Building for scrap

Creating the capacity to scrap vehicles in the volumes required to make a significant dent in vehicular pollution will be a tough ask

JYOTI MUKUL
New Delhi, 27 April

One of the things that became mandatory in the middle of the lockdown last year was the Bharat Stage VI emission norms for automobiles and auto fuel. It is, however, argued that unless the old fleet of vehicles is off the road, the benefits of reduced pollution from these more efficient and less polluting vehicles will not be available. This is the reason the government came out with a vehicle scrapping policy. An estimated 8.7 million vehicles by 2015 and nearly 22 million by 2025 would reach end-of-life (ELV) status and could be available for scrapping.

The question is whether India has the capacity to handle this. To begin with, this level of scrapping demands a good network of vehicle fitness centres that will decide which vehicles are fit or will go for scrapping. Even after this, scrap yards would be required for dismantling and extracting the useful material from vehicles that are discarded.

Clearly, there aren't enough scrapping yards in the country to take in the potential number of vehicles that could be scrapped, so the government is encouraging companies to set up such facilities under the policy that will come into force through the Motor Vehicles (Registration and Functions of Vehicle Scrapping Facility) Rules, 2021.

The Mahindra group is one of the organised players that has a scrapping and recycling plant along with public sector MSTC Ltd. After the scrappage policy was announced, the group said it has signed a memorandum of understanding with Mahindra MSTC Recycling Pvt Ltd (MMRPL) for offering its customers an end-to-end solution for scrapping vehicles. MMRPL acquires used/end-of-life vehicles to dismantle and scrap under the brand name of CERO.

Tata Motors Ltd, too, is reported to be collaborating with its dealers to build vehicle scrap yards in Howrah (West Bengal), Karnal (Haryana), Hyderabad (Telangana) and Greater Mumbai (Maharashtra), though it is not clear if it will make the investment itself. Its sister concern, Tata Steel, had in August 2020 announced that it would be setting up a scrap processing plant of 0.5 million tonne capacity in Rohtak, Haryana. The recycling plant will work with local traders of scrap yards, car dismantlers other than small and medium steel industries in the National Capital Region (NCR) and the Haryana region. MMRPL unit is based near Delhi in Greater Noida. NCR accounts for the bulk of India's car market.

The government policy categorically states that because of "the large size and voluminous nature of the scrap to be handled", the dismantling facility should be set up in a large area having adequate space for vehicular movement, as well as storage for the vehicles/products received and recyclable material recovered. "It should fulfil the criteria of an adequate gated area to handle, depollute and dismantle ELVs, white goods and other scrap along with facility for measuring radiation as is followed for import of scrap," say the rules. To get an estimate of the scale, MMRPL's Greater Noida campus is spread over five acres, of which the workshed area is approximately 43,450 square feet. This means the scrapping yards would require large pieces of land or big companies would have to pitch in their own land banks.

Besides, the registered vehicle scrapping facility is required to be equipped with a depollution system, preferably with zero discharge, and dismantling is to be done by making use of best available technology for processing the ELVs, goods and other scrap. For this, the collection centres would need to comply with health and safety legislation/regulation and environmental norms.

Aruna Sharma, former steel secretary, said the private sector should be incentivised to enter this business. "Scrap handling is a low-capital industry with breakeven in three years. The incentive should be to encourage owners to scrap after the end of life of a vehicle through discounts on new vehicles," she said.

Under the policy, ELVs refers to all vehicles that are no longer validly registered; or declared unfit through automated fitness centres; or their registrations have been cancelled under the Motor Vehicles Act; or due to an order of a court of law; or are self-declared by the legitimate registered owner as a waste vehicle due to any circumstances that may arise from fire, damage, natural disaster, riots or accident.

