

## **Rane Brake Lining Limited – 17<sup>th</sup> Annual General Meeting - Transcript**

**Host (00:07):** Sir, we are on live now, you can start your proceedings.

**CS (00:11) :** Good afternoon to all, I am Siva Chandrasekaran in charge of Secretarial function, I welcome the members to this 17<sup>th</sup> Annual General Meeting which is being conducted through video conferencing in compliance with the Companies Act and circulars issued by MCA. The notice for this AGM & Annual Report for the financial year 2021-2022 were sent by email to all members whose email IDs are available and also public notices were issued in English and Tamil newspapers as per MCA & SEBI circulars. The transcript of the proceedings of this meeting would be made available on the website after the end of this meeting. Members who have pre-registered as speaker shareholders during the window provided would be allowed to ask questions when indicated by the Chairman. Members are requested to keep their questions very brief not to exceed two to three minutes per speaker in the interest of time. I confirm to the Chairman, that the members forming the requisite quorum have logged in and Independent Directors and Auditors have also logged in. Now I handover the proceedings to the Chairman.

**LG (01:29):** Thank you Siva. Good Afternoon ladies and gentleman. The meeting has been duly convened and constituted with presence of requisite quorum of members, I call the meeting to Order. The Authorisations in favour of corporate representatives have been duly received and prescribed statutory registers and necessary documents in connection with this AGM are available for inspection till the conclusion of the AGM. I would like to introduce the Directors who are present today, Mr. Sandilya, Chairman of the Audit Committee and the Nomination and Remuneration Committee, Dr. Brinda Jagirdar, Mr. Anil Epur. Also, I would like to mention here that Mr. Sandilya and Mr. Anil Epur are completing their second term as Independent Directors of the Company and therefore will have to cease to hold office at the conclusion of this Annual General Meeting. On behalf of the Board of Directors, I would like to thank them for their valuable advice and guidance to the Board during their tenure. Their contribution to the deliberations at the Board were significant during this period. I also confirm the presence of Mr. Gerogy Mathew and Ms. Rasiga Ragupathy, Statutory auditors, K Sriram & Saranya Sriram from M/s Krishnamoorthy & Co., Secretarial Auditors, Mr. Sujoy from Deloitte, Internal Auditors and Mr. Balu Sridhar, Practicing Company Secretary and Scrutinizer. Along with me, I also have Mr. Balakrishnan, President of the Company and Mr. Ananth, CFO of the Company and also Mr. Sridhar Kumar, CFO of Rane Holdings.

I once again on behalf of the Board welcome all members to the 17<sup>th</sup> Annual General Meeting of your Company. FY 2021-22 was an eventful year with country weathering two waves of Covid – 19. Despite these challenges the demand environment remained largely favourable. I would like to make a few remarks on the state of the industry and your company's performance this year and near term outlook. Global economy is projected to have grown 5.9% in 2021 the fastest rate recorded in the last four decades, the global inflation shock especially in the United States and some emerging market economics as resulted in a global monetary policy normalization by central banks all over. After recovering from a historic contraction of 7.3% in the preceding year, India's economy is estimated to have grown by 9% in FY 22 surpassing the pre-pandemic level. The economic damage on account of Covid-19 waves were short-lived, thanks to buoyant government spending and pickup in investments post lifting up of restrictions. The Indian automobile industry which has been witnessing a strong recovery on account of the low interest rate regime coupled with some pent-up demand, of course faced some temporary head winds during the start of this fiscal year due to the second wave of the pandemic. Turning to the Company's performance, Rane brake Lining registered a turnover of about ₹505 crores that is about 19.4% growth over the previous year. EBITDA stood at ₹56 crores as compared to ₹71 crores and the drop is mainly

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due to steep increase in the raw material cost and logistics and other costs. While we try and recover cost increase from the customers, there is always a gap and entire increase has not been recovered from the market. Enhanced capacity through various automation projects, continues at Puducherry and Trichy plants. The Company is working on strategic initiatives to increase our export turnover by developing new formulations, strengthening the overseas distribution network and entering in to new geographies in Africa and Middle East. We are also working on the US market for an entry into their aftermarket segment. The Company won excellence in HR & HAC practices and silver award from ACMA for this. The Company got a certification for the great place to work this being the consecutive for last 6 years.

Turning to the outlook, though we are seeing some headwinds in the global economy and lot of supply chain challenges, we remain optimistic about the demand environment in India in FY 2. The Indian automotive industry is back on strong footing and on course to reach pre-pandemic level of sales on the back of a buoyant demand. We are of course working on cost supply chain to mitigate the challenges which I mentioned earlier. The Company is also focusing to enhance our export segment, the benefit of this we will see in next two to three years. Also, we continue to implement various productivity improvement projects and try to drive asset utilization and continue our cost saving effects to mitigate this pressures. Thank you for your attention.

With the permission of the members, I would like to take the AGM notice as read and in view of the unmodified reports issued by the statutory auditor and the secretarial auditors for the financial year 21-22, they are not being read.

Turning to the Business at this AGM, there are 4 ordinary businesses and 3 special businesses.

Since this is an electronic mode, there is no need of a proposer or a seconder.

#### **ORDINARY BUSINESSES:**

1. Consideration and adoption of the Audited Financial Statement of the Company for the year ended March 31, 2022, along with the reports of the Board of Directors and the Auditors.
2. Declaration of dividend on equity shares.
3. Appointment of a Director in the place of Mr. Harish Lakshman, who retires by rotation and being eligible, offers himself for re-appointment.
4. Approval of the appointment of the statutory auditors.

