

February 03, 2020<sup>(Revised)</sup>

## Rohini Industrial Electricals Limited: Rating reaffirmed; rated amount enhanced

### Summary of rating action

| Instrument*                            | Previous Rated Amount<br>(Rs. crore) | Current Rated Amount<br>(Rs. crore) | Rating Action   |
|--|--------------------------------------|-------------------------------------|---|
| Long Term/ Short Term - Fund Based     | 50.0                                 | 150.0                               | [ICRA]AA+(CE)<br>(Stable)/[ICRA]A1+(CE);<br>Reaffirmed/Assigned |
| Short Term – Fund Based                | 0.0                                  | 200.0                               | Provisional[ICRA] A1+(CE);<br>Rating Assigned                   |
| Long Term/ Short Term – Non-Fund Based | 165.0                                | 165.0                               | [ICRA]AA+(CE)<br>(Stable)/[ICRA]A1+(CE);<br>Reaffirmed          |
| Short Term – Non-Fund Based            | 0.0                                  | 135.0                               | [ICRA]A1+(CE); Rating Assigned                                  |
| <b>Total</b>                           | <b>215.0</b>                         | <b>650.0</b>                        |   |

\*Instrument details are provided in Annexure-1

### Rating Without Explicit Credit Enhancement

[ICRA]A-

Note: The (CE) suffix mentioned alongside the rating symbol indicates that the rated instrument/facility is backed by some form of explicit credit enhancement. Earlier, the rating symbol for this instrument/facility used to be accompanied by the (SO) suffix. This rating is specific to the rated instrument/facility, its terms and its structure and does not represent ICRA's opinion on the general credit quality of the entity concerned. The last row in the table above also captures ICRA's opinion on the rating without factoring in the explicit credit enhancement

### Rationale

#### For the [ICRA]AA+(CE)/[ICRA]A1+(CE)(Stable) rating reaffirmed/assigned

The above rating for the Rs. 450.0-crore bank facilities is based on the strength of the corporate guarantee provided by Voltas Limited, the parent of Rohini Industrial Electricals Limited (Rohini), for the rated bank facilities. The Stable outlook on this rating reflects ICRA's outlook on the rating of the guarantor, Voltas Limited (Voltas).

#### For the Provisional [ICRA]A1+(CE) rating assigned

The provisional rating for the Rs. 200-crore bank facilities is based on the draft document shared with ICRA of the unconditional and irrevocable corporate guarantee to be provided by Voltas to Rohini for the rated bank facilities. ICRA would keep it under review in line with its published methodologies/policies.

### Adequacy of credit enhancement

For arriving at the rating, ICRA has assessed the attributes of the guarantee issued by Voltas Limited (the guarantor) in favour of the said bank facilities. While the guarantee is legally enforceable, irrevocable, unconditional, covers the entire amount and tenor of the rated facility/ instrument, it does not have a structured invocation and payment mechanism. Taking cognizance of the above, ICRA has reaffirmed/ assigned a rating of [ICRA]AA+(CE) (Stable)/A1+(CE) to the said bank facilities against the Unsupported rating of [ICRA]A- [and in relation to the guarantor's rating of [ICRA]AA+(Stable)/[ICRA]A1+]. In case the rating of the guarantor of Voltas Limited were to undergo a change in future, the same would have a bearing on the rating of the aforesaid facility/ instrument as well. The rating of this facility/ instrument may also undergo a change in a scenario whereby in ICRA's assessment there is a change in the strength of the business linkages between the guarantor and the rated entity, or there is a change in the reputation sensitivity of the guarantor to a default by the rated entity or there is a change in the strategic importance of the rated entity for the guarantor.