Scrap book

Rules for fitness tests and scrapping centres: October 1, 2021

Scrapping of government and PSU vehicles above 15 years of age: April 1, 2022

Mandatory fitness testing for heavy commercial vehicles: April 1, 2023

Mandatory fitness testing (phased manner for other categories): June 1, 2024

Vinay Raghunath, partner and leader, automotive sector, EY India, said there will be a significant pool of ELVs to target since by 2025, their count would be nearly 22 million and an anticipated increase in re-registration charges for old vehicles by 15-25 per cent will negatively impact the economics of continuing to run with old vehicles. On the other hand, scrapping an old vehicle will get a motor vehicle tax concession of up to 25 per cent in case of non-transport vehicles and 15 per cent in case of transport vehicles.

For deciding which vehicles are to be scrapped, the setting up of fitness centres and regulating them would be a humongous task. The data of fitness certificate or rejection of it would be fed into the online vehicle data portal VAHAN. The RVSF or the scrapping facility will get access to this database and will be authorised to make entries regarding scrapping of the vehicle and issuance of certificate of deposit and certificate of scrapping, either directly or through their collection centre. This certificate of scrapping will be the basis of getting road tax concession as well as incentives up to 5 per cent on purchase of new car. The extent of both these incentives, however, will depend on state governments and automobile manufacturers.

According to Raghunath, the implementation of Bharat Stage VI norms from April 1, 2020, has reduced emissions by 60-90 per cent when compared with BS I and BS II. "According to the Central Pollution Control Board study, BS III trucks produce 10 times more NOx and particulate matter (PM) emissions as compared to BS VI vehicles. Similarly, trucks meeting BS II emission norm emit 14–15 times higher PM and NOX compared BS VI trucks. This also highlights the importance of removing old vehicles, particularly old diesel vehicles, from the fleet," he added.

Raghunath said that governments around the world are looking to provide support to the automotive sector in response to the Covid-19 pandemic. "Stimulus packages that support decarbonisation of the vehicle fleet through increased efficiency and electrification can aid in these economic recovery efforts. Countries like France, Italy and Spain are providing incentives in the range of $4,000-$6,000 to owners who are scrapping their conventional powertrain vehicles and progressing towards xEVs (hybrids and electric vehicles)," he said. Nonetheless, while the scrapping policy's purported objective is to reduce pollution, it will kick in a demand for new vehicles providing a stimulus to the automobile industry.

High cash in circulation is normal in abnormal times

ANUP ROY
Mumbai, 27 April

In India, cash in circulation continues to remain high. While the currency with the public has expanded substantially, there appears to be some moderation in the pace of growth. As on April 9, year-to-date, the currency with the public rose by 16.7 per cent. In mid-February, it was rising by 21 per cent. Anything above 12-13 per cent growth in currency with the public is considered abnormal, but then this situation also depends on the circumstances.

So, is this an abnormal growth?

When one adjusts the present currency with the public (₹27.9 trillion) with the gross domestic product (GDP), the growth rate is about 14.6 per cent.

Theoretically, the currency with the public should expand in sync with the nominal income, which again moves in relation to the nominal growth rate of the economy. But the correlation breaks easily when other factors come into play.

One reason for this is the demand for currency. Typically, the currency in circulation swells during the time of elections and definitely during festive seasons. But this can happen in times of stress, too. For instance, during demonetisation announced on November 8, 2016, it spiked 37 per cent. This time, the stress is caused by the pandemic.

There can be a purely technical reason as well. As the Reserve Bank of India (RBI) expands its asset books by bonds and foreign exchange reserves, it balances its liability side typically by printing currency. That's how the term "deficit monetisation" came into play.

DECODED

In a country like India, where inflation is a curse word, currency in circulation has to be curtailed to control inflation

Why did the RBI balance sheet expand?

The RBI's balance sheet expanded 30.02 per cent — from ₹41,029.05 billion as on June 30, 2019, to ₹53,347.93 billion as on June 30, 2020, as it accumulated nearly $100 billion worth of reserves and bought government bonds.

