



## “Rane Group FY 2018 Earnings Conference Call”

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**Moderator:** Ladies and Gentlemen, Good Day and Welcome to the Rane Group FY 2018 Earnings Conference Call. As a reminder, all participant lines will be in the listen-only mode. And there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing “\*” then “0” on your touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Diwakar Pingle from Christensen IR. Thank you and over to you, sir!

**Diwakar Pingle:** Thank you, Stanford. Good Afternoon, Friends. Welcome to FY 2018 Earnings Call of Rane Group. To take you through the results and answer your questions today, we have the management team from the Rane Group, represented by Mr. L. Ganesh -- Chairman and Managing, Rane Holdings Limited; Mr. Harish Lakshman -- Vice Chairman, Rane Holdings Limited; and Mr. J. Ananth -- the CFO of Rane Holdings Limited.

Please note that we have sent you the Press Release and also the Presentation link that was sent this morning. The Presentation has also been uploaded on our website as well as exchanges. In case, any one of you have not received the Presentation from us, you could go to either Rane Group’s website or the exchanges and you will find them there.

Before we start, I would like to say that everything that is said on this call that reflects any outlook for the future or which can be construed as a forward-looking statement must be viewed in conjunction with risk and uncertainties that we face. These uncertainties and risks are included, but not limited to what we mention in prospectus and Annual Reports which you can find on our website.

With that said now, I hand over the call to Mr. Ganesh. Over to you, Sir!

**L. Ganesh:** Thank you, Diwakar. Good Afternoon, Ladies and Gentlemen. Thank you for dialing-in. I would like to welcome you to this teleconference. You would have seen the FY 2018 Performance Highlights of the Group Companies posted on our website.

Just to add a few comments before I hand over to Harish, FY 2018 was fairly good year for the Rane Group. Most of the Group Companies delivered robust performance supported by a strong demand environment and some new product launches by our customers.

Turning to the Group Performance. The Rane Group aggregate sales registered 18% growth in FY 2018. The EBITDA at group level improved from 11.5% to 12.2%. This was due to the operational leverage and various cost control measures by the company. The aggregate PBT without exceptional items grew by a healthy 40% compared to previous year 5.8%, we ended up at 6.9%.

Rane Madras experienced a strong growth. RML India had a 23.3% growth by additional volumes and new programs in Steering Linkage business. The Die Casting business continues to improve operational performance and achieved reduction in internal rejections and virtually we ended up without any significant premium freight. EBITDA margin improved due to increased volume and improved operating performance.

The operational turnaround of Rane Precision Die Cast U. S. continues to be major area of focus. We experience a dip in sales due to some delay in commencement of new program. The business achieved positive EBITDA in the first-half. But unfortunately, the second-half, we had some unexpected operational issues leading to significant cost overrun. There was also one-off customer charge towards prior year's quality issues.

Rane Engine Valve, where we had a revenue growth in OEM, which is quite strong. The aftermarket was subdued. The turnaround of REVL is underway and one thing we realized is it is going to take another 18 months to 24 months for us to become profitable. The management is pursuing series of initiatives to stabilize the operations in this direction.

Rane Brake Lining experienced a 4% growth, primarily driven by OE customers. In the aftermarket, the first-half was very subdued primarily due to the GST and while there was some recovery in the second-half it was not good enough to post a robust growth for the year. We were, of course, able to sustain the profit margins with supportive favorable commodity prices and some good cost savings.

Rane TRW and Rane NSK continue to enjoy very favorable position in product segment and favorable models and both delivered strong revenue and good margins.

In FY 2018 one development is that we have acquired 70% stake in Telematics4u which is based in Bengaluru (Bangalore), it is a mobility solutions provider.

The overall CAPEX for the group, was about Rs. 165 crores, which was primarily towards capacity addition for steering and linkage products in RML, some balancing equipment and localization for electric power steering in Rane NSK and occupant safety and steering gear product in Rane TRW. We also continued our investment in R&D, especially in validation capability.

With these opening remarks, I will now hand it over to Harish for comments after which, we will take your questions. Thank you.

**Harish Lakshman:**

Thank you. Good Afternoon, Everyone. Just a few more comments relating to the overall market. I think, the overall automotive domestic industry saw a significant growth across all vehicle segments and fortunately, at Rane Group, we were able to grow better than industry across each and every segment supported by favorable growth in the served model, share of business

improvement and commencement of supplies to some new customer programs. The international revenue also grew by 19%, largely driven by the commencement of some new business in our occupant safety division in Rane TRW.

In my view, the fundamental factors of growth continue to remain favorable with various things going on in the country and I think automotive market will continue to grow strongly in the next two years both 2018-19 and 2019-20. Of course, we are also seeing clearly signs of hardening of commodity prices. Steel prices are going up and certain other special alloys and metals have started growing up and obviously, this will put pressure on the margins but obviously we will be able to pass it on to our customers and also some of the other uncertainties relating to global trade barriers. So, I think these are two concerns that could possibly impact the market. But other than that, overall it is still a positive outlook.

As far as group is concerned, we are continuing to pursue our objective of delivering accelerated profitable growth, we will continue to do better than the domestic market with the various initiatives we have taken. We will also continue to expand our international business with both existing customer base and penetrate new customers. Of course, as Mr. Ganesh mentioned, a lot of the management focus is also going towards turning around our Engine Valve as well as our Die Casting business, both domestic and international, and from a longer-term perspective, we continue to explore inorganic growth opportunities both in India and in overseas.

So, with these few words, we are ready to take any questions that you might have.

**Moderator:** Thank you very much, sir. Ladies and Gentlemen, we will now begin the Question-and-Answer Session. The first question is from the line of Viraj Kacharia from Securities Investment Managers. Please go ahead.

**Viraj Kacharia:** I just had couple of questions. Starting with Rane TRW, if you can provide the mix between Occupant Safety and Steering?

**L. Ganesh:** Yes, second question?

**Viraj Kacharia:** For this year, last quarter of FY 2018 and the similar quarter last year. Second question was, again, if you can provide does the current quarter reflect any orders from Renault? And if you can provide any outlook in terms of any further business attraction we have got from exports in Occupant Safety or on the Steering side or any further business wins?

**Harish Lakshman:** So last year the Steering business was 55% and Occupant Safety was 45%. Your second question with regarding to Renault was not clear to us. Can you repeat the question?