### Salient covenants related to the credit enhancement, as specified in the guaranteed documents

- » *The guarantee is a continuing one for all the amounts advanced to the borrower under the said facilities as also for all interest, costs, charges, expenses and/ or other monies which may from time to time become due and remain unpaid to the bank*
- » *If at any time default shall be made by Rohini in payment of any obligation related to the rated facilities, Voltas shall forthwith pay the bank on demand and without any demur.*

### Key rating drivers and their description

**Corporate Guarantee provided by Voltas Limited** - Unconditional and irrevocable corporate guarantee extended by Voltas Limited (rated [ICRA]AA+(Stable)/[ICRA]A1+), the parent company, for due payment of obligations under the captioned bank facilities.

[Rating Rationale of Voltas Limited](#)

### Liquidity Position: Strong

The company's liquidity position remains strong, given the positive free cash flow generation since FY2013, supported by the performance of the Unitary Cooling Products Business Group (UPBG) division and low capital expenditure requirement. Lower borrowings resulted in low interest expenses, which in turn supported its cash flows. The company has sizeable cash balances and liquid investments (~Rs. 2,100 crore as on September 30, 2019, as against consolidated total debt of Rs. 330.4 crore), indicating a strong liquidity. Voltas, on a consolidated level, had a marginal long-term borrowing of Rs. 10.72 crore as on September 30, 2019. ICRA also takes into account the expected outflow towards investments in Voltbek, a JV formed with Ardutch B.V. (a subsidiary of Arçelik A.S.; part of the Turkey-based Koç Group). ICRA notes the Rs. 500-crore capital expenditure towards a manufacturing facility in Tirupati, which is expected to be funded through internal accruals.

### Rating Sensitivities

The rating assigned to the bank facilities would remain sensitive to any movement in the rating or outlook of the guarantor, Voltas Limited.

### Analytical approach

| Analytical Approach             | Comments   |
|---------------------------------|--|
| Applicable Rating Methodologies | <a href="#">Corporate Credit Rating Methodology</a><br><a href="#">Approach for rating debt instruments backed by third-party explicit support</a>   |
| Parent/Group Support            | Parent/Group Company: Voltas Limited<br>The above ratings for the bank facilities is based on Rohini's standalone business and financial profile and are enhanced by an unconditional and irrevocable corporate guarantee by Voltas Limited. |
| Consolidation/Standalone        | Standalone   |

## About Rohini Industrial Electricals Limited

Rohini Industrial Electricals Limited was incorporated in 1983 for executing turnkey electrical and instrumentation projects across India. It offers electrical engineering services for commercial, power, process and industrial projects in the high tension (HT) as well as low tension (LT) segments, for public and private sector undertakings. Rohini has executed more than 500 projects since its inception. The company became a subsidiary of Voltas in September 2008, when the latter acquired a 51% equity stake in it. Rohini became a wholly owned subsidiary of Voltas in FY2014 after the acquisition of the last tranche of 16% stake by Voltas, post the final settlement with the erstwhile promoters. Rohini is headquartered in Mumbai, and has site offices in Rajasthan, Madhya Pradesh, West Bengal, Jharkhand, Bihar and Maharashtra.

## About Voltas Limited

Voltas is a part of the Tata Group, which holds a 30.30% stake in the company. Voltas operates in three main business segments—Electro Mechanical Projects and Services (EMPS), Engineering Products and Services Business Group (EPBG) and Unitary Cooling Products Business Group (UPBG). The EMPS business provides engineering solutions for centralised air-conditioning and refrigeration, Electro-mechanical projects(MEP), Heating, Ventilation and Air Conditioning (HVAC) applications and water management services in domestic and international markets. The EPBG business markets and trades products in mining and construction equipment as well as in the textile machinery segment, along with providing after sales services. The UPBG business markets air-conditioners, air coolers, water coolers and other commercial refrigeration products.