In the last fiscal, the balance sheet must have expanded substantially as the RBI supported the government borrowing programme by buying ₹3 trillion worth of bonds, and it continues to do so in this fiscal through the G-Sec acquisition programme (₹1 trillion scheduled for April-June quarter). It will be a while before the annual report is out. The central bank continues to accumulate foreign exchange reserves on top of that. The RBI has to balance it out by printing more money.

How did this impact the currency?

A closely related indicator is currency in circulation (CIC), which is calculated as currency with the public plus cash with banks (which is not much). In the last one year, CIC has been expanding for a completely different reason other than festivities or elections. People could be panic hoarding cash fearing the hardships of a lockdown.

The CIC expanded 22.1 per cent in calendar 2020 as lockdowns were imposed due to the coronavirus pandemic. Such was the panic in the first four months (January to April) of calendar 2020 that the increase in CIC of ₹2.66 trillion was more than the entire 2019 CIC (₹2.40 trillion).

What are the pros and cons of such an expansion?

First, the cons. It stokes inflation in the long term. The good side: That is exactly what some central banks want.

It depends on the situation, really. For example, in developed countries, where central banks want more inflation, expansion of currency is desirable. But in a country like India, where inflation is a curse word, currency in circulation has to be curtailed to control inflation. Besides, in a loose contract economy, surplus cash could mean tax evasion. It also points to inefficiencies in the payments system, something that the RBI and the government are trying to fix through digitisation.

Currency with the public is a form of household savings. At the same time, it is a "leakage" from the system, which means the public is not keeping the money as deposits but preferring to make cash transactions.

Finally, it also means that deposit rates are extremely low. Now, if the deposit rates are increased, lending rates will have to go up, too. That is something the RBI would hope doesn't happen till the economic recovery is on a firmer footing. So, this high cash float will likely continue for some more time.

India's new vaccine strategy is bad economics

ANDY MUKHERJEE
27 April

After a tightly centralised vaccination drive that has delivered the required two shots to less than 2 per cent of the population, India is opening up its inoculation strategy in the middle of a raging pandemic. Can the new approach flatten the curve?

Expanding the campaign to all adults below 45 starting next month is a late but welcome move. India's daily infection rate of almost 350,000 is the worst any country has experienced. Even then, shifting a big part of the financial burden to 28 state governments and letting private hospitals buy shots at 600 to 1,200 rupees ($8 to $16) apiece — and sell them to patients at even higher prices — are both wrong.

In a nation riddled with inequalities and swelling with 75 million newly impoverished after last year's coronavirus lockdown, putting a price on any part of limited vaccine supplies could lead to unjust, lopsided distribution. Free, universal access, with New Delhi negotiating prices with at least four or five suppliers globally, could prepare India better for a third Covid-19 resurgence. Until herd immunity is achieved, private hospitals must continue acting as agents of the state, and impose only a limited markup on the stock they're given free from the national pool.

It was a mistake to restrict the drive to just two Made-in-India vaccines: Covishield, the AstraZeneca shot manufactured by the Pune-based Serum Institute of India Ltd., and Covaxin, an indigenously developed shot produced by the Hyderabad-based Bharat Biotech International Ltd. New Delhi managed to negotiate a competitive price of 150 rupees per shot, and then set out to distribute them free of charge — first to healthcare and other frontline workers and then to those older than 60. Only this month, the age restriction was lowered to 45. Covishield has accounted for roughly 90 per cent of the 141 million doses administered so far. Nowhere near enough for a population of almost 1.4 billion.

Cutting corners on a subsidy that will cost less than 0.4 per cent of gross domestic product could lead to output (and tax losses) many times higher

The second wave has exposed the inadequacy of the tightfisted approach. A severe oxygen shortage is causing the healthcare system to collapse, forcing authorities to change tack: State governments and private hospitals can directly order up to 50 per cent of Serum and Bharat's supplies to inoculate the younger population, while New Delhi will buy the other half to complete free vaccination of those above 45. Serum has announced a price of 400 rupees for states, and 600 rupees for private hospitals. Bharat's rates are 600 and 1,200 rupees, respectively.