**Viraj Kacharia:** Are you expecting some commencement of orders for Air Bags for Renault starting Q4 of FY 2018?

- Harish Lakshman:** I am not able to respond immediately. I need to check.
- Viraj Kacharia:** Okay. Second question on the outlook, if you can provide growth because even if you look at Q4, the kind of volume growth we have in M&HCV and CV, even in the previous quarter, we have outgrown the industry growth rate. So, it seems in Q4 there seems to be some moderation in terms of growth vis-à-vis the industry. So, has there been any market share loss or if you can just provide some color what is the reason behind that?
- Harish Lakshman:** Behind what? This business has grown by almost 50% last year.
- Viraj Kacharia:** Sir, I am specifically talking about Q4 for Rane TRW. If you look at the overall sales growth.
- Harish Lakshman:** So, your question is what, in Q4 what is your....?
- Viraj Kacharia:** So, if we look at the previous quarters, we have readily outgrown the overall domestic production for M&HCV and CV for TRW. But in this quarter, it seems overall growth rate has moderated. So just want to understand vis-à-vis the industry. So just want to understand what could be the reason behind that.
- Harish Lakshman:** No, I am trying to understand. The Steering business in Q4 grew at 31% and the Occupant Safety business grew at 27%, I am talking Q4, Q4-to-Q4.
- Viraj Kacharia:** Okay, fine.
- Harish Lakshman:** I do not have a comparison with Q3, so I am able to comment but definitely on the steering side we would have done better than Q3, I know that for a fact. Q4 on Occupant Safety I am not able to comment.
- Viraj Kacharia:** Okay. Second question was on NSK. If you look at the overall margin profile which we earn in Q4, there has been some moderation on margin compared to what we used to earn in the prior quarters for NSK. So just want to understand where we are seeing the pressure, what is the reason behind that?
- Harish Lakshman:** As far as the NSK business is concerned, the margins will be in the region of 13% to 14%. So, there would be one-off quarter impact where there will be sudden jump in margin, etc. but on average that is about 13% - 13.5% EBITDA business.
- Viraj Kacharia:** Okay. Because if we look at trend over last four quarters to five quarters we have been consistently earning 14% to 15% that is your EBITDA margin range we have clocked.
- Harish Lakshman:** In 2016 - 2017, we did about 13.5%. Last year because of some favorable mix and some of the models that we have supplied to Maruti traded well we have that benefit.

- Viraj Kacharia:** Okay. And one more question was on the CAPEX outlook for both the JVs for FY 2019?
- Harish Lakshman:** Yes. So that is still under preparation and in discussions. I think, we will have a full clarity sometime by June.
- Moderator:** Thank you. The next question is from the line of Mukesh Saraf from Spark Capital. Please go ahead.
- Mukesh Saraf:** My question is primarily related to the fourth quarter specifically to most of your businesses Rane Madras, Engine Valves, Brake Linings. We have seen the gross margins in all of these businesses declined this quarter and it is quite up to even 300 basis points decline in Brake Linings and Engine Valves on the gross margin side this quarter. Just want to understand, is there some pass through that we are expecting and hence, this can kind of normalize. So, is it broadly related to just the pass through or is there something else on this?
- L. Ganesh:** One is, of course, like last year our focus was on the year. Normally we do three-quarters analysis then we talk for FY 2018. So, some of the specific questions, I may not be able to answer. But broadly in quarter four, the volumes were good. If at all, each company had some specific year-end adjustments, some provisions made, etc. otherwise product mix, except in the case of Rane Brake Linings, where specifically we said aftermarket mix was not very favorable. Other companies I think broadly the margins have been in line except some year-end expenses, timing effects, some R&D, CSR expenses, some provisions made in Q4. Otherwise, I think broadly the gross margins were in line with Q3. But to be honest, we were more focused on FY 2018. So, I may not be able to answer exactly company-by-company on gross margin.
- Mukesh Saraf:** Right, sir. I understand that. Could you instead give us a sense generally on the kind of raw material pressures you are seeing over the last three months - four months and how do you see that playing out in the next say one quarter - two quarters. Obviously, you did give a comment on how steel has gone up. But if you could just kind of explain a bit more on what kind of impact it is having and generally what kind of pass-through clauses we have with the OEMs?
- L. Ganesh:** Definitely in Q4, there was an impact. That is one of the reasons probably for a little bit of contribution loss, but materials have gone up and it is both steel and resins and phenol and petroleum-related products both in the case of Rane Brake Lining and Steel for the other company. Especially special steels and alloy-like nickel-based steel, cobalt, all of them have gone up significantly. In terms of passing on as you mentioned earlier with some lag, we do try to pass it on to the customer and by and large customers who kind of compensated for this but there could be a lag of one month or two months but there is a hardening of all commodity prices.
- Mukesh Saraf:** Right. So, we could expect but there is a pass-through with a kind of a lag?
- L. Ganesh:** Yes.

- Mukesh Saraf:** Right, okay. And just second bit on the NSK business. If you could just give some sense on the expansion activity there in terms of capacities in Gujarat and any other expansion that we are doing?
- L. Ganesh:** See, in terms of volume, as we said earlier we are finalizing sometime in June when we talk to or we will give some idea for the outlook couple of years. But this year it is a question of the organic growth. However, we are in the process of setting up facility in Gujarat more because some of the models we are supplying are going to be made in Gujarat or already made in Gujarat by Suzuki Motor Company. So, while child parts, etc., will come from Bawal plant, we are setting up some basic assembly facility to start with which may not immediately increase the volumes, but we have to do that localization to meet the customer requirements. So, we are setting up a facility in Gujarat. Work has already started.
- Mukesh Saraf:** Right, sir. Thank you. And just one last thing if I can take, within Rane Madras, could you just give the breakup of the Die Casting business, not the subsidiary, but the Die Casting segment in the standalone business?
- L. Ganesh:** Yes. Out of Rs. 1,171 odd crores for the year, Die Casting was about Rs. 130 crores.
- Mukesh Saraf:** And Y-o-Y how was that sir last year same thing Rs. 130 crores?
- L. Ganesh:** Last year was same. Almost flat. Die Casting was flat.
- Moderator:** Thank you. The next question is from the line of Ashwin Agarwal from Akash Ganga Investments. Please go ahead.
- Ashwin Agarwal:** Sir, coming on Rane Madras, the standalone company has demonstrated significant growth as you rightly said. But we were also surprised negatively on the operational performance of the subsidiary. So, could you mention the one-off charge in this year for the subsidiary and what is the expected breakeven time for the subsidiary at EBITDA level and at general profitability?
- Harish Lakshman:** Yes. I think that Ganesh had explained and also what we put out in the Investor Presentation, I think, we had surprise operational issues that we had not anticipated between December to March, that is why the business even though compared to last year till October had become positive EBITDA, since then there has been a situation. Sorry, your first question was on? The one-off charge...
- Ashwin Agarwal:** One-off charge amount.
- Harish Lakshman:** One-off charge was about a little over Rs. 1.63 crores that was relating to a previous financial year quality problem. The customer had raised it and there were a lot of negotiations that went back and forth during the last financial year and that was then charged off between December,

