

Remsons Industries Limited

Instrument	Amount	Rating Action
Term loans	Rs. 1.50 crore	Rating revised to [ICRA]BBB- (stable) from [ICRA]BBB (stable)
Long-term, fund based facilities	Rs. 20.00 crore	Rating revised to [ICRA]BBB- (stable) from [ICRA]BBB (stable)
Short - term, non-fund based facilities	Rs. 0.70 crore	Rating revised to [ICRA]A3 from [ICRA]A3+

ICRA has revised the long-term rating on the Rs. 1.50 crore¹ term loans and Rs. 20.00 crore long-term, fund based bank facilities of Remsons Industries Limited ('Remsons' or 'the company')² to [ICRA]BBB- (pronounced ICRA triple B minus) from [ICRA]BBB (pronounced ICRA triple B). ICRA has also revised the short-term rating on the Rs. 0.70 crore short-term, non-fund based bank facilities of the company to [ICRA]A3 (pronounced ICRA A three) from [ICRA]A3+ (pronounced ICRA A three plus). The outlook on the long-term rating is 'Stable'.

The revision in the ratings factors in the muted revenue growth of the company over the past five years and decline in profitability owing to inflating fixed costs. The subdued profitability has continued to constrain the debt coverage indicators of the company. The ratings, however, continue to factor in the long standing experience of the promoters in the auto ancillary industry, the established client base which includes leading domestic and international automobile OEMs, healthy share of revenue from after-market and exports which are likely to partially insulate the company from the volatility in demand from the domestic automobile sector, and moderate and steady working capital intensity of operations. The ratings are, however, constrained by the moderate capital structure, exposure to the inherent cyclical nature in the automobile industry, competitive nature of the auto component industry especially in the replacement market, and susceptibility to volatility in raw material prices given the bargaining power of the OEMs, though any increase in raw material prices in excess of 5% is passed on to the customers.

Company Profile

Remsons Industries Limited was incorporated in 1971 by the Late Mr. V. Harlalka under the name Remsons Cable Private Limited (RCPL). RCPL took over the auto-component trading business of Remsons India, a partnership concern - which was initially a proprietorship concern of Mr. V. Harlalka - in May 1984. Subsequently, RCPL was converted into a public limited company in October 1986 and its name was changed to Remsons Industries Limited in November 1986. Further, Daman Auto Industries Ltd., Rems Auto Engineers Ltd., and Remsons Auto Industries Pvt. Ltd. were amalgamated with the company with effect from April 2005.

Remsons is engaged in the manufacturing of auto components such as auto control cables, flexible shafts, gear shift systems, push pull cables and parking brake mechanism. Automobile industry accounts for ~97% of the company's sales and the non-automotive sectors like marine and electrical sectors account for the rest. Major customers include Hero MotoCorp, Tata Motors, Mahindra & Mahindra, Piaggio Vehicles, Lifelong India, Ashok Leyland Nissan Vehicles, and Maruti Suzuki India in the domestic market. The company also exports the auto control cables to Europe and the USA, with Europe accounting for bulk of the exports. Remsons also supplies various auto control cables in the replacement market; until FY2010, the business was being carried out under Remsons Cable Industries Private Limited (RCIPL), a group company. The company has six manufacturing plants located across Gurgaon, Daman (4 plants) and Pardi. The design and validation facilities are available in Gurgaon and Mumbai. The manufacturing facilities are ISO/TS 16949: 2009, ISO 9001: 2008 and ISO 14001: 2004 certified.

Recent Results

Remsons reported a profit after tax (PAT) of Rs. 0.45 crore on an operating income of Rs. 119.89 crore in FY2016 as against a PAT of Rs. 0.04 crore on an operating income of Rs. 115.42 crore in FY2015.

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¹ 100 Lakh = 1 Crore = 10 Million

² For complete rating scale and definitions, please refer to ICRA's website (www.icra.in) or other ICRA Rating Publications



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