

Rane Group plans ₹558 cr capex, eyes ₹4,300 cr topline

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Chennai

DESPITE sluggish automobile market conditions, Rane Group has chalked out an expansion strategy with a budget of Rs 558 crore for the next three years as the Chennai-based leading auto component house expects the market to improve from the second half of the fiscal and report strong growth in the following two years.

The group's capex has also been necessitated as part of its strategy to maintain leadership in its business segments and achieve sales turnover of Rs 4,300 crore by 2015-16.

The investments will be made across seven entities, including three listed companies, of the group. "The capex of Rs 558 crore is for the total group during the next three years ending 2016. It will be funded through internal generations and debt," said L Ganesh, chairman, Rane group.

Most of the capex is intended towards expansion of capacity of steering gear, EPS (electric power steering), friction materials, including brake linings and

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disc pads, while part of it is towards productivity improvement and research and development. In an attempt to be technologically self-sufficient, the group has been steadily boosting R&D investments — from 0.5 per cent of sales in the past to 1.5 per cent going forward.

Of the seven companies, Rane Madras and Rane NSK Steering Systems will spend Rs 160 crore and Rs 150 crore, respectively, on expansion of capacity in various areas on the back of new customers. Rane Brake Linings will spend about Rs 110 crore over the

next three years on R&D as also to improve export business. Rane Engine, Rane TRW Steering Systems, Rane Diecast and Kar Mobiles will account for the rest of the spend.

"Our capex plan is based on the assumption that markets will start improving towards the end of this year (although current signs are not encouraging) and the next two years will be seeing healthy growth. Besides the domestic market, we are also focusing on increasing exports, which is expected to be 15 per cent of sales by 2015-16," Ganesh said.

Despite a slowdown in the auto sector, the group managed to post a decent growth in FY13, with total revenues of Rs 2,923 crore (\$538 million) against Rs 2,650 crore (\$520 million) in FY12.

The group's big business areas are manual steering & suspension systems, steering columns and hydraulic power steering systems. These three accounted for 66 per cent of the group's total revenues.



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*Chairman
Rane Group*

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