January, and February. That was about Rs. 1.63 crores. As far as the future is concerned, the operational turnaround initiative is by and large going as per plan. What we had set ourselves in terms of improving machine uptime, reducing rejection and all of that is going as per plan. Of course, no doubt we had the set back in the last three months - four months, but that we are reasonably confident of overcoming. The other challenge that we are working on is getting new business. That business is about \$29 million. Our growth plan was to make it to about \$34 million business in about three years to four years' timeframe. So that initiative is still going on where we are trying to secure new contracts for 2019-20, 2020-21 timeframe. We have not yet won any major contracts but as and when we do that, that will help achieve pick profitability.

**Ashwin Agarwal:** So, could you breakeven at EBITDA level this year?

**Harish Lakshman:** We are not sure at this point in time, still working out the plans.

**Ashwin Agarwal:** Okay. But if we see at the PBT level there is a Rs. 20 crores difference between FY 2017 and FY 2018. So, this number would more or less remain the same even this year?

**Harish Lakshman:** Definitely the incentives for it should be lower.

**Ashwin Agarwal:** Okay. Sir, lastly, there were three orders of Nexteer and one had canceled and one smaller order, we have started supplying and for one major order, you were still to get the confirmation, so any update on that?

**L. Ganesh and Harish Lakshman:** Negotiation is still going on. There is nothing special that has happened. I mean the one business that we are doing with Nexteer that the volume is also growing originally than what was anticipated, so that is happening. The other one, this whole Opel merger, there is no clarity. But overall that is behind us in the sense that other volumes of domestic customers, Maruti, Tata Motors has increased, so that capacity is being utilized now. So that a lot of that business is behind us now anything we get new, we may have to even add some capacity. So, we are not picking any capacity because of that. Fortunately, we had invested as I told you last time only in one line, second line we could hold up, we did not invest. So that line is now being fully utilized so that loss of that order is well behind us. Not hurting us anymore.

**Ashwin Agarwal:** Are we in discussion with any other companies for export of Rack and Pinion other than through Nexteer are we also in discussion directly with any other automaker?

**Harish Lakshman:** Yes, many customers both large Tier-I suppliers as well as other customers like Polaris,

**Ashwin Agarwal:** So, any of these can become big in a few years like the order which we received from Nexteer, can it become big?

**Harish Lakshman:** Nothing that is a very significant report.

- Ashwin Agarwal:** Okay. Lastly, in our farm equipment, we were facing some manufacturing bottlenecks, so have we overcome that bottlenecks?
- L. Ganesh:** Well, it was mostly on the power steering, where the demand has started going up significantly in the last about 12 months to 18 months. So, we have coped up very well, I must say and we have grown significantly in that business and that business continues to grow the Hydraulic Power Steering for Farm Tractors but we have been able to cope with the demand so far with some outsourcing and some arrangements for extra working. But, currently we are evaluating, whether we should expand the capacity a little bit more for the 2018 - 2019
- Moderator:** Thank you. The next question is from the line of Ram Krishnan from Equity Intelligence. Please go ahead.
- Ram Krishnan:** Sir, I have one question on Rane NSK, you had scaled up the business phenomenally from Rs. 170 crores turnover from five years back to around Rs. 1,000 crores - Rs. 1,200 crores. So, I think couple of reasons; one is I think Maruti went for a dual dealership as well as this weak operation from Sona Steering one of your competitors. Now with the change in Sona Steering management and currently compact segment is growing more than the big size like your Swift segment is growing more than your Baleno, not S-Cross, and VITARA. So, what is your expectation and can you continue this kind of growth?
- L. Ganesh:** Okay. I think, I mentioned this before, as you rightly said we came in as second source and the volume growth was much higher and fortunately, we got business on some of the new B segment models which did very well. So, we cannot continue the same momentum of growth that we have done in the last five years. So, going forward it will be a kind of normal growth as far as the Electric Power Steering is concerned which is a majority 90% of our sales and the manual Columns, we continue to grow in line with domestic industry. We are looking at some export opportunities through NSK, which we are working on but that is much lower value compared to EPS. So, yes, going forward we cannot expect that kind of growth rate as we have enjoyed in the last five years.
- Ram Krishnan:** Sir, recently the Maruti Swift has been very successful, Swift new model. So are you also participating in that? Earlier you have mentioned that this you are doing very well with S-Cross and VITARA Brezza?
- L. Ganesh:** We are in the new Swift also.
- Ram Krishnan:** Okay. But is it exclusive for you because S-Cross and VITARA was exclusive for you? But is the Swift also for exclusive?
- L. Ganesh:** For the Steering Gear we share the business. But for the Column we are exclusive.

- Ram Krishnan:** So, S-Cross and VITARA is exclusive for you?
- L. Ganesh:** That is for the Steering Column, yes.
- Moderator:** Thank you. The next question is from the line of Payal Malvania from Wovv Investments. Please go ahead.
- Payal Malvania:** Are the results of RML sustainable on standalone basis going forward?
- Harish Lakshman:** So, if the market holds on, if the market continues to grow in this way, the domestic market, yes, the answer is, yes.
- Payal Malvania:** So what kind of demands are we anticipating out of domestic markets going forward?
- Harish Lakshman:** I think most segments whether it is Medium and Heavy Commercial Vehicle, Light Commercial, Farm Tractor and Passenger Car, the forecast is going to be a double-digit growth. So anywhere around 10% and upwards. So, if that happens, we will also have a similar growth if not slightly better.
- Payal Malvania:** Okay. And can you brief me about the Die Casting Breakeven? When we may anticipate it is coming?
- Harish Lakshman:** Sorry, can you repeat, again? We are having a difficulty in understanding what you are saying.
- Payal Malvania:** When can we anticipate a breakeven coming in a Die Casting thing your subsidiary?
- Harish Lakshman:** You mean the U. S. subsidiary or the domestic division of Rane Madras?
- Payal Malvania:** No, the Precision Die Casting U. S. subsidiary, I am talking about.
- Harish Lakshman:** Right. So that is what I commented in the earlier question as well. We are still working on new businesses that we are hopeful of winning for 2019-20 2020-21. So, till we secure some new contracts we cannot comment on the profitability.
- Payal Malvania:** So, can we see foresee breakeven in 2019 - 2020 maybe?
- Harish Lakshman:** We cannot comment till we win new contracts. It is a function of winning new contract.
- Moderator:** Thank you. The next question is from the line of Manish Goyal from Enam Holdings. Please go ahead.
- Manish Goyal:** Sir, sorry, repeating on the Rane Precision Die Cast. So basically, if we look at the published results, what we understand is that as far as top-line was concerned the subsidiary has seen nearly

