

## Rane Holdings Limited – 87<sup>th</sup> Annual General Meeting – Transcript

**(14:00:00):** Start of the event

**Host (00:03):** Sir, we are live now. You can start your proceedings.

**CS (00:12):** Good afternoon to all, we welcome the members to this 87<sup>th</sup> AGM of Rane Holdings Limited, being conducted through video conferencing in compliance with the Companies Act, 2013 & circulars issued by MCA. Notice of this AGM and Annual Report for the FY 2022-23 were sent by e-mail to all members whose e-mail IDs are registered and also public notices have been issued in English & Tamil newspapers, as per the MCA & SEBI Circulars. The transcript of the proceedings of the meeting would be made available on the website of the Company. Members who have pre-registered as speaker shareholders, would be allowed to speak 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 request CDSL to confirm whether the quorum is present.

**Host (01:16):** Sir, the requested quorum has been present, so you can continue your proceedings please.

**CS (01:21):** Okay, thank you. So I confirm to Chairman, the members forming the requisite quorum and the other Board members & the Auditors have logged-in. Now I handover the proceedings to Chairman.

**LG (01:33):** Thank you Siva. I, L Ganesh, Chairman, welcome you all and confirm that the AGM has been duly convened and constituted with the presence of requisite quorum of members. I call the meeting to order. Authorizations in favour of the corporate representatives have been duly received. 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 also mention that along with me, Mr. Harish Lakshman, Dr. V Sumantran, Dr. Brinda Jagirdar and Mr. Pradip Kumar Bishnoi representing the Board are available today at the meeting. Mr. Rajeev Gupta could not attend today because of some pre-occupation. I place on record the presence of representatives from M/s. B S R & Co., Statutory Auditors – Ms. Eswari, M/s. S Krishnamurthy & Co., Secretarial Auditors represented by Mr. K Sriram & Ms. Sharanya Sriram, M/s. Capri Assurance & Advisory Services, Internal Auditors represented by Mr. K V Sriram and Mr. Rajaram and M/s. CR & Associates, Practising Company Secretary, Scrutinizer – Mr. C Ramasubramaniam.

**CS (03:55):** Karthik, there is a complaint from a shareholder that the meeting is not visible. Is there any problem with the live that's going on?

**Host (04:05):** Sir, the streaming is up. So, maybe that is user end's problem. Will anyways cross check sir not an issue. We may continue our proceedings as the required quorum is present.

**CS (04:22):** Okay, please check.

**LG (04:27):** Good Afternoon once again, ladies & gentlemen. On behalf of the Board, I would like to welcome you all to the 87<sup>th</sup> Annual General Meeting of your Company. Would like to make a few remarks on the state of industry and the Company's performance in FY 2022-23 and the near term outlook.

The global economy grew by 3.4% in 2022 hindered by the US and European economic slowdown and lockdowns in China particularly resulting from their Government's zero covid policy. Global manufacturing and

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trade activities weakened amidst slowing demand due to an aggressive global rate hike cycle adopted by Central Banks to curb inflation. Indian economy continued to be one of the fastest growing major economies despite growing at a slower pace of 7.2% in FY 23 and has shown higher resilience to global shocks on the back of strong government capital spending and private demand. The Indian automobile industry witnessed a robust growth in FY23 after having faced slight hiccups in the previous year due to the pandemic induced supply chain disruptions and high commodity cost. Turning to the Company's performance, the Group aggregate total revenue increased 26% from Rs. 5,440 Crores to Rs. 6,864 Crores in 2022-23. This is the highest revenue that Rane Group has achieved so far. The International business helped with this growth with an increase of 38%. EBITDA stood at Rs 348.6 Crores for FY23 as compared to Rs 203.07 Crores in FY22, recording an increase of 71.7%. Higher volume and improved operational performance resulted in increase in the EBITDA margin.

Some of the highlights of the Companies:

Rane (Madras) continued to benefit from the growth in the demand for the steering products. Capacity additions were made to cater to the increased demand of customers. Manufacturing facilities were also upgraded to improve the delivery expectations of customers. The order book position remains healthy and will support growth in the coming years. Light Metal Castings India had a strong growth due to increased market demand as well new product introduction. The operational performance of Light Metal Castings India business continued to improve with focused initiatives on productivity improvements. RML acquired Light Metal Castings America in 2016 was somehow set back in the turnaround plans and the business was not working up to the satisfaction and the Board during the quarter decided to divest its business in the US Subsidiary. The proceedings are going on in terms of the divestment and hopefully we will complete it at the earliest opportunity.