Maharashtra, the state most severely affected by the second wave, might join a growing number that have announced free vaccination for all adults, according to media reports. Suppose that all states — even the most resource-strapped ones — somehow find the money. The supply of vaccines is constrained. For a given 1 million doses, who will decide the allocation among states, and between those governments and a private hospital? When the antiviral remdesivir is selling on the black market at a 300 per cent premium, risk of profiteering is very real.

The only correct consumer price is zero. After last year's national lockdown, the urban poor are once again facing the brunt of lost livelihoods from localised curfews and all-pervasive fear. The world's biggest democracy can't shut anyone out of the market for vaccines. That may well happen if a state's purchase order goes unfilled — even as doses are available at private hospitals at a price the poor can't afford.

Maybe the supply crunch will ease. Russia's Sputnik V, initially imported and then made locally, should be available by the end of next month. Other homemade options might take longer. Hyderabad-based Biological E Ltd., which is conducting clinical trials in India for an antigen developed by Texas Children's Hospital Center for Vaccine Development, has won US funding to ramp up production capacity to 1 billion doses in India by the end of this year. States can also import shots in use globally at prices preset by their manufacturers. But given the worldwide supply constraints, it's safe to assume that Serum's hold isn't going to reduce meaningfully soon. Introducing the logic of free markets into a situation that's anything but makes no sense.

Without getting into a fruitless debate over what is a reasonable profit margin to spur production, three things should be clear. One, it's the Indian government, with its 350 billion rupee vaccination budget, that should be inoculating everyone. Free of charge.

Two, while states don't have any bargaining power against vaccine producers, New Delhi has plenty of carrots and sticks at its disposal. Bharat Biotech's product has resulted from publicly funded research; it was authorised for emergency use even without Phase 3 clinical trial data. The government, albeit belatedly, is giving both Serum and Bharat financial assistance to ramp up production. Serum has also been subjected to export restrictions to help tide over a domestic shortage. Had the Modi administration put in large, confirmed orders with Serum — as well as with Pfizer, Moderna, and later, Johnson & Johnson — it could have held the blended price close to the originally negotiated 150 rupees apiece. Or at least closer than it would be now.

Finally, cutting corners on a subsidy that will cost less than 0.4 per cent of gross domestic product could lead to output (and tax losses) many times higher. Daily fatalities are nearing 3,000 — and that's a gross underestimate. After the current spike has peaked, people will still need to be inoculated at a rapid pace to flatten the curve and avert a third buildup. And that's when the folly of charging $8 or $16 for a life-saving vaccine, in a country where the working class was struggling to buy 7-cent cookies even before the pandemic, may become clear.

BLOOMBERG

Rane
Expanding Horizons

Rane Brake Lining Limited

Corporate Identity No. (CIN) – L63011TN2004PLC054948; Registered Office: "Maithri" 132, Cathedral Road, Chennai - 600086;
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Company Secretary & Compliance Officer: Venkatraman

POST BUYBACK PUBLIC ANNOUNCEMENT FOR THE ATTENTION OF EQUITY SHAREHOLDERS/ BENEFICIAL OWNERS OF EQUITY SHARES OF RANE BRAKE LINING LIMITED.

This post-buyback public announcement (the "**Post Buyback Public Announcement**") is being made in accordance with Regulation 24(vi) of the Securities and Exchange Board of India (Buy-Back of Securities) Regulations, 2018 for the time being in force including any statutory modifications and amendments from time to time ("**Buyback Regulations**") regarding the completion of the Buyback (as defined hereafter).

This Post Buyback Public Announcement should be read in conjunction with the Public Announcement dated October 16, 2020 ("**Public Announcement**"), issued in connection with the Buyback. Unless specifically defined herein, capitalized terms and abbreviations used herein have the same meaning as ascribed to them in the Public Announcement.