### Key financial indicators: Rohini Industrial Electricals (Standalone, Audited)

|  | FY2018 | FY2019 |
|--|--------|--------|
| Operating Income (Rs. crore)                         | 172.9  | 542.9  |
| PAT (Rs. crore)                                      | 0.1    | 43.3   |
| OPBDIT/OI (%)  | 6.5%   | 5.4%   |
| RoCE (%)   | 17.2%  | 24.2%  |
| Total Outside Liabilities/Tangible Net Worth (times) | -5.4   | 13.0   |
| Total Debt/OPBDIT (times)                            | 10.4   | 4.8    |
| Interest Coverage (times)                            | 1.2    | 1.9    |
| DSCR   | 1.0    | 0.7    |

### Key financial indicators: Voltas (Consolidated, Audited)

|  | FY2018  | FY2019  |
|--|---------|---------|
| Operating Income (Rs. crore)                         | 6,404.4 | 7,124.1 |
| PAT (Rs. crore)                                      | 574.1   | 565.7   |
| OPBDIT/OI (%)  | 10.5%   | 8.8%    |
| RoCE (%)   | 21.5%   | 18.0%   |
| Total Outside Liabilities/Tangible Net Worth (times) | 0.9     | 0.8     |
| Total Debt/OPBDIT (times)                            | 0.2     | 0.5     |
| Interest Coverage (times)                            | 56.5    | 19.0    |
| DSCR   | 10.8    | 8.0     |

**Status of non-cooperation with previous CRA: Not applicable**

**Any other information: None**

**Rating history for past three years**

|   | Instrument            | Type                  | Current Rating (FY2020) |                    |                                   |                                   | Rating History for the Past 3 Years    |                                      |                                      |
|---|-----------------------|-----------------------|-------------------------|--------------------|-----------------------------------|-----------------------------------|--|--------------------------------------|--------------------------------------|
|   |                       |                       | Amount Rated            | Amount Outstanding | Rating                            |                                   | FY2019                                 | FY2018                               | FY2016                               |
|   |                       |                       |                         |                    | 03-Feb-2020                       | 08-Apr-2019                       | 24-May-2018                            | 20-Jul-2017                          | 09-Mar-2016                          |
| 1 | Fund Based Limits     | Long Term/ Short Term | 150.0                   | -                  | [ICRA]AA+ (CE) (Stable)/ A1+ (CE) | [ICRA]AA+ (SO) (Stable)/ A1+ (SO) | [ICRA]AA(SO) (Positive)/ [ICRA]A1+(SO) | [ICRA]AA(SO) (Stable)/ [ICRA]A1+(SO) | [ICRA]AA(SO) (Stable)/ [ICRA]A1+(SO) |
| 2 | Fund Based Limits     | Short Term            | 200.0                   | -                  | Provisional [ICRA]A1+ (CE)        | -                                 | -                                      | -                                    | -                                    |
| 3 | Non-Fund Based Limits | Long Term/ Short Term | 165.0                   | -                  | [ICRA]AA+ (CE) (Stable)/ A1+ (CE) | [ICRA]AA+ (SO) (Stable)/A1 + (SO) | [ICRA]AA(SO) (Positive)/ [ICRA]A1+(SO) | [ICRA]AA(SO) (Stable)/ [ICRA]A1+(SO) | [ICRA]AA(SO) (Stable)/ [ICRA]A1+(SO) |
| 4 | Non-Fund Based Limits | Short Term            | 135.0                   | -                  | [ICRA]A1+ (CE)                    | -                                 | -                                      | -                                    | -                                    |

Amount in Rs. crore

### Complexity level of the rated instrument

ICRA has classified various instruments based on their complexity as "Simple", "Complex" and "Highly Complex". The classification of instruments according to their complexity levels is available on the website [click here](#)

## Annexure-1: Instrument details

| ISIN | Instrument Name                              | Date of Issuance / Sanction | Coupon Rate | Maturity Date | Amount Rated (Rs. crore) | Current Rating and Outlook           |
|------|--|-----------------------------|-------------|---------------|--------------------------|--------------------------------------|
| NA   | Bank Overdraft and Purchase Bill Discounting | NA                          | NA          | NA            | 150.0                    | [ICRA]AA+(CE) (Stable)/[ICRA]A1+(CE) |
| NA   | Working capital Loan/Short Term Loan         | NA                          | NA          | NA            | 200.0                    | Provisional[ICRA]A1+(CE)             |
| NA   | Bank Guarantee and Letter of Credit          | NA                          | NA          | NA            | 165.0                    | [ICRA]AA+(CE) (Stable)/[ICRA]A1+(CE) |
| NA   | Letter of Credit                             | NA                          | NA          | NA            | 135.0                    | [ICRA]A1+(CE)                        |

Source: Rohini Industrial Electricals Limited

## Corrigendum

Rating rationale dated February 03, 2020 has been corrected with revision as detailed below:

Adequacy of credit enhancement has been added on page 1.

