



Rane Holdings Limited - 86th Annual General Meeting – Transcript

Host (00:04): Sir, we are on live now, you can start your proceedings.

Host (00:12): Sir, you can start your proceedings.

CS (00:14): Yeah thank you, good afternoon, I am Siva Chandrasekaran, Secretary of this Company, Rane Holdings Limited. I welcome all the members to this meeting who are attending. The 86th Annual General Meeting is being conducted through video conferencing in compliance with the Companies Act & the circulars issued by MCA. Notice of this AGM and Annual Report of the FY 2021-22 were sent by e-mail to all members whose e-mail IDs are registered with the Company and also public notices were issued in English & Tamil newspapers as per MCA & SEBI Circulars. The transcript of the proceedings of this meeting would be made available on the website of the Company. 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 and not exceed 2-3 minutes per speaker, in the interest of time. I confirm to Chairman that the members forming requisite quorum have logged-in and Independent Directors & Auditors have also logged-in. I now handover the proceedings to Chairman.

LG (01:33): Thank you Siva, good afternoon ladies and gentleman, the meeting has been duly convened and constituted with the presence of requisite quorum of members. I call the meeting to order. The authorizations 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. Mr. Harish Lakshman & Mr. Rajeev Gupta are unable to join us today due to some prior commitments. We have with us, Mr. Pradip Kumar Bishnoi, Dr. Sheela Bhide and Mr. V Sumantran, Independent Directors. I also confirm the presence of Mr. Aswath, representative of BSR & Co., Statutory Auditors, Mr. K Sriram / Ms. Sharanya Sriram from S Krishnamurthy & Co., Secretarial Auditors, Mr. K V Sriram / Mr. Rajaram from Capri, our Internal Auditors, Mr. C Ramasubramaniam, Practicing Company Secretary and Scrutinizer.

Once again on behalf of the Board I welcome all the members to this 86th Annual General Meeting of your Company. FY 22 was an event full year with India weathering 2 waves of Covid – 19. Despite this 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 in FY 22 and also near term outlook. Global economy is projected to have grown by 5.9% in 2021 the fastest rate recorded in over four decades, the global inflation shock especially in the United States and some emerging market economies have resulted in a global monetary policy normalization by most central banks. After recovering from a historic contraction of 7.3% in the preceding year, India's economy is estimated to be have grown by 9% in FY 22 surpassing pre pandemic levels although on a lower base, the economic damage on account of Covid-19 waves were fortunately short-lived thanks to

Rane Holdings Limited

86th Annual General Meeting

buoyant government spending and pickup in investments post lifting up of the restrictions. The Indian automobile industry which has been witnessing a strong recovery on account of low interest rate regime coupled with some pent-up demand 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, the Rane Group aggregate sales grew by a healthy 31% from ₹4,140 crores in 2020-21 to ₹5,440 crores in 2021-22. This is the highest ever revenue the group have achieved. Though the growth was partially due to low base and commodity price adjustments, the companies continued to gain market share with key customers and grew the international business. EBITDA increased by 32% from ₹299 Cr in 2020-21 to ₹395 Cr in 2021-22 through various cost savings and operational improvement initiatives through them we were able to sustain the EBITDA margin despite significant increase in all commodity prices, logistics and other costs.

Let me share some key highlights of the various Companies in the group.

Rane (Madras) Limited: Both the steering and light metal castings business from India experienced strong growth supported by increased off-take from both domestic and international customers. Rane (Madras) during the year acquired M/s. Yagachi Technologies Private Limited. This Company manufactures Inner and Outer Ball Joints for Hyundai & KIA this gives us an entry in to these 2 Korean market leaders in India with whom we had negligible business in the past. The operational performance of Light Metal Castings India has improved. The capacity utilization of this business has improved. The division won several new orders, which will enhance the performance in the next 2 years of this division. Rane Light Metal Casting America (LMCA) has been able to sustain operational performance with continuation good TQM practices. However LMCA continue to face challenges in the global supply chain shortage leading to deferment in the launch of key new businesses and lower off take from existing customers. The focus for FY 22-23 will be to build on the operational improvements and secure new businesses and hope the volume enhancement of our current business to ensure the long term sustainability of this business.

Rane Engine Valve Limited

Rane Engine Valve Limited continued improving the operational performance across all the plants. REVL is focusing on growing its non or rather EV insulated business including non-auto business. Non-auto business grew 42% and currently contributes about 25% of REVL sales. With the increase in volumes, we are looking at achieving a full turnaround and hopefully a break even in 2022-23.