10% decline in revenues. However, at EBITDA level we have been fairly similar level as compared to last year. But the problem has been that non-other income, non-operating income has declined, and interest has gone up which has resulted into losses at PBT level going up from Rs. 14 crores to Rs. 20 crores, this is what I see. Now, also you have said in the Presentation is that there was some issue. Now, are those issues resolved and probably we will overcome those issues what we saw in the second-half and we at least get back to what we saw in the first-half going forward?

**Harish Lakshman:** That is the intent, Manish. And definitely, the number of problems, the operational issues that we faced in January, February has started coming down. It has not yet gone fully. But by May all the operational issues, the unexpected operational issues that we faced which has led to some premium freights to customers, etc. all that will stop.

**Manish Goyal:** Okay. So at least you will probably go back to your EBITDA profitability probably in one quarter down the line that is the best way to understand?

**Harish Lakshman:** I mean that is the intent, but we are also hoping for new businesses that we are working on, etc. so that will also help.

**Manish Goyal:** Okay. So, it also mentions that there was delay in commencement of new program. So, when do you expect that to kind of start?

**Harish Lakshman:** No, that has started on. But there was a delay in that program during this year and it is part of a reason for the drop-in top-line.

**Manish Goyal:** Okay. So, you said in your earlier remarks that you planned to increase the business from \$29 million to \$34 million. So largely that was on the back of winning new contracts, right?

**Harish Lakshman:** Correct. I mean that was for overall next two to three years. When we acquired the business, we were not saying this business will become a \$50 million business and all. Our aspiration was in the five years' timeframe to grow from \$29 million to about \$34 million. But as of today, we are yet to win any new contracts that will help enhance the top-line.

**Manish Goyal:** Okay, fair point. And sir, on Rane TRW, would it possible to give up revenue break-up of Occupant Safety between Seat Belt and Air Bags, sir?

**J. Ananth:** Seat Belt is around Rs. 300 crores; Airbag at Rs. 180 crores

**Manish Goyal:** Seat Belt is Rs. 300 crores.

**J. Ananth:** Yes.

**Manish Goyal:** And Air Bags any terms roughly comes to Rs. 200 odd crores?

- Harish Lakshman:** Yes, 180 crores.
- Manish Goyal:** Yes, then it would mean Air Bags have kind of doubled revenues in last one year because FY 2017, we have a number of Rs. 100 crores from Air Bags and Rs. 223 crores from Seat Belt.
- Harish Lakshman:** Correct.
- Manish Goyal:** Okay. So how do you see these both businesses going forward, sir?
- Harish Lakshman:** This business will continue to grow strong, Manish. As I have mentioned in couple of several other calls. We have good order books, the visibility is looking positive. So, achieving 15% to 20% growth is possible in this business.
- Manish Goyal:** Okay. And sir, last question, which I think one of the participants also asked earlier, specifically it is to do with Rane Brake and Rane Engine Valve. In both these cases what we have seen is apart from material cost going up, the other expenses have gone up significantly. Like in Q4, Rane Brake other expenses have gone up from Rs. 27 crores to Rs. 36 crores. Sequentially also it has gone up from Rs. 28 crores to Rs. 36 crores so just wanted to know is there any one-off in Rane Brake and similar thing in Rane Engine Valve also what we are seeing is that other expenses in Q4 year-over-year have gone up from Rs. 25 crores to Rs. 36 crores. So just wanted to get a sense that in Rane Brake and Rane Engine, particularly in other expenses, are there any one-offs?
- L. Ganesh:** Yes, there are few one-offs in both. One is, there is a Service Tax issue on freight forwarding with Supreme Court decision which came in February. I think for the entire industry so far the decision was in favor of the company, this is the UltraTech Cement company case. So Supreme Court reversed that decision in February. So, all the companies had to provide for arrears of Service Tax and in the case of Rane Brake Lining it is significant. Two reasons, one is other companies had about two years ago started providing and this Rane Brake Lining, we have not provided and being all India distribution of freight forward expense is also higher. So, the significant amount was provided I think close to about Rs. 3.7 crores was provided for that for past arrears of Service Tax. Although, I think Supreme Court has gone to the bench but we felt with our discussion with auditors that we should provide. Some CSR and R&D expenses which are not spent so far has been spent in the last quarter, so you can say it is a timing effect. And also moving to GST, there were some old excise amount which we felt better to provide so nearly about Rs. 1 crore of that was provided. So similarly, in Rane Engine Valve some provisions were made for this and there were some old assets also which in Bengaluru (Bangalore) plant when the plant was closed was kept, were not used for the last 12 months, so discussions to auditors, we provided about Rs. 1 crore for that some old assets. Although physically it is still available. So these were some of the one-off expenses. And Rane Engine Valve to recondition the equipment which has been causing internal rejection, as a year we have spent significantly

almost about Rs. 4 crores as a one-time up keep and reconditioning of some of the key equipment that is a part of almost Rs. 1.5 crores I think was spend in the last quarter.

**Manish Goyal:** Okay. So just to clarify, Rane Brake we had Rs. 3.7 crores provision related to Service Tax arrears and then there were Rs. 1 crore related to the GST which is some old excise issue, right sir?

**L. Ganesh:** Yes.

**Moderator:** Thank you. The next question is from the line of Dharmesh Rajdev from BMA Wealth Creators. Please go ahead.

**Dharmesh Rajdev:** My questions relate to Rane Brake only. What is the percentage of utilization of capacity in case of Rane Brake?

**L. Ganesh:** In the case of Disc Pads which is mainly Passenger Car-oriented, we are almost close to 90% capacity utilization and in the case of Brake Lining which is more towards Commercial Vehicle, the capacity utilization is around 60% plus.

**Dharmesh Rajdev:** Okay. My next question pertains to the Rane Brake only again. Any plan of expansion in this capacity?

**L. Ganesh:** See, Brake Linings we have not expanded, we come to about 90%. But Disc Pads we have expanded capacity for 2018 - 2019, we already expanded some presses that we put in place and so we expect to grow in disc pad . So, since we have almost closed to 90%, we have expanded that capacity.

