in 2001. RIL is a part of the Hero Group and currently supplies aluminum die-cast automotive components mainly to HMCL. Till October 2005, the company had two divisions – a) cycle parts manufacturing division where bicycle chains and bicycle hubs were manufactured and b) auto parts manufacturing division where auto chain, auto hub, crank case cover, crank case, panels and flanges and other parts of two-wheelers were manufactured. However, the cycle parts division was closed down in October 2005 owing to stiff competition from imports from China.

[†]“For complete rating definition please refer to the ICRA website www.icra.in or any of the ICRA Rating Publications”



With two manufacturing facilities located at Ludhiana (Punjab) and Haridwar (Uttaranchal), RIL manufactures a range of aluminum based die-cast components using high-pressure, low-pressure and gravity die-casting technologies. Additionally, RIL has a dedicated auto-chain manufacturing plant at Mangli (Punjab). Some of the key components manufactured by the company include crank case, crank case cover, wheel hub, drive chains, alloy wheel, cylinder head and bottom case. In FY 2015, the company commenced commercial operations from its green field unit at Bawal, Haryana.

By virtue of being part of the Hero Group and continuous investments in manufacturing capabilities, RIL has steadily increased its share of business with its principal customer – HMCL over the past few years. With plans of diversifying its business profile, RIL is in the process of further expanding its manufacturing footprint with the objective to strengthen its exports business and foray into the auto component segment for passenger vehicles. In order to increase its presence in south and passenger vehicle segment, RIL acquired stake in erstwhile Sargam Diecastings Private Limited in February 2014 and renamed it to Rockman Industries Chennai Private Limited (RICPL), *rated [ICRA]BBB (Stable)/[ICRA]A2*. With further equity infusion to support the subsidiary's operations, RIL's current equity stake in the company is at 84.68% as on 31st March 2015.

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