Turning to, **Rane Brake Lining Limited**

Rane Brake Lining posted a strong growth with the support of favourable market demand. Margin was significantly impacted due to commodity price increases and also some product mix - segment mix. The Company is working on strategic initiatives to increase its export turnover by developing new formulations, strengthening the overseas distribution network and entering into new geographies in Africa and Middle East. We are also working on US market for an entry into the After Market segment.

Rane Holdings Limited

86th Annual General Meeting

ZF Rane Automotive India

As you all are aware over the past 35 years, our relationship with ZF (erstwhile TRW) grew and we were able to bring in advanced technologies to customers in India. To enhance the cooperation and to take the relationship to the next level, we agreed to transfer 1% stake to the joint venture partner ZF. Also, the name of Rane TRW Steering Systems was changed to ZF Rane Automotive India Private Limited reflecting the transformation the company has undergone from steering products to include passive safety systems and increased cooperation between the joint venture partners. ZRAI benefited with the strong growth in Indian commercial vehicle segment and off-take from export customers.

Rane NSK Steerings

RNSS enjoyed good growth on served models. We continued to win new business with major customer Maruti Suzuki. The warranty issue continued to impact profitability. We made further warranty provisions based on the continued claims in FY22. We are however confident that all these claims are coming from the market before the countermeasure were implemented and once the countermeasure were implemented post that date the claims have been very minimal. This will continue for some more time for the pass supplies. With regards to the financial burden arising out of this, we are in continuous discussion with the Joint Venture Partner and our Customer to solve this issue.

I turn to the outlook now, though we are seeing headwinds in global economy and several supply chain challenges, we remain optimistic about the demand environment in FY23. The Indian automotive industry is back on a strong footing and on course to reach the pre-pandemic levels of sales on the back of buoyant demand. We are working across the supply chain to mitigate the challenges. The Group Companies are implementing various productivity improvement projects and working on cost savings to mitigate the significant increase in material costs. Thank you for your attention and welcome you all once again to the AGM.

With the permission of the Members, I would like to take the AGM notice as read. In view of the unmodified reports issued by the Statutory Auditors and the Secretarial Auditors for the Financial Year 2021-22, they are not being read. The businesses proposed to be transacted at this AGM are as follows:

Since this meeting is held through electronic mode, there is no proposer or seconder for the resolutions proposed.

Ordinary business:

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

Rane Holdings Limited
86th Annual General Meeting

Special business:

4. Re-appointment of Mr. Rajeev Gupta as an Independent Director for a second term.

I now invite any questions or comments from members who have pre-registered as speakers.

CS (12:15): Karthik, are there any speaker shareholders logged in.

Host (12:17): Yes Sir, we have list of speaker shareholders, I will be announcing their name and allow speak one by one Sir. Mr. Raghavan V.

CS (12:32): Rangan I think.

Mr. Rangan (12:33): <echo><<echo>

Host (12:41): Mr. Raghavan you have joined in 2 devices, please expel from one device.

CS (12:46): There is echo coming

Mr. Rangan (12:48): I have joined from 2 devices?

Host (12:49): Yes Sir, you have joined from 2 devices.

Mr. Rangan (12:53): I will exit and will come back join at the end okay?

Host (13:01): One minute Sir, one minute, you can speak now Sir.

Mr. Rangan (13:08): Hello

CS (13:10): Yes, you may ask your question

Mr. Rangan (13:15): You are able to hear me Sir?

Host (13:18): Yes Sir, we can here you very clearly, please go ahead with your questions.

Mr. Rangan (13:22): Good afternoon Sir, I can value the Company, for the excellent work at this difficult period, because you have given a good dividend and good pay-out also. Now regarding the warranty I would like to know how much you have totally expended, how much provision you made and over the last 3 years what was the pattern actually coming like that? That is only the cause of issue actually now affecting the Company, now with the 1% transferring to them 51% and have you put any clause that they will not buyout over the next 5 years or something like that? Is there any clause like that I would like to know that, that's all my question and regarding the warranty only

Rane Holdings Limited
86th Annual General Meeting

coming how much you have made provision and how much so far is coming and liability and last 2 years 3 years some pattern will be there know, like that, I would like to know that.

CS (14:24): Karthik, you may unmute the second speaker shareholder for asking their questions.