1. BUYBACK

1.1. Pursuant to the provisions of Section 68, 69, 70 and all other applicable provisions, if any, of the Companies Act, 2013, as amended ("**Companies Act**") and the applicable rules thereunder, and the provisions of the Buyback Regulations, Article 3 of the Articles of Association of the Company, and pursuant to the resolutions passed by the Board of Directors of Rane Brake Lining Limited (the "**Company**") (the Board of Directors of the Company and any committee constituted by the Board to exercise its powers are hereinafter referred to as the "**Board**" or the "**Board of Directors**") at their meeting held on October 15, 2020 (the "**Board Meeting Date**"), approved the buyback of the Company's fully paid-up equity shares of the face value of ₹ 10/- each (the "**Equity Shares**") from its shareholders/ beneficial owners, other than those who are promoters or the promoter group or the persons in control of the Company (hereinafter collectively referred to as the "**Promoters**"), from the open market through stock exchange mechanism i.e. using the electronic trading facilities of the BSE Limited ("**BSE**") and the National Stock Exchange of India Limited ("**NSE**"), where the Equity Shares are listed (hereinafter together referred to as the "**Stock Exchanges**") for a total amount not exceeding ₹ 22,00,00,000/- (Rupees Twenty Two Crores only) (the "**Maximum Buyback Size**"), and at a price not exceeding ₹ 825/- (Rupees Eight Hundred Twenty Five only) per Equity Share ("**Maximum Buyback Price**"), payable in cash (the process being referred herein after as "**Buyback**"). The Maximum Buyback Size and Maximum Buyback Price do not include any expenses incurred for the Buyback such as filing fees paid to SEBI, Buyback tax, advisors' fees, stock exchange fees, brokerage costs, fees, turnover charges, taxes such as Securities Transaction Tax and Goods and Services Tax (if any), stamp duty and other transaction charges (collectively referred to as "**Transaction Costs**"). The Maximum Buyback Size represents 9.61% of the aggregate of the Company's paid-up equity share capital and free reserves based on the audited financial statements of the Company as at March 31, 2020 (being the latest available audited financial statements of the Company).

1.2. The Buyback commenced on October 27, 2020 and completed on April 26, 2021 (upon expiry of 6 (six) months from the date of opening of the Buyback). The intimation for closure of the Buyback was issued to the Stock Exchanges on April 26, 2021. Till the date of the closure of the Buyback, the Company utilized 62.32% (excluding Transaction Costs) of Maximum Buyback Size authorized for the Buyback.

1.3. The total number of shares bought back under the Buyback is 185,109 Equity Shares.

2. DETAILS OF THE BUYBACK

2.1. The Company bought back an aggregate of 185,109 Equity Shares, utilising a total of ₹ 137,102,378.78 (Rupees Thirteen Crores Seventy One Lakhs Two Thousand Three Hundred and Seventy Eight and Paise Seventy Eight only) (excluding Transaction Costs), which represents 62.32% of the Maximum Buyback Size. The price at which the Equity Shares were bought back was dependent on the price quoted on the Stock Exchanges. The highest price at which the Equity Shares were bought back was ₹ 825.00 (Rupees Eight Hundred and Twenty Five only) per Equity Share while the lowest price was ₹ 628.75 (Rupees Six Hundred and Twenty Eight and Paise Seventy Five only) per Equity Share. The Equity Shares were bought back at a volume weighted average price of ₹ 740.66 (Rupees Seven Hundred and Forty and Paise Sixty Six only) per Equity Share. These prices are based on contract notes issued by Ambit Capital Private Limited ("**Company's Broker**") and exclude Transaction Costs and have been rounded off to two decimal points.

2.2. The pay-out formalities shall be completed as per the normal settlement calendar of the Stock Exchanges. The Company has extinguished 162,621 Equity Shares till date and the Company is in the process of extinguishing the remaining 22,488 Equity Shares bought back.