#### **SPECIAL BUSINESSES:**

5. Approval of regulation 17(6A) of SEBI, for the remuneration payable to the Chairman, compared to the remuneration payable to the non-executive directors that's needs a special resolution.
6. Appointment of Mr. C N Srivatsan as an Independent Director.
7. Appointment of Mr. Ashok Malhotra as an Independent Director.

So these are the resolutions, I invite any question or comment from the members and thereafter we will go for the other resolutions.

**Host (09:11):** Shareholder Mr. Samartha has joined, can I allow him to speak.

**CS (09:23):** Please unmute him for asking the questions.

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**LG (09:29):** Yeah, please go ahead

**Host (09:32):** Samartha Sir, you please unmute and speak Sir.

**Mr. Samarth (09:37):** Good Afternoon, Am I audible?

**LG (09:38):** Yes

**Mr. Samarth (09:41):** Thank you to the Chairman and Board for the opportunity, I have already emailed in my questions, would you like me to repeat them?

**LG (09:48):** No, I think we have the questions let me try to answer them, if you have any supplementary you can add later.

**Mr. Samarth (09:56):** Great, thank you Sir.

**LG (10:01):** Okay, so your first question was, what is the market size of brake linings, commercial vehicles and passenger vehicles disc pads.

It is very difficult to estimate in India because there is an organized and un-organized market, but to the best of our information the CV line market is about 250 crores and passenger vehicle disc pad is about 200 crores and our market share in these respectively is about 44% & 18%. In terms of Competition, there are many competitors, in the OEM there is Sundaram Brake Linings and in the commercial vehicle side there is Japan Brakes and then in the aftermarket there are OE players who are selling OE spare parts like TATA Motors, Ashok Leyland and also Brakes India, BOSH and there are several players in the aftermarket. So it's a very fragmented type of market not only here, world over friction materials is like that. In terms of historical EBITDA, our EBITDA has of course peaked in 2018 to about 75 crores and this year it is about 56 crores which is a drop from previous year and the EBITDA drop generally is due to 2 or 3 reasons. 1 is increase in competition in the market makes it difficult to recover all cost increases in the aftermarket, number 2 the growth in the last few years. It has been somewhat sluggish for us, the top line growth has not been adequate to observe fixed costs and the 3<sup>rd</sup> is of course particularly in last 18 month or so the inflation in all over raw materials all the input which go in to making the friction material have gone up significantly, and as I mentioned earlier only part of it we could recover from the Customers. Forex also affects us to some extent but ofcourse currently forex is not a big issue this year so far. So these are some of the reasons. Can we go back to EBITDA level of 2018? I think that will be difficult however we are working on EBITTA improvement no doubt if not at that level we improve from the current level the helping factors will be sales growth. We think in next three years or so our growth will be much better, our order book and our efforts on export will also help. The new products introduction that we are introducing and new adjacent products we are introducing in the market will help. The challenges of course are supply chain and the logistics cost, which we hope will kind of stabilize during this year and not continue its inflationary trend. Also, the Competition in the market will always remain and that's the challenge. So with all of this, management is working on improving productivity, reducing cost, increasing the top line and exports to improve the EBITDA, if not to 2018 levels. I hope I have answered all your questions.

**Mr. Samarth (13:28):** Yes thank you sir, can I ask 2 follow-ups, is that okay? 1 is a clarification on the market size which you have estimated, was that just for the aftermarkets or was that for aftermarket + OE?

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**LG (13:41):** It is just the aftermarket.

**Mr. Samarth (14:14):** Okay and then second clarification was, you know the competitive intensity is increasing is the fact because the additional competitors are coming in or is it because of lack of top line growth and therefore the usual competitors are just not increasing prices as much so as to or swap their assets better.

**LG (16:00):** No, After market has always been very competitive and new players coming in also adds to the complexity and the pricing is something which we have to watch very closely. It automatically pass on all cost increases that could affect our market share, so we have to be very careful in this and definitely the competition increase in number of player in one reason for this.

**Mr. Samarth (16:34):** Thank you so much Sir.

**LG (16:38):** Any other questions, any other comments?

**CS (16:43):** Any other shareholder?

**Host (16:46):** No, there are no other shareholder who have registered and joined, we can continue the proceedings.

**LG (17:53):** Okay, thank you, so in compliance with the Companies Act, the Company has engaged CDSL for providing remote e-voting facility and e-voting at the AGM to enable members to participate electronically in this meeting. The remote e-voting facility opened on June 25<sup>th</sup> and ended on June 27<sup>th</sup> as scheduled. Those members who have not exercised their votes by remote e-voting can cast their vote during this AGM, the e-voting facility will be kept open up to the end of this meeting for about 15 minutes after the meeting and then the meeting shall stand concluded.

Mr. Balu Sridhar, Practicing Company Secretary appointed as scrutinizer for the remote e-voting will also act as scrutinizer for the e-voting conducted at the AGM. The voting results will be available within two working days on the website of the Company. I once again confirm that the requisite quorum was present throughout the meeting. Thank you once again to all participants, the meeting stands closed at the end of the e-voting process. I now handover the proceedings to Mr. Balu Sridhar Scrutinizer, thank you.

**Scrutinizer (19:00):** Thank you Chairman, the e-voting facility will automatically disconnect after the said period.

**Host (19:17):** Thank you, with the permission of the Chairman we are concluding this meeting. As informed, the remote e-voting system will remain open for another 15 minutes, thank you.

**(35:00):** End of event.