Host (14:35): Mr. Manoj Kumar, you can speak now please.

Mr. Manoj Kumar (14:40): Hello, Good afternoon respected Chairman, Board of Directors and fellow shareholders, My name is Manoj Gupta shareholder of Rane Holdings Limited, Sir first of all I thank Company secretary who helped us to join this meeting through VC. Sir, my 2 questions are: How much is your order book and what is your future outlook for this business? How and what will you give investors in future? Is there any offer to offer some bonus shares? Thank you sir.

Host (15:33): Thank You!

CS (15:35): Any other shareholders registered.

Host (15:37): Yes Sir, another two shareholders have joined, I will allow them to speak. Mr. Ishan you can speak now.

Mr. Ishan (15:53): Am I audible?

CS (15:55): Yeah.

Mr. Ishan (15:37): Thank you giving me an opportunity, so there are list of my questions. On Rane (Madras) front are you planning to shut our US aluminium die casting business? we are still making a loss of around 54 crores at EBITDA level and if not then at what sales you will be able to breakeven? My second question is as you mentioned earlier you are going to do capex for aluminium casting business in India of around 150 crores, so would it be an alternative to US supplies? And on Rane NSK front, the warranty issue will NSK, Japan pay any compensation to India? And my last question on the Rane TRW front, please give a product wise sales break-up for FY 21 & Y 22. Thank you.

Host (16:59): Thank you Mr. Ishan, Sir next and last speaker is Mr. Abishek, Mr. Abishek you can start to speak now.

Mr. Abishek (17:09): I am audible Sir ?, Sir my name is Abishek shareholder of the Company my DP Client ID IN30163741359155. Sir, first of all I congratulate the management on the eve of 86th Annual General Body Meeting, trust all is well with you and your family Sir. Our company deserves much more respect than the current market cap after completing more than a decade of successful operations, profitability, dividend history and becoming one of the strongest brand in our respective industry / segment. I would like to know how our business has been impacted in these past 3 years of Covid time? The Corona virus and subsequent lockdowns have left virtually no industry untouched

Rane Holdings Limited
86th Annual General Meeting

after the Covid. So whether any employees we have sacked, hired and salary cut in % if any I would like to know from your side Sir, so was there any salary cut was taken by the management Sir during the pandemic time and what are steps being taken by the management to reduce other expenses, legal professional charges and audit fees. Myself and my team are running a Legal firm in the name and style of 7 Wells Associates in Chennai, so I would request your good selves to kindly enrol our firm in the empanelment of the company, we will be glad to extend our services. Sir and what are the steps being taken by for con-call, quarterly presentation and meeting with global Investors on a regular basis and how often we are doing all these things I would like to know from you Sir and what is the reason that we are not able to receive link from most of the Rane group of Companies and it hardly after communicating with RTA and I got the link by sending so much questions for other companies I have not got the link Sir and even last year also I have not got the link from your group companies as well and Sir there is no such procedure to fill up the form, application has to submitted just 3 days before or 4 days before shareholder have to send authenticated email to the Company and speaker has to be enabled in AGM, but most of the shareholders have said that they are not able to get across, as I also after a very difficult got the link yesterday, there is nothing much to ask Sir. My best wishes to the Company and management to fulfil the wish and decide minority shareholders of the Company, I wish the Company and Board of Directors a great success and prosperity in coming future and thank you for giving me the opportunity thank you very much.

Host (19:31): Thank you Mr. Abishek, Sir we have one more speaker with permission of chairperson, shall I allow him Sir.

LG (19:33): Sure, Yes.

Host (19:36): Mr. Aspi Bhesania you can speak now.

Mr. Aspi Bhesania (19:53): Sir, can you see me and hear me?

LG (20:00): Yes.

Mr. Aspi Bhesania (20:02): Sir, I am asking from Bombay. Sir attending you meeting for the first time because of the video conferencing, so next time also when there is a physical meeting starts you ensure keep video conferencing and Sir please ask your secretary to give the speaker number, it is difficult to I sent an email and she replied saying that it will be called out as and when it's called out, there should be some speaker number, we can't be ever ready from beginning till end of the meeting, Sir, our Company has done very well and subsidiaries have also done very well but our associates are incurring losses and when will they stop incurring losses? So thank you very much and all the best for the future and if you can give the road map for the next two years.

Host (21:55): Thank you, Sir all the speaker shareholders have spoken and others who have registered have not joined so please continue with your proceedings.