**Dharmesh Rajdev:** So, what was the previous capacity and what is the current capacity after expansion?

**L. Ganesh:** I do not remember the exact numbers, but I think we have expanded capacity by about 20% approximately.

**Dharmesh Rajdev:** Okay, sir. Any change in Yen, would it impact the commodity pricing for us?

**L. Ganesh:** Yes, commodity prices as I mentioned earlier have hardened and the full impact of that is going to be in this year. So, it is a significant hardening of commodity prices. Now, we are trying to pass on to customers as I mentioned earlier to the extent possible to be passed it on to customers. In the case of Rane Brake Lining some amount we will absorb also because certain materials we cannot pass on to customers. So, it is going to be a challenging year from that commodity pricing point of view.

**Dharmesh Rajdev:** But the fluctuation in Yen affects our commodity pricing of the commodity that we use?

- L. Ganesh:** Yes, Yen has been around ¥109 US\$ has been fairly steady. So, we have assumed that Yen will be steady. Now the dollar is strengthening we have to see honestly. Yen is related to us through dollar so we have to watch this closely.
- Moderator:** Thank you. The next question is from the line of Ravi Purohit from Securities Investment Management. Please go ahead.
- Ravi Purohit:** Sir, two questions. One is, Rane Holdings as a holding company charges royalty and service fee to their subsidiary and the JV companies. Has there been any change in the structure of the rates or they have remained the same?
- L. Ganesh:** They remained the same.
- Ravi Purohit:** They remained the same, right?
- L. Ganesh:** Yes.
- Ravi Purohit:** Okay. Sir, second question is the aftermarket opportunity for the Rane Brake Lining business in Europe through the TMD distribution network and we had kind of done sort of registrations and all. So, any progress, any update on that?
- L. Ganesh:** Not much of progress on that on the export. In fact, we are now revisiting this strategy, we are still working on it. But honestly, there has not been much of progress, so we are seeing other markets and seeing whether we can increase exports in other markets. But the dialogue with TMD continues but no progress on the ground.
- Ravi Purohit:** Okay. And sir, last question is on inorganic opportunities, you have kind of touched upon briefly in your opening remarks and also, some of the previous concalls. So, if you could just share your thoughts philosophy or anything that you are looking at right now or anything on the table?
- Harish Lakshman:** I think, I had also mentioned there is nothing right now. All I said was this continues to be a one of our growth strategy to do selective acquisitions wherever we see strategic fit both in domestic and in international markets, but we are not in aggressive “shopping mode” and with a targeted timeline or anything like that. So, we keep getting opportunities, we will evaluate them based on merit and then decide.
- Ravi Purohit:** Okay. We had mentioned about aerospace sometime back, you were looking for a technology partner, so any further thoughts on that or that is really in the back burner?
- Harish Lakshman:** From a long-term strategy perspective, we wanted to have about 10% to 15% of our portfolio from non-automotive and that is where we had identified aerospace. So, we continue to look at opportunities. Obviously, we made one investment and then we exited for various reasons, so we continue to look at it. Of course, we recently did the Telematics acquisition, which is also in

some way is non-automotive, there is some connection to transportation sector, it is not a pure-play automotive, it is service business. So, we continue to look at opportunities.

- Ravi Purohit:** Okay. Anything that you can share on this Telematics thing, have you committed any CAPEX there or committed any investments there or it is too early?
- Harish Lakshman:** Yes, still too early. Obviously, we have taken over the business and we had invested some money to help fund the growth there. Still early days.
- Moderator:** Thank you. The next question is from the line of Pritesh Chheda from Lucky Investment Managers. Please go ahead.
- Pritesh Chheda:** One question on the Steering side of business what is the difference in Rane Madras and Rane TRW?
- Harish Lakshman:** So Rane Madras makes all the Mechanical Steering for Passenger Car, Commercial Vehicle, Farm Tractor, etc., and they also make other Steering components with linkages. Whereas, Rane TRW focuses on Hydraulic Steering only Hydraulic Steering which is largely the Commercial Vehicle today.
- Pritesh Chheda:** Okay. So, Pass Car if any, would only be in Rane Madras?
- Harish Lakshman:** Yes the mechanical part. The electric parts will be from Rane NSK.
- Pritesh Chheda:** Okay. And on the margin side, what would be your outlook on margins in Rane Madras and Rane TRW?
- Harish Lakshman:** If the market continues the way it is, we will continue to perform the same in line with our current performance level in sustaining the same.
- Pritesh Chheda:** Are there any further drivers for expansion of margins in both these?
- Harish Lakshman:** No, nothing significant.
- Moderator:** Thank you. The next question is from the line of Aakash Manghani from BOI AXA Investment Managers. Please go ahead.
- Aakash Manghani:** I had a question on Rane TRW. Could you talk about the sales break-up? If I look at that the MUV business has declined quite a bit in FY 2018, 17% drop in that business and as a share of the overall revenue has been falling consistently, so where does this stabilize at? Where do you see the business heading?

- Harish Lakshman:** I am not sure where you are getting these numbers from? Our understanding is we have grown in the MUV business.
- Aakash Manghani:** The MUV share in this year in Rane TRW is 26% and last year it was at 41%.
- Harish Lakshman:** That is because the Pass Car segment has grown even faster.
- Aakash Manghani:** Right. So the MUV business has declined this year....
- Harish Lakshman:** No, as a share the pieces of the cake has changed but the size of the cake has overall become bigger. MUV-to-MUV there has been growth in absolute rupee term. But MUV as a contribution of total sales has declined that is because of significant growth in the Pass Car segment.
- Aakash Manghani:** So, the MUV business by itself shows a de-growth of 17% in FY 2018? I was looking for reasons why it has declined by 17%.
- Harish Lakshman:** I am not sure, where you are getting this data from. Maybe offline you can send us an email and we can clarify.
- Aakash Manghani:** Okay. So, the other question is that I would like to understand this Air Bags plus Seat Belt business of yours over the next two years to three years when you talk about order book being good, what kind of numbers can this business hit I mean, today you are doing close to Rs. 500 crores, it is up from Rs. 230-odd crores two years back. What sort of scale can you achieve over here?
- Harish Lakshman:** About 15% to 20% growth is what we foresee for the next three years year-on-year.
- Aakash Manghani:** So, you expect the growth rates to moderate quite a bit because last two years - three years you have grown at significant higher base?
- Harish Lakshman:** Correct.
- Aakash Manghani:** And why would that be I mean is the order book coming down or the low-hanging fruit is already exploited?
- Harish Lakshman:** No, so we won some major contracts in the last two years that has given us a jump. Now, these contracts will continue to be there, and we will add some more new business.
- Aakash Manghani:** Okay.
- Harish Lakshman:** Two years ago, the base also was small, now the base is becoming larger.

