

CHANGING GEARS, RANE JUMPS INTO FAST LANE

Three years ago, the top management of Rane Group sat to redraw a business blueprint. A five year charter was laid down to steer the group forward. At half way stage, L Ganesh, chairman of Rane group shares the various actions and how he is preparing the group for the next phase. Edited excerpts *Rajesh Chandramouli*

■ At what stage of evolution is Rane Group in?

Just over three years ago we revisited the vision of the group. The outcome: we need to accelerate profitable growth for the group. The overall bottom line was that we must increase our international presence, whether through exports or maybe going to near customers and service them closer.

At that time, we were about 15% to 16% revenue coming from international business. We said that we would like to take this to 25% maybe in about five years. This also meant setting manufacturing footprint in US, which is our largest market. Today, we have moved to about 18%-19% and we are on our path to achieve 25% maybe in the next three years or so.

Growth comes from our domestic market which is also very important. 80% of our business still comes from domestic market. In domestic market we have market leadership in all the main products that we make.

■ What would the growth numbers look like in three years?

Over the last ten years our average CAGR has been 10% what we would like to see this in 12%-15% CAGR. In the last two years, since we have started these initiatives, we have been able to achieve this growth of 12-15% per year.

■ Your R&D spend?

Traditionally it was maybe 1% of sales and now we are not mandating but encouraging companies to move to 1.5% to 2% of sales at an increased pace.

■ Where is the future growth engines?

With the kind of changes that are likely happen - electric vehicles; hybrid vehicles etc, we are doing two things. One is trying to understand how this technology is moving (it is still evolving). We are studying the market,

studying trends and keeping track of what is going on, what is developing. Whether it will open up opportunities for Rane is a little early to say. But at least we want to understand where, if at all, could be the opportunities in those specific areas.

Then the defensive part of our strategy is our existing portfolio going to continue or will it become obsolete. The good news is other than engine valves, which is directly vulnerable to electric vehicle all our other products will still be valid for electric vehicle with some modifications.

So, that leaves us only one main product in the group, which accounts for 10% of our total sales today, vulnerable to this technology change.

ONE-ON-ONE

We are on our path to achieve 25% exports revenues may be over the next three years - from the current 18%

■ Investments are you making for the future? In start-ups?

We have made a (financial) investment in a Venture Capital in the US. That is the first step. It is not a financial investment in the normal sense although you still end up making profits out of that. Its main objective was, while not to lose money but to gain knowledge. Through this venture capital we get access to what is happening, latest technology etc. We have invested in a small telematics company in Bangalore about a year ago, I would say we are just preparing ourselves in understanding and not done it in a big way.

■ How important is Deming Award for you?

Deming is a milestone and it is a very important milestone because it motivates the whole or-

ganization. It takes three to five years effort for each company. In certain plants, could have gone up by 70-80%. Our rejections at a manufacturing level in the shop floor, we use to be very comfortably accepting a five digit number, 10,000 PPM, 20,000 PPM. Today, many of our plants are operating at single digit PPM, you know three PPM, seven PPM and in some in the last eight months zero PPM.

■ What does Harish do and what does your son do in this?

Harish Lakshman (son of elder brother L Lakshman) has been with the group for a long time now and he is now the Vice Chairman of the group. He is being groomed to succeed me and he is involved in all the corporate functions now. We are involving him in all the companies of the group.

My son, Adithya has just joined Rane (Madras) and he is hardly about a year in the company. Harish's younger brother, Vinay has also joined and he is managing Rane Brake Lining and my son is now in Sales and Marketing, he did one year in Corporate planning and now he is in sales and marketing.

■ Gender diversity for the group, is there a charter?

We are certainly encouraging more women employees both in the office side and in the shop floor. The new plants or some of our plants in Trichy which we have started in the last two-three years you will find upto 20-25% on the shop floor. We have got a President of one of our big companies. It has been a good experience we would like to continue.

Pic: R Ramesh Shankar

