Rane Group plans ₹800-cr capex

Bets on revival in businesses and surge in exports

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Rane Group plans a capex of ₹800 crore over the next three years as the leading auto component house expects strong growth in the near future, supported by a revival in many businesses and a surge in export orders.

The company ended FY22 with the highest-ever revenue of ₹5,440 crore, a 31 per cent increase, compared to ₹4,140 crore in FY21. But FY22 revenue growth was partially due to low base and inflationary effect (as a result of commodity price increases).

Good year for industry

"FY22 was a good year for the industry and our group. Passenger car and commercial vehicle (CV) segments did well. Despite the semiconductor shortages, the PV segment managed a good year, led by a surge in SUV volumes. CV has come back strongly after 2-3 years of slow down, supported by infrastructure spending by the government and better fleet utilisation levels, while the replacement cycle also kicked in. Our international business also did well as exports grew significantly. This was the result of efforts we did in the past 3-4 years. Our plan to grow the export share in revenue to 25 per cent plus is on track (22 per cent in FY22). For the next 2-3 years, our export orders look good," L Ganesh, Chairman of Rane Group, told *BusinessLine*.

L Ganesh, Chairman and MD, Rane Holdings BIJOY GHOSH

After going through a tough phase in FY20 and FY21, the Group has returned to a double-digit growth curve. It maintained double-digit growth in topline for five years till FY19. A couple of issues pulled down its performance in the past two years. It had warranty problems in its NSK joint venture. But, it believes most of the issues are now over. US operations have started to show improvement.

Export strategy

While the Group has seen a revival in the aluminium castings business, the revamped export strategy has yielded results. Revival of CV business is a big positive for the company as value-add per vehicle is much more than other categories. Despite several challenges, a healthy order pipeline for PVs, in particular SUVs, is also a good sign for growth.

"We are targeting to grow at a CAGR of 10-12 per cent for the next five years," said Ganesh.

With a surge in domestic as well export orders, the company is looking to expand capacities across businesses and has estimated an overall capex of about ₹800 crore for the next three years.

Among others, steering and seatbelt and airbags businesses may incur a capex of ₹300 crore, friction material business is expected to spend about ₹120 crore and aluminium castings business is to incur about ₹150 crore capex. Engine Valves' business is to spend ₹80-90 crore.