Q&A THE NEW INDIAN EXPRESS (20.04.2009)

Rane Group to look at backward integration at Sanand

THE Chennai-based Rane Group would review early next year its plans for setting up an assembly, finishing and delivery facility at Sanand in Gujarat, for supplying components to Tata Motors' Nano. Chairman, **L Ganesh** said the Group would later look at backward integration to ensure that input supplies were easily accessible and to reduce input costs. He pointed out that the Group still had to complete its homework on the plan. But the existing two plants at Chennai and one in Puducherry were equipped to supply the 'child parts' for Nano including steering gear, steering columns, lower control arm and seat belts. Finishing activities would be undertaken at Rane's Uttarakhand plant that is supplying parts for Tata Ace.

Excerpts from an interview with **Shobha Mathur**.

How much has the Rane Group already spent on the Nano project?

The Group has already spent Rs 4.5 crore on equipment and upgradation of facilities at existing plants for supplying parts to Nano. This is besides the Rs 2 crore lost at Singur.

Rane NSKs plant at Bawal in Haryana was to supply electric power steering (EPS) systems for Maruti's new model besides other OEMs. Was it also looking at the commercial vehicle segment?

The Bawal plant is now supplying 100 per cent electric power steering systems for Maruti's new model A-star and some requirements of its other models. We have shifted supply of some components for the commercial vehicles of Eicher Motors, Ashok Leyland Ltd (ALL) and Tata Motors to the Chennai plants. New production lines have been added in the existing plants.

Components that were earlier being imported from Japan will now be manufactured in-house. A 5% moderate growth is being targeted in FY'10

— L Ganesh

Rane TRWs new plant in Uttarakhand was to support ALLs upcoming plant in Uttarakhand. What is its status?

We bought this factory at Uttarakhand last year but since demand for commercial vehicles was down, it did not kick off. We will start operations here in Q2 of FY'10. Some components like hydraulic power steering columns will be supplied to ALL from this plant.

How much of the Rs 200 plus crore expansion plan and turnover target for 2008-09 was achieved by the Group?

Only Rs 120 crore of the proposed investment could be made during 2008-09 because of the economic slowdown that negatively impacted the automotive sector. Some of the amount was spent on buying the Uttarakhand plant with the balance incurred on new equipment at Tiruchy and in existing plants. The Group fell short of its sales target of Rs 1,450 crore. We will end FY'09 with Rs 1,300 crore sales.

What is your capex and turnover target for FY'10?

There will be no great capacity expansion during 2009-10. All capital expenditures have been deferred except for a capex of Rs 60 crore which will be carried forward from the earlier fiscal. No fresh capital will be raised to meet this requirement. It will be funded through internal accruals and term loans and will be used for balancing equipment like more localization of EPS for supplying to Maruti. Components that were earlier being imported from Japan will now be manufactured in-house. A 5 per cent moderate growth is being targeted in FY'10 over the previous fiscal.

Will you look at diversification to beat the downturn?

In the normal process, we will look at related areas. We already have a small presence in defence. We supply friction material, brakes to armoured vehicles and tanks. We will explore synergistic opportunities in railways, aerospace, power...