

Rane Group bets big on aerospace, looks at more acquisitions



To invest Rs 220 crore in 2015-16 for capacity expansion

T E Narasimhan | Chennai

May 18, 2015 Last Updated at 11:16 IST

Chennai-based Rane Group is planning to invest Rs 220 crore in 2015-16 to augment capacity besides expanding its aerospace business.

The group is looking at one or two investments in the aerospace industry, Group chairman L Ganesh told Business Standard.

He added that the funds will mainly be used for capacity expansion at its Haryana plant and expansion of the hydraulic business in Rane Madras. It will also expand the airbag manufacturing capacity at its Singapermual kovil facility, near Chennai.

The capex will be funded through debt and equity, said Ganesh, adding that the debt to capital employed is about 50% at the group level.

The \$494 million group is expecting a growth of around 8-10% in 2015-16, Ganesh added. In 2014-15, the group had reported around 8% growth, with Rane Steering contributing the major chunk at around 60%.

The profitability was better than 2013-14 when the company spent about Rs 40 crore on VRS at Rane Engine Valve. Last year to repay the loan, which was taken for VRS, the group sold about 5.5 acres of land near Chennai airport for Rs 75 crore to real estate firm Casa Grande.

The group has also decided to wind up its plant at Velacherry, Chennai and decided to shift it to Oragadam in three to four months as part of its consolidation efforts.

Aerospace

Ganesh said the group is betting big on the aerospace business and expects it to contribute about 10% to the total revenue in the next five years.

"We are looking at one or two investments in aerospace. We are looking for profiles which have

good export potential and international portfolio. The size could be Rs 50-100 crore turnover to around Rs 400-500 crore", he said.

Last year the group invested in Bengaluru-based SasMos. It also formed a JV with Dutch company Fokker to offset exports components mainly wiring hardwares and electro mechanical control systems used in aerospace.

He, however, ruled out buying the promoters stake in SaaS for now. Rane holds 45% in SaaS, while the original promoter holds 55%.

Exports

The group expects export revenue to rise to 20% in the next three years from the current 17%. Ganesh said it will focus mainly on North American and European markets.

Solar energy plant

The group is planning to acquire around 50 acres of land in the southern part of Tamil Nadu to set up a 1 MW solar farm.

"It's a defensive strategy. It will be for captive consumption," said Ganesh, adding that the plant will be managed by somebody else for a fee.

The Group already operates a 10 MW wind farm in Tamil Nadu.