



RANE ENGINE VALVE LIMITED
48th Annual General Meeting
August 06, 2020

Attendees:

Directors:

L Ganesh – Chairman
Harish Lakshman – Vice Chairman
Ashok Malhotra - Independent Director, Chairman of NRC & SRC
Brinda Jagirdar- Independent Director
C N Srivatsan- Independent Director, Chairman of Audit Committee

Management: Murali K Rajagopalan- President & Manager

V K Vijayaraghavan - Vice President – Finance & CFO
Siva Chandrasekaran – EVP – Secretarial & Legal, RHL, Authorized Person
S Subha Shree - Deputy General Manager- Secretarial, RHL

Auditors:

M/s. Varma & Varma, Chartered Accountants, Statutory Auditor
Prasanna Varma, Partner
M/s. S Krishnamurthy & Co. Company Secretaries, Secretarial Auditor
K Sriram, Partner
M/s. Capri Assurance & Advisory Services, Internal Auditor
K V Sriram, Partner

Rane Engine Valve Limited
48th Annual General Meeting

(03:00 PM): Start of the event.

Host: Sir, the session is live, we can start with the proceedings, thank you.

C Siva: Good afternoon, I am Siva Chandrasekaran, Group Company Secretary of Rane Group. I welcome you all to the 48th Annual General Meeting of Rane Engine Valve Limited. In view of the advisory issued by the government on travel and public gathering and to support the health and welfare of all stakeholders, this 48th AGM of Rane Engine Valve Limited is being conducted through video conferencing means in compliance with the circular issued by the Ministry Of Corporate Affairs.

The notice and Annual report were circulated to all members by email and also public announcements were made in English and Tamil Newspapers. At end of the meeting transcript of this meeting would be made available on website of the Company. Members who have pre-registered as speakers will be allowed to speak when the Chairman asks them to speak. Please keep your questions short to 2 or 3 minutes maximum.

I understand that sufficient quorum is present and we are good to start the meeting and we have Independent Directors and Auditors also present in the meeting. Now, I hand over to the Chairman to start the proceedings.

L Ganesh: Thank you Siva. Good Afternoon and welcome to the AGM, I take the presence of the requisite quorum of members and call the meeting to the order. The authorizations in favour of the corporate the representatives have been duly received. The Register of Directors & KMP and contract of arrangements in which Directors are interested and the necessary documents are available for inspection throughout conclusion of AGM. I would also like to announce the presence of Directors, Mr. Harish Lakshman, Mr. C N Srivatsan, Chairman of Audit Committee, Mr. Ashok Malhotra, Chairman of Nomination and remuneration and Stakeholder's Relationship Committee and the Auditors, Mr. Prasanna Varma & Mr. Arjun Rajagopalan from Varma and Varma, Statutory Auditors, Mr. K Sriram of Krishnamurthy and Company, Mr. K V Sriram of Capri Assurance and Advisory Services and Mr. Balu Sridhar, Practising Company Secretary who will be the Scrutinizer. Mr. S Krishna Kumar and Mr. L Lakshman, Directors, expressed their inability to attend the AGM due to their other preoccupations.

Once again on behalf of the Board of Directors, I would like to welcome you all to this AGM. The Covid-19 pandemic has disrupted the lives globally creating hardships for people across all walks of life, the resultant economic crisis has created even more challenging business environment for the automotive market. We hope that normalcy will return at least by sometime end of 2020, we are however bracing ourselves for a very tough 2020–21. I would like to make a few remarks on the state of the industry and the Company's performance.

The Global economy grew at a slower pace in 2019 compared to 2018, there was increase in uncertainty driven by rapid shift in trade policies that resulted in depreciating business confidence and dampened the investment growth across most regions. The Indian GDP growth dipped to 4.2% from 6.8% in the previous year. The economic slowdown negatively impacted the manufacturing sector particularly the automotive segment. Lower finance availability higher purchase prices on account of insurance regulation and rapid transition to BSIV and some confusion created by the EV policy were some of the reason for the drop in demand.

The passenger vehicle segment declined by 15%, commercial vehicle segment declined by 33% and farm tractors and two wheelers also had a negative growth last year of around 14%.

The Company's total revenue declined by 15.7% from Rs.425 crores to Rs.358 crores, the slowdown and the resultant impact on automotive segment led to a volume drop across the market segments. Exports also declined in year 2019-20. EBITDA drop by 33.2% from Rs.19.9 crores to Rs.13.3 crores. A steep volume drop resulted in drop of EBITDA which is partially mitigated by some favourable raw material price and some operational performance improvement.

Rane Engine Valve Limited
48th Annual General Meeting

The Company continued to focus on improvement of productivity and quality in despite the drop in capacity utilization we did some improvements in all the plants. However, given the age of two of our plants, a high employee cost related to that, the challenge becomes tougher when volume drops as in the current scenario. Our turnaround plan of this Company is severely affected by the impact of the Covid-19, so the management is addressing this issue. We will see how best we can expedite the improvement and what else we can do to catch up this lost time. REVL continued its good performance and customer quality and delivery and received some prestigious customer awards both from global and Indian customers. Your Company engaged with customers with proactive R&D projects which resulted in alignment of the Company's technology road map with customer objectives.

Your company has strengthened its business development with an eye on more growth that's needed for us and we secured orders worth about Rs.140 crores from both domestic and export customers, this will be commercialized in the next few months and benefit the company in next few years.