- Aakash Manghani:** Okay. And other thing is on the Rane NSK side, you mentioned on the growth, it will be more in sync with what the market growth would be, the EBITDA margin what would you guide for over there because I am looking at last four quarters prior to this quarter you are averaging at close to 15% - 15.5%. In this quarter there was fall may be because the commodity prices going up. But what would be more sustainable margin in FY 2019?
- Harish Lakshman:** So, we do not give guidance on what the margins will be for the business. But generally, when we look at the market and the outlook for the industry, as I said earlier this business is 13.5% to 14% type business. There could be some one-off impact from certain quarters where it goes up to 15% in one quarter, it may come down to 13%.
- Aakash Manghani:** Okay. And what about the capacity utilization in NSK and TRW, what rate are you sitting at right now?
- Harish Lakshman:** Yes, the NSK business is almost 88% in utilization. Your second question was on TRW which one?
- Aakash Manghani:** What is the capacity utilization in TRW?
- Harish Lakshman:** Which capacity, of what? Are you talking Steering, Seat Belt, Air Bags?
- Aakash Manghani:** Okay. So, let us go division-by-division, if you can give me that Steering, Air Bags, and Seat Belts.
- Harish Lakshman:** Steering would be close to 100% because of the boom in the Commercial Vehicle market and the other businesses would be from 75% to 85%.
- Moderator:** Thank you. The next question is from the line of Abhishek Shah from Valcore Capital. Please go ahead.
- Abhishek Shah:** Sir, I actually had a chance to go through the Precision Die Casting Annual Report of last year FY2017 and sir I was just trying to understand employee cost as a percentage of sales are around 40%. Like once we hit operating leverage, once our turnover goes up, what will be the sustainable rate of that? Will it be around 30% - 35%?
- Harish Lakshman:** Yes, it will be 40%.
- Abhishek Shah:** It will stay at 40% as such.
- Harish Lakshman:** Correct.
- Abhishek Shah:** Sir, second is in Delhi, I happened to visit the Auto Expo and we had a lovely stall out there. And one of the things that struck was the replacement market and our focus on Rane Madras

specifically that we are focusing on the aftermarket. So, what is the vision there, what is the thought process, if you can give me some idea I mean if you could just help us out what sort of revenues also you could be looking at?

**Harish Lakshman:** See, obviously we are very optimistic about the aftermarket business and we are hopeful of our double-digit growth you know (+10%) growth across all segments even Rane Madras, Brake Lining, etc. I think one of the impacts of GST also is that eventually it will benefit our businesses. Although it temporarily hurt us but in the long run, the GST full implementation across the country will eventually help organize aftermarket retail companies and therefore manufacturers like us. So, we are quite positive about the outlook. If you look at our various businesses, there is in aftermarket there is a certain percentage of our business in Rane Brake Lining it is quite high upwards of 40%. I think in Rane Madras it is about 13% - 14%, that will continue.

**Abhishek Shah:** Right. Sir, at some point, we were considering using leveraging upon Rane brand and you know selling other products through the same chain, are we still going very strong on that?

**Harish Lakshman:** Yes. So that business is growing. Continues to grow about 20% year-on-year. So that is growing steadily.

**Abhishek Shah:** How much be the turnover there? In that segment as such?

**Harish Lakshman:** About Rs. 50 crores - Rs. 60 crores.

**Abhishek Shah:** Sir, what is the vision there? I mean just maybe over a long period, what sort of scale are we looking at? Maybe in terms of the distribution channel, if you can tell me a number of dealers that you are adding or something on that line?

**Harish Lakshman:** So, I mean it is too early for us to give any numbers again. But it is an important part of our growth strategy. We see an opportunity of leveraging the brand for new products as well as our existing products.

**Moderator:** Thank you. The next question is from the line of Shyam Sunder from Sundaram Mutual Fund. Please go ahead.

**Shyam Sunder:** Sir, in TRW business we have done something like Rs. 315 crores of exports. If you can give some color of composition of exports between Seat Belt and others? And what would your outlook on the Seat Belt exports?

**Harish Lakshman:** So out of that Rs. 300 crores that you mentioned, about Rs. 200 crores belongs to the Occupant Safety business largely Seat Belt. There is some portion of Air Bags as well and then the remaining Rs. 100 crores will be Steering.

- Shyam Sunder:** Sir, we also mentioned we are setting up a new plant for the Occupant Safety. Is it on the back of some new model wins? Is this largely in the domestic, if you can throw some color on that that will be helpful?
- Harish Lakshman:** Basically, the reason for the new plant and capacity expansion as I mentioned earlier our capacity utilization is more than 85% in this business. So that is what is driving the new plant and the growth is coming from both combination of domestic expansion as well as exports.
- Shyam Sunder:** Okay, thank you. Sir, in TRW roughly our import content would be close to 40%, is that right? What would be your vision in terms of localization initiative, is it possible to bring down the import content?
- Harish Lakshman:** So, you are asking specifically Occupant Safety or is it general TRW?
- Shyam Sunder:** Overall TRW and more focus on the Occupant Safety.
- Harish Lakshman:** So overall TRW, the Steering dependence on imports has been coming down but it will never be zero, there will be some certain type of parts we will continue to import. But the level of localization is much higher compared to Occupant Safety. On the Occupant Safety side, there is a reasonably decent level of localization on the Seat Belt side. On the Air Bags side, we have mentioned in the past calls, the most critical item in the Air Bags is the inflator and which also happens to be the highest value item in the bill of material that will continue to be imported for the foreseeable future. So, therefore, if you look at the Air Bag import content, it will continue be high for the foreseeable future.
- Shyam Sunder:** Sir, in the Indian Die Casting business roughly of Rs. 130 crores about 75% of that would be exports, is that right way to look at it?
- Harish Lakshman:** Yes, that is correct.
- Shyam Sunder:** And of course, we discuss the next year order but also mentioned overall in the Die Casting business the domestic business is also coming up nicely. So, what would be the outlook for that Die Casting business as a whole?
- Harish Lakshman:** The Domestic Die Casting business also we have a challenge in capacity utilization. I think, we have mentioned in the past calls that after creating the second plant, one program went away and one program there was a volume drop, so there is excess capacity available. So, the management team is working aggressively to get some new business to improve the capacity utilization on this.
- Moderator:** Thank you. The next question is from the line of Sunil Kothari from Unique Investments. Please go ahead.