## Analyst Contacts

**Subrata Ray**

+91 22 6114 3408  
subrata@icraindia.com

**Jay Sheth**

+91 22 6114 3419  
jay.sheth@icraindia.com

**Srikanth Dharmaraj**

+91 22 6114 3416  
srikanth.dharmaraj@icraindia.com

## Relationship Contact

**Jayanta Chatterjee**

+91 80 4332 6401  
jayantac@icraindia.com

## Media and Public Relations Contact

**Ms. Naznin Prodhani**

Tel: +91 124 4545 860  
[communications@icraindia.com](mailto:communications@icraindia.com)

## Helpline for business queries:

+ 91-9354738909 (open Monday to Friday, from 9:30 am to 6 pm)

[info@icraindia.com](mailto:info@icraindia.com)

## About ICRA Limited

ICRA Limited was set up in 1991 by leading financial/investment institutions, commercial banks and financial services companies as an independent and professional investment Information and Credit Rating Agency.

Today, ICRA and its subsidiaries together form the ICRA Group of Companies (Group ICRA). ICRA is a Public Limited Company, with its shares listed on the Bombay Stock Exchange and the National Stock Exchange. The international Credit Rating Agency Moody's Investors Service is ICRA's largest shareholder.

For more information, visit [www.icra.in](http://www.icra.in)

## ICRA Limited

### Corporate Office

Building No. 8, 2nd Floor, Tower A; DLF Cyber City, Phase II; Gurgaon 122 002

Tel: +91 124 4545300

Email: [info@icraindia.com](mailto:info@icraindia.com)

Website: [www.icra.in](http://www.icra.in)

### Registered Office

1105, Kailash Building, 11th Floor; 26 Kasturba Gandhi Marg; New Delhi 110001

Tel: +91 11 23357940-50

### Branches

Mumbai + (91 22) 24331046/53/62/74/86/87  
Chennai + (91 44) 2434 0043/9659/8080, 2433 0724/ 3293/3294  
Kolkata + (91 33) 2287 8839 /2287 6617/ 2283 1411/ 2280 0008  
Bangalore + (91 80) 2559 7401/4049  
Ahmedabad+ (91 79) 2658 4924/5049/2008  
Hyderabad + (91 40) 2373 5061/7251  
Pune + (91 20) 020 6606 9999

© Copyright, 2020 ICRA Limited. All Rights Reserved.

Contents may be used freely with due acknowledgement to ICRA.

ICRA ratings should not be treated as recommendation to buy, sell or hold the rated debt instruments. ICRA ratings are subject to a process of surveillance, which may lead to revision in ratings. An ICRA rating is a symbolic indicator of ICRA's current opinion on the relative capability of the issuer concerned to timely service debts and obligations, with reference to the instrument rated. Please visit our website [www.icra.in](http://www.icra.in) or contact any ICRA office for the latest information on ICRA ratings outstanding. All information contained herein has been obtained by ICRA from sources believed by it to be accurate and reliable, including the rated issuer. ICRA however has not conducted any audit of the rated issuer or of the information provided by it. While reasonable care has been taken to ensure that the information herein is true, such information is provided 'as is' without any warranty of any kind, and ICRA in particular, makes no representation or warranty, express or implied, as to the accuracy, timeliness or completeness of any such information. Also, ICRA or any of its group companies may have provided services other than rating to the issuer rated. All information contained herein must be construed solely as statements of opinion, and ICRA shall not be liable for any losses incurred by users from any use of this publication or its contents.