Proven quality management principles continued to rule as a basic mantra and great place to work certification score significantly improved and the company has been certified as great place to work.

In terms of outlook, the automotive segment has emerged in going through severe headwinds in the first quarter of 20-21. The exports also impacted because our main export market is Germany and to some extent the US, which is also affected by the Covid-19. The company is working on further cost savings to reduce this impact, the management staff have taken a salary cut ranging from 10% to 35% from junior to senior levels and we are seeing what other options to cut the cost as much as we can.

This pandemic has severely affected and disrupted our turnaround efforts as mentioned earlier, we are examining options to expedite the improvement and I appreciate your patience and faith in us.

Thank you for your attention.

May I also introduce Ms. Brinda Jagirdar, Independent Director who has joined the meeting, thank you.

We move to the formal business of the meeting. In view of the unmodified reports issued by the statutory auditors and the secretarial auditors for the year, the reports are not being read. The notice convening the AGM is being taken as read.

The ordinary businesses, there are two resolutions,

- 1) Consideration and adoption of the audited financial statements for the year ended 31-Mar-2020 together with reports of Board of Directors and the Auditor thereon and
- 2) Appointment of a Director in the place of Mr. L. Lakshman who retires by a rotation and being eligible, offers himself for reappointment.

and special businesses:

- 3) To approve the appointment of Mr. Murali Rajagopalan as a Manager under the Companies Act, he is the President of the operations of the company and
- 4) To ratify the remuneration of the cost to auditor for the year 19-20.

In compliance with Section 108 of the Companies Act 2013, the Company has engaged CDSL for providing remote e-voting facility and e-voting at the AGM to enable members to participate electronically on all the subjects of the AGM.

Rane Engine Valve Limited
48th Annual General Meeting

The remote e-voting opened on August 03, 2020 and was concluded on August 05, 2020. Those members who could not exercise their votes so far, can cast their vote at this AGM. The e-voting will be kept open up to the end of the meeting for 15 minutes and meeting shall stand concluded thereafter.

Mr. Balu Sridhar, Practising Company Secretary, appointed as scrutinizer for the remote e-voting will also act as a scrutinizer for the e-voting conducted at this AGM.

C Siva: We don't have any pre-registered speaker shareholders, however we have received few questions from shareholders which we can take up.

L Ganesh: So we do not have a pre-registered speaker, but a shareholder has sent a question, which talks about two things

Q1- First is the challenge of the electric vehicle on our business, what are the R&D initiatives taken by the company for future technologies?

A- The challenge of electric vehicle will be thereof course, an electric vehicle does not have an IC engine (ICE). So it is a direct challenge when the electric vehicle comes in to the market.

Q2: Are we supplying to the electric vehicle market?

A-There is no question of our Company supplying to electric vehicle market since it is fully electric vehicle there is no ICE. However, in terms of penetration of the electric vehicle segment there are various studies which show that by year 2030 globally the penetration of fully electric vehicle will be in the region of 15 to 20% and another 10 to 15% of hybrid vehicles which has engine and a motor, so totally about 25 to 30% is the opinion by various expert bodies.

We think in India it will be even lower as IC engines will continue for some more time, the penetration and the transition will depend on key factors, the price difference which is significant today, between electric vehicle and the petrol or diesel vehicle. Second, is the infrastructure created by the countries for charging vehicles and third of course the subsidy which can be offered by the government. So given all this penetration we have to watch, so to answer your question, in the short or the medium term we do not see a challenge, we can still grow but in the long term we have to find other products or other avenues, if we have to sustain growth from this Company. So the board is addressing this issue for the long term. May be beyond 7 years or 10 years this issue would become a challenge for this company.

Q3- The other question is, can you tell us the approx. time frame when the company will come out of the losses?

A- As I said earlier we were working on a turnaround plan which was based on two factors one was that the top-line has to grow through aggressive business development and the other is operational improvements through productivity and qualities improvements which will bring down the cost.

Given the fact, that we have some old plants especially two plants in Hyderabad which are very old, the employee cost are very high in this plants. The first goal of business development, we are progressing very well. We secured, as I mentioned in the opening remarks, good orders to keep us going for the next few years. So once the market comes back out of this Covid pandemic, the growth will be there.

In terms of cost reduction, we have been progressing on productivity improvement projects etc. About this Covid set back, again has delayed the turnaround plan. The management and the Board are examining how we can expedite, whether we can do something more to reduce the cost especially in the old plants. We are addressing this issue and we will certainly take steps that are

Rane Engine Valve Limited
48th Annual General Meeting

necessary to expedite this improvement. So while I am not able to give you exact year by which it will be profit making, our efforts are there to be profitable as early as we can.

I hope I answered your questions, so now we will move to the e-voting. The results of the voting will be announced within 48 hours and hosted on the website of the company.

Since the requisite quorum was present throughout the meeting, I would like to conclude. I thank you all, who have participated in the meeting and now handover to the scrutinizer.

Scrutinizer: Thank you Sir. Members who have not cast their vote through remote e-voting prior to the AGM, can cast their vote now. The remote e-voting will remain open for further 15 minutes.

Scrutinizer: The time for e-voting has lapsed and voting has concluded.

C Siva: The electronic facility may now be disconnected.

Host: Thank you.

(03:33 PM): End of the event.