Rane Holdings Limited
86th Annual General Meeting

LG (22:07): Okay, so let me try to answer all the questions, Mr. Rangan, warranty totally we have made provisions for about ₹490 crores over the last three years in Rane NSK and we have paid out roughly ₹390 crores so a ₹100 crores of provision is still remaining which we hope will cover next one year or so. In terms of ZRAI, ZF 51% there is no intention in the future they will take more, so the agreement is that they will transfer 1% which is what we have done. So, we now become a 51-49 JV.

Mr. Manoj Kumar Gupta, thank you again for your comments, in terms of future as a group if you look at the next 3 years about 10 to 12 % CAGR is what we look at growing and this growth is looking at about not only the Indian market also increasing our exports so you know in the last 2 to 3 years we are focusing a lot on exports. So yes may be even better 12% we hope 15 % if we grow as CAGR in next 3 years that is our plan for the group. In terms of bonus, we note your comments and if the opportunity arises of course as a policy we are paying 40 to 50 % of the available profit but in terms of bonus, the Board will obviously consider if it is appropriate at that time.

Mr. Ishan, the US subsidiary had several setbacks in the past, we are hoping in the next couple of years we will be able to break even, but thanks to the semi-conductor chip shortage some of the new programs that we were supposed to have launched this year, although they have been launched operating at a much lower volume or customers, so this is affecting and again delaying the whole thing. I think Rane (Madras) is looking very closely this business and will take an appropriate decision long term sustainability what is it and these kind of things are being closely looked at and we will try to resolve this in sometime during this year. As far as the India aluminium casting business is concerned, you are right many of the customers are common and so we shift from India and from the US, the original Idea was be nearer to the customer and adding some other customers, some of them are common to our Hyderabad customers and some of them are unique to the US. In terms of warranty I think I have already answered, In terms of compensation by the partners, this very complex technical problem, so we are discussing with partner for the last one year or so as to get some compensation but this is very complex subject so I am not able to give you answer right now but we are discussing with them. In terms of ZRAI, the sales is more or less is equal, the steering gear division and the seat belt and air bag division but I think that the seat bag and air bag division is growing faster because of the air bag is mandated in the cars and extra and exports business is growing faster, so the future probably that will be bigger division than the steering gear division.

In terms of Mr. Abishek, thank you again for your comments, salary cut for the Covid that was in the year 2021, management took cut from right from senior management about 30% and junior management at 5% cut that was in the 2021 but even at year in October if my memory serves right we restored the salary cuts to the employees. Other expenses obviously we are always conscious of the expenses whatever nature it be not only legal or audit fee but every expense, will continuously looking for cost savings, we will continuously look for the quality of service and the cost that we pay and it is somewhat market related and at the same time we look at competitive within that frame work competitive environment to get the best costs reductions of the Company. In terms of Investor call we do it twice a year, in terms of some service about giving links etc. I think I am being told that link has been sent to shareholder vide email, it is also available in the NSDL and CDSL login,

Rane Holdings Limited
86th Annual General Meeting

you may make use of these facilities, there is no need to pre-register to get the meeting joining link right ?

CS (27:50): Right, yeah.

LG (28:00): Mr. Aspi Bhesania your points are noted, I think I have answered that question also. The US subsidiary also I have answered, as I said, we are looking, Rane (Madras) Board is looking very closely this division and we will take appropriate decision to make sure in long term the Investors value is protected. Thank you.

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. The remote e-voting facility opened on 26th June and ended on 28th June as scheduled. Those who could not exercise their e-voting can do so today. The e-voting facility will be kept open up to the end of this meeting for 15 minutes and the meeting shall stand concluded thereafter.

Mr. C Ramasubramaniam, Practicing Company Secretary, appointed as Scrutinizer for the remote e-voting, will also act as Scrutinizer for the e-voting conducted at the AGM.

Voting results will be available within 2 working days, on the website of the Company.

I confirm, that the requisite quorum was present throughout the meeting.

Thank you all for your participation. The meeting stands closed at the end of the e-voting process. I now handover the proceedings to Mr. C Ramasubramaniam, Scrutinizer.

Scrutinizer (30:40): Thank you Chairman, the e-voting facility will remain open for further 15 minutes. The electronic facility will automatically be disconnected after the said period.

Host (31:00): With the permission of the members we are concluding this meeting, thank you everyone for joining, thank you.

(46:00): End of event.