**Sunil Kothari:** Sir, my question is mainly related to this Rane Precision. We almost completed more than two years after this acquisition and our Presentation also talks about rebuilding Die Cast machines and replacing old toolings and so many things. It seems to me that we will have to invest to improve these business and domestic market particularly Indian economy is growing well, we are getting very good opportunity. So, do you have any thoughts on change of your strategy or thought process or expectation from this RPDC or we remain very confident about whatever we got?

**Harish Lakshman:** Right. So good question, Sunil. So, you know there are two parts. See, the acquisition was driven more from long-term having multiple footprints to be able to serve our global customers. The domestic market is doing well and that will continue to do well. So as far as the international market is concerned, our strategy was based on the fact that the Die Casting industry will revive in America and businesses that were outsourced many years ago, if you see between 2012, 2013 a lot of Die Casting business went outside of U. S. to countries like India, China, Korea, etc., so the whole assumption is that some of those businesses will come back in the U. S. And therefore, when we have footprint in U. S. that will benefit that was the fundamental premise of the strategy. And frankly speaking with Donald Trump coming in and bringing in more trade barrier should actually benefit that particular operation. But the fact remains that so far, we have not won any major contract. So that also remains the fact. So, we are hopeful of winning some new contracts during the next 12 months in which case our strategy would have turned out to be right.

**Sunil Kothari:** Correct. Basically, we will be open to any change in thought process, I think, in the past, we have proven ourselves by SasMos technology, we enter those business and then we felt may not be matching the mind with the partner, we divested. So, we are open if circumstances arise.

**Harish Lakshman:** So, I think, yes, we are very clear, our responsibility is return on capital employed.

**Sunil Kothari:** Okay, great. I think last year and current year also this Rane Precision we are providing some Rs. 10 crores - Rs. 12 crores depreciation. I think asset base is just Rs. 40 crores - Rs. 45 crores. So why we require to provide high depreciation?

**Harish Lakshman:** See the depreciation is about 6.5% of sales, so this is about normal level. Okay, there are two parts to it and of course, there was also one-time impact of about Rs. 1 crores, where during our audit this year, we found some valuation was not done properly.

**J. Ananth and Harish Lakshman:** There were some two assets which were under lease for that the depreciation was not provided in the earlier year so that has been now provided. That impact is about \$150,000. Depreciation as percentage is around 6.5% which is normal thing and of course U. S. GAAP also you do not do at book value and see, all the assets have been valued at fair value according to whatever U. S. GAAP requirement, so it is not at the book value.

**Sunil Kothari:** Sir, what is the asset base at Rane Precision fixed asset?

- J. Ananth:** Fixed assets is 50 crores, carrying value of fixed assets.
- Sunil Kothari:** Okay. And sir, my last request is during this concalls we clarified on so many one-off items sometimes related to past or sometimes related to non-recurring items. Just again requesting make it sure during Press Release or Investor Communication, if you can convey these things during that Press Release or Communication, this will be really very grateful. Thank you very much.
- L. Ganesh:** We noted, your e-mail I also saw that. It is a combination of so many things. In Press Release there is so much. But if there is anything significant I explained there are three items - four items in RBL this quarter. So, to put all that it can be a little difficult so that is why we answered in the Q&A.
- Moderator:** Thank you. The next question is from the line of Apoorva Mehta from KSA Shares & Securities. Please go ahead.
- Apoorva Mehta:** Sir, just wanted to know about this Rane Madras, are we going to have consolidated numbers from Q1 next year or to get more clarity about what happening basically on the JVs on the U. S. front.
- Harish Lakshman:** The majority of the revenues comes from the standalone business of India. So, we have decided that we will continue to do that for some more time till the U. S. becomes even bigger number.
- Apoorva Mehta:** Because it was a surprise when the results came where we found that Rs. 20 crores was the loss from the U. S. subsidiary and it was really a big surprise for us. So, it would be better that we can provide on the quarterly basis so we come to know the real numbers which is there on the net profit side and we can analyze better that how is the JV moving?
- Harish Lakshman:** We have noted your point, we will review it internally.
- Moderator:** Thank you. The next question is from the line of S. Parag from AG Securities Limited. Please go ahead.
- S. Parag:** Yes, my question was same what the previous participant asked. I think, because most of the other questions have been answered, I think Rane Madras almost 40% of your profits is taken away by the losses of your subsidiary. So, I think even as a matter of good corporate governance, you are spending so much time in Conference Calls and meetings in Mumbai and even Analyst Meet, at least you should do this. You take quarter results of any good ethical competent, auto ancillary company whether it is Motherson, Minda Industries, Minda Corporation or even other smaller companies, all of them declare quarterly consolidated results. Even you are declaring for Rane Holdings also. Then what is the reason for not giving quarterly consolidated financial results for Rane Madras because you do not take just the sales into account, you take the profit

that is taken away by subsidiary. Is it not your duty to give the right quarterly profit figure to your investors?

**L. Ganesh:** Yes, we have noted your point as Harish explained. Since, this was the first acquisition for us and this was not supposed to be significant in terms of total but we note your point.

**Moderator:** Thank you. The next question is from the line of Prithvi Raj Mehta, an Individual Investor. Please go ahead.

**Prithvi Raj Mehta:** Sir, the year 2017 - 2018 one of the best year for Auto sector. Although Rane Engine maintained sales figure but it is in red. What are reasons: operational, rejection, supply-side or finance side?

**L. Ganesh:** Rane Engine Valve, it is basically the operational issues. The market was good especially the OEM market, our exports were reasonably good. The aftermarket was not that good, but it was not that bad either. So, it continues to be our operational issues. We still have some plant issues on quality and internal rejection, delivery, relating to also some premium freight. So, we are addressing those issues and in the meanwhile of course steel prices have also gone up adding to the challenge. But we are working on all these issues and as I said we probably in the next 18 months to 24 months, we will fix all the issues and then hopefully come back to profitability. But it is nothing to do with the market, we continue to have a good position in the market and market is still growing.

**Moderator:** Thank you. The next question is from the line of Krishan Singh, an Individual Investor. Please go ahead.

**Krishan Singh:** My question is again related to Rane Engine. Sir, as you answered to Mr. Mehta's question, you will take 18 months to 24 months for the recovery of operational issues to resolve the Rane Engine. Sir, in 24 months electrical vehicles are running behind to take place the diesel and petrol vehicle. So, it is not a threat for us being the investor in Rane Engine. So why so much time is taking in reviving this Rane Engine?