2.3. All Equity Shares bought back were in the demat segment from the Stock Exchanges. As the Buyback was done from the open market through the Stock Exchanges, the identity of shareholders from whom Equity Shares exceeding one per cent of the total Equity Shares was bought in the Buyback is not known.

3. CAPITAL STRUCTURE AND SHAREHOLDING PATTERN

3.1. The capital structure of the Company as on the date of the Public Announcement and as on April 26, 2021 (post completion of the Buyback) is set forth below:

Sr. No.	Particulars	Pre-Buyback	Post-Buyback
1.	**Authorized Share Capital:**		
	10,000,000 Equity Shares of ₹ 10 /- each	100,000,000	100,000,000
	Total	**100,000,000**	**100,000,000**
2.	**Issued, Subscribed and Paid-up Equity Share Capital:**		
	Pre-Buyback: 7,914,980 Equity Shares of ₹ 10 /- fully paid-up	79,149,800	
	Post-Buyback: 7,729,871 Equity Shares of ₹ 10 /- fully paid-up		77,298,710*
	Total	**79,149,800**	**77,298,710***

**Out of the total 185,109 Equity Shares bought back, the Company is in the process of extinguishing the remaining 22,488 Equity Shares. The post-Buyback share capital is provided assuming extinguishment of all Equity Shares bought back by the Company.*

3.2. The shareholding pattern of the Company Pre-Buyback as on the Board Meeting Date and Post-Buyback as on April 26, 2021 is set forth below:

Category of the Shareholder	Pre-Buyback		Post-Buyback#	
	No. of Shares	% to the existing Equity Capital	No. of Shares	% to the Post-Buyback Equity Capital
(A) Promoter & Promoter Group	5,302,539	66.99%	5,302,539	68.60%
(B) Public – Total	2,612,441	33.01%	2,427,332	31.40%
(C1) Shares underlying DRs	-	-		
(C2) Shares held by Employee Trust	-	-		
(C) Non Promoter-Non-Public	-	-		
Total	**7,914,980**	**100.00%**	**7,729,871**	**100.00%**

#Out of the total 185,109 Equity Shares bought back, the Company is in the process of extinguishing the remaining 22,488 Equity Shares. The post-Buyback shareholding pattern is provided assuming extinguishment of all Equity Shares bought back by the Company.

4. MERCHANT BANKER TO THE BUYBACK

AMBIT
Acumen at work

AMBIT PRIVATE LIMITED
Ambit House,
449, Senapati Bapat Marg, Lower Parel, Mumbai - 400 013; **Tel:** 022-3982 1819 **Fax:** 022 3982 3020;
Contact Person: Mr. Praveen Sangal **Email:** rbl.buyback@ambit.co; **Website:** www.ambit.co;
SEBI Registration Number: INM000010585; **Corporate Identity Number:** U65923MH1997PTC109992

5. For further details please refer to the Company's website (www.ranegroup.com) and the websites of the Stock Exchanges (www.bseindia.com and www.nseindia.com).

6. DIRECTOR'S RESPONSIBILITY

As per Regulation 24(i)(a) of the Buyback Regulations, the Board accepts responsibility for the information contained in this Post Buyback Public Announcement or any other information advertisement and for the information contained in all other advertisements, circulars, brochures, publicity materials etc. which may be issued in relation to the Buyback and confirms that the information in such documents contain and will contain true, factual and material information and does not and will not contain any misleading information.

For and on behalf of the Board of Directors of Rane Brake Lining Limited

Sd/-	Sd/-	Sd/-
Ganesh Lakshminarayan Chairman DIN: 00012583	**Harish Lakshman** Director DIN: 00012602	**Venkatraman** Company Secretary & Compliance Officer ICSI Membership Number: ACS 24699

Date: April 27, 2021
Place: Chennai

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