Rane Engine Valves achieved financial turnaround driven by strong top line growth and improved operational performance. REVL is strategically focusing on enhancing sales to EV insulated segments, which accounts for 44% of the Company's sales. REVL is also working with customers on several projects with new alternate fuel technologies including CNG, hydrogen, etc.

Rane Brake Lining posted a good growth with the support of favourable market demand. Margin was significantly impacted due to the commodity price increases. The Company is working on strategic initiatives to increase export turnover by developing new formulations, strengthening the overseas distribution network and entering into new geographies in Africa and Middle East and also the US market for the aftermarket business.

Turning to the joint ventures, ZF, steering business of ZF, Rane Automotive benefitted from the upcycle in the commercial vehicle segment and successfully defended the market share with the customers. The occupant safety business is benefitting from the evolving safety regulation in India. As part of increasing local value additionally the Inflator and webbing plant infrastructure was setup.

With Rane NSK Steering Systems, the persistent warranty issue had a detrimental impact on the financial performance of Rane NSK. We believe that it is behind us now and no significant provisions will be required in the future. We are in continuous discussion with NSK to reduce the financial burden due to this issue.

The demand environment remains favorable as we look ahead in FY24. The Indian automotive industry is likely to witness sustained growth momentum going forward despite some minor headwinds in the form of rising interest rates and cost increase due to new emission and safety norms. The global economic scenario faces some headwinds on inflation, slower growth and geo political situation in Europe. However, India remain relatively shielded, while some spill-overs in the global scenario cannot be ruled out. We are over all positive about the Indian automotive industry. We however navigate this macro environment scenario cautiously

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prioritizing our operational improvement and cost reduction measures to balance out any risk on growth. Thank you for your attention and welcome you once again to this AGM.

With the permission of the members, the AGM notice is being taken as read. In view of the unmodified reports issued by the statutory auditors and the secretarial auditors for the financial year 22-23, they are not being read. The businesses proposed to be transacted at this AGM are as follows.

#### **Under Ordinary Business:**

1. Consideration and adoption of Audited Financial Statement of the Company for year ended March 31, 2023, together with reports of Board of Directors and the Auditor thereon.
2. Declaration of dividend on equity shares.
3. Appointment of Director in the place of Mr. Ganesh Lakshminarayanan (DIN: 00012583), who retires by rotation and being eligible, offers himself for re-appointment.

#### **Special Business:**

4. Appointment of Dr. Brinda Jagirdar (DIN: 06979864) as an Independent Director.

I now invite any questions from members who have pre-registered as speakers on the audited financial statements and other business agenda. I have the questions with me so I take the liberty of answering the questions and thereafter if the speakers have any supplementary questions they can add to it.

**CS (12:37):** Is there any speaker registered shareholders present? You may please unmute them one by one.

**Host (12:46):** Yes sir, Mr. Krishna Kumar.

**LG (12:51):** Mr. Krishna Kumar, I have your questions with me. You are talking about the warranty issues that the group has been facing in the past 2-3 years and how do we would protect ourselves. While there is no excuse for the issues, we continuously work on quality improvements, robust audit systems both suppliers and internal in the shop floor, etc. While Some unfortunate incidents like this can't be ruled out in the auto industry which may happen occasionally. It's very unfortunate that we had such a major issue in the last 3 years. I would like to assure you that the management team continuously works on improving the robustness of quality. In fact, under Industry 4.0, one of the top priorities for us is to work on the robustness of digitalising, data collection and first time right and traceability improvements. These are some of the first projects we have taken up under industry 4.0, so I would like to assure you that while there is no excuse for what has happened, going forward our focus will continue to be on quality and historically we have had a very good reputation and reliability with that customers which we will continue to work on.

You have talked about Merging of some of the operating companies, this is something which I am sure the Board will take it up, I see your point in terms of and getting scale advantage by merging the operating companies. I'm sure the board will consider such suggestions at the appropriate time. On the Rane Die cast USA, as I told you, the Board and the shareholders have approved this, the management is working on this and while I'm not able to give you a set timeline, obviously having decided to exit, our objective and our attempts will be to do this at the earliest opportunity. We are working on it and we will keep you posted. Plans for making components for EV and other types vehicles, one of the strong points of Rane is that almost 92-93% of our revenue or our products come from EV agnostic platforms. So except Engine Valves, all our products are equally applicable to EV vehicles and in fact we have been winning some very good orders from EV going forward. So,

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in Engine valves we feel for the next 5-7 years this business will continue to grow. We are focusing on EV insulated non-automotive applications etc but thereafter maybe after about 5 years we need to think of alternate strategies but the management and the Board is seized of this and we are discussing what opportunities we could look at maybe 5 to 7 years from now. Capital requirements, the whole of the group is planning about roughly Rs 350 to Rs 400 crores per year for the next 2-3 years. This obviously as you know depends on how the market proceeds if the current situation holds I expect that this year probably FY 24 we will end up with about Rs 350 crores capex.

Are the margins sustainable is another question by Mr. Kaushik Mayachand. In Rane (Madras), what is the drag due to the US business? Yes, The US business has been somewhat of a drag unfortunately for us and hopefully that should be behind us this year and thereafter we will have more kinds of commitments for that business and that will help the core business to grow. We will try to work to sustain the current margins we have had in the last year.

How much more losses due to Rane NSK? As I said, we believe we are quite confident that the current provisions we have made so far will be adequate, the trend in the warranty returns will be positive and we believe there would be no further significant provisions need to be made on this account.

When will the air bag division of ZF ramp up? I think it is continuously ramping up in the last 2-3 years. The growth has been over 25% and we think that positive sentiment continues both domestic markets and exports so the air bag division will continue to grow in the future.

I have another question here from Mr. Krishna Kumar again about the recent warranty issue of Rane (Madras). Yes, there has been unfortunately warranty issue in quarter 1 and we are in discussion with our customer and hopefully this will be sorted out in the next 1 or 2 months and there will be no further liability and if there is any small liability to be provided, we will do so in the coming quarters. We are hoping there will be no further liability. Well, I think I have answered this, one long list of questions from Mr. Kalra is basically talking about the entire management cost improvement, working capital improvement, capex, etc. So, I would only like to assure him that all the questions I think, most of it I have answered, our efforts will always be to continue to improve our operations, improve efficiency and there by improve the return on capital employed. With this, I hope I have answered all the questions and can we move on now.

**CS (19:47):** Is there any shareholder who still wants to speak?

**Krishna Kumar (19:50):** Yeah, Mr Ganesh with your kind permission, this is Krishna Kumar here.

**LG (19:55):** Yes. You are not audible.

**Krishna Kumar (20:10):** Am I audible now?

**LG (20:11):** Yes

**Krishna Kumar (20:12):** Yeah, what I was mentioning is that, we have been asking a lot of questions on what things went wrong but we have to place on record the excellent performance of the companies and also given the volatile environment, a great job done by the management and the team. I would like to congratulate all of you for that and also in terms of Deming award, etc. we recently won I guess one of the real stand over performance, the recognition we could get again, wish to place on record our best wishes to all of you sir. Thank you.

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**LG (20:49):** Thank you, Mr Krishna Kumar. Thank You.

**Krishna Kumar (20:51):** Sir, is it possible to clarify on the warranty cost of Rane (Madras) in the first quarter? Is that something you could quantify?

**LG (21:09):** Yes, as I told you we have made a provision of about Rs 18 crores. It's a small problem we had with one of our major OEM customers. We are in discussion with the customer. As of now and we think this is a liability and we are in discussion. The issue will hopefully get closed out during this quarter.

**CS (21:39):** Any other speaker?

**Host (21:43):** Sir, Mr. Manoj Kumar Gupta is on call. Mr Manoj Kumar you can unmute and speak.

**Host (22:04):** Sir, Mr. Manoj Kumar Gupta is not responding. So, we are moving to the next person.

**Host (22:20):** Next speaker is Mr. Viraj Mehta. Mr. Viraj Mehta u can unmute and start your proceedings, start your questions please.

**Host (22:43):** Mr. Viraj we can't hear you.

**Viraj (22:46):** Yeah, can you hear me now?

**Host (22:48):** Yeah, please proceed.

**Viraj (22:50):** Thank you for giving me this opportunity. First of all, congratulations to the whole team for managing the balance sheet in really tough times that we have had especially in the last couple of years with NSK and US companies damaging our performance for the whole group as such and still keeping the balance sheet in a reasonable shape. My questions are majorly answered but just one thing I wanted to know, in terms of, if I look at the margin profile of Rane (Madras), ZF and NSK the improvement that we should ideally or we have seen in the past in terms of volume ramping up for these businesses. Let's Say the 2017-18 cycle that kind of double digit margin we haven't seen even last year even with reducing steel prices. Again do we as shareholders think that we can go back to 30% margin both for ZF and NSK and similar margin on a sustainable basis for Rane (Madras).

**LG (24:07):** See, probably I think you meant 2018-19. 2018-19 was an unusual year for the auto industry and commercial vehicle was at its peak, so, to answer your question and after that we have had a huge commodity increases while we have been able to recover most of it from customers there is a bit of a lag effect and there is a kind of a denominator effect on compensation the customers give us. So, while the