**L. Ganesh:** Yes. Okay, two things. One is the issues are related to some old equipment and machines not being in good condition in many of our older plants, etc., so we are addressing one-by-one. We are also allocating a lot of money as we said last year we have spent nearly Rs. 4 crores on upkeep of equipment, reconditioning equipment. So, it takes time and resources to get machines, up one-by-one that is something we are addressing. The second is to answer your question, I mean we are closely monitoring the EV situation. But even going forward by 2030, we do not expect the EV to be more than 15% to 20% of the total market globally and India maybe even less than that. So, we do not think the market is under threat at least for the next 10 years - 15 years. Not definitely two years - three years, we do not have to worry about the IC Engine market.

- Krishan Singh:** So, can we expect that after 18 months your condition will be in profitable mode?
- L. Ganesh:** That is what we are hoping for and that is what we are working towards.
- Moderator:** Thank you. The next question is from the line of Viraj Kacharia from Securities Investment Management. Please go ahead.
- Viraj Kacharia:** For PDC, how much investment we would have made so far in the subsidiary of Rane Madras? And how much we are looking to invest say for next one year to two years?
- Harish Lakshman:** 4.7 million.
- Viraj Kacharia:** Okay. And what is the investment we are looking to make I mean is there any change in the investment?
- Harish Lakshman:** So about maybe another two to three over the next few years not immediately.
- Moderator:** Thank you. The next question is from the line of Manish Goyal from Enam Holdings. Please go ahead.
- Manish Goyal:** Sir, Die Casting business, this year has been flat at Rs. 130 crores. So, you did mention that we are looking for new business. But how has it changed in terms of revenue mix, how much is domestic and how much is exports now because exports seems to be declining - number one question? Number two, how are the margins, have margins come to higher level of double-digits as we had spoken earlier?
- Harish Lakshman:** So yes, your observation is correct. The domestic as a percentage has increased compared to exports. Obviously, for the reason that we explained about the export volume being lower than the forecast as well as we lost some business in one particular program so that definitely is the case. As far as margin is concerned, of course, it is also always a function of the dollar but generally, the export business is more profitable.
- Manish Goyal:** But earlier, we had said that we were looking at 15% to 18% EBITDA margin. So, have we probably reached to those levels?
- Harish Lakshman:** Yes, we are at about **16%**.
- Manish Goyal:** But at least we should be able to maintain this level of sales going forward.
- Harish Lakshman:** The answer is yes Manish.
- Manish Goyal:** Okay. And how much would be say domestic out of this Rs. 130 crores currently?

- Harish Lakshman:** Yes, 28%.
- Manish Goyal:** Okay. And sir, you had earlier said that we are looking to invest in facility in Gujarat. Sorry, I missed it. It was pertaining to which company?
- L. Ganesh:** Rane NSK.
- Manish Goyal:** Okay. So, we are looking to set-up a Greenfield project out there?
- L. Ganesh:** Yes, Greenfield. But we are going very gradually. We are going to start with some assembly with one line by about September, October and then backward integrate later. So, while infrastructure is available, we are not going for machining, etc., in the initial stages. Parts will go from Bawal and assembly testing and delivery to Suzuki in Phase-I.
- Manish Goyal:** Okay, fine, sir. And last question on the land which we have at Rane Madras, have we revisited our thoughts on looking for a buyer for that, sir?
- L. Ganesh:** No, as I told you two years - three years we took it off the market and we continue to have our head office, R&D and some of the other offices there so in the near future, we do not think we will put in the market. We are going to use it for some more time and as and when it is necessary, we can always change but today, the idea is not to sell.
- Moderator:** Thank you. The next question is from the line of Payal Malvania from Wovv Investments. Please go ahead.
- Payal Malvania:** What is the capacity utilization currently of RML?
- Harish Lakshman:** As far as the Steering division is concerned it upwards 80% - 85%, whereas from the Die Casting side it is about 60%.
- Payal Malvania:** Okay. And about the new program delay in the Die Casting thing, I just missed out you might have said sir, but then can you please repeat, why was it delayed and when it is going to get started again?
- Harish Lakshman:** No, it started. It was supposed to start in July of last year, I think it started in September or October of last year. So, there was about a three month - four months delay.
- Moderator:** Thank you. The next question is from the line of Sunil Kothari from Unique Investments. Please go ahead.
- Sunil Kothari:** Sir, what is your outlook on Rane Brake. It seems Medium - Heavy Vehicles, Passenger Car segments and Two-Wheelers also now doing well. Hopefully, aftermarket should now again

come back, so any thought process on for next two years - three years how are you seeing this Rane Brake?

**L. Ganesh:** As I said we are just in the process of our long-term, medium-term planning. But generally, 2018-19 looks very positive, started off very well also in April and customers are very bullish. So, 2018-19 looks like will be a good year. But in terms of two years to three years forecast, we will talk about it when we meet in June.

**Sunil Kothari:** And sir, one more request is, previous speakers also asked about this consolidated numbers. If we cannot give audited consolidated numbers for say Rane Madras, we can just provide top-line EBITDA and maybe numbers at PBT levels. So many companies are doing that way also. We can just put additional information about how subsidiaries have done the revenue and at EBITDA level, is that will be a very great help. Because sir, our almost one-third profit has been eaten out by this subsidiary, we are not contributing in terms of top-line but out of Rs. 60 crores PBT, we have lost from Rs. 20 crores because of this subsidiaries number.

**L. Ganesh:** Yes, understood.

**Moderator:** Thank you. The next question is from the line of Shyam Sunder from Sundaram Mutual Fund. Please go ahead.

**Shyam Sunder:** What would be our current utilization at Rane Engine Valve. We have also invested Rs. 50 crores to augment capacity and commission in new large valve line? So, is this new facility particularly for a specific order, if you can throw some color on that?

**Harish Lakshman:** Yes, investment was for a specific order for a European customer where we are increasing the business. And the overall capacity utilization will be about 70%.

**Moderator:** Thank you. Ladies and Gentlemen, as there are no further questions from the participants, I now hand the conference over to the management for closing comments.

**L. Ganesh:** Thank you very much and I hope we have answered all your questions to your satisfaction and we hope to look forward to a good year in 2018-19 and sharing some more thoughts with you in the next call. Thank you.

**Moderator:** Thank you very much, sir. Ladies and Gentlemen, on behalf of Rane Group, that concludes this conference. Thank you for joining us and you may now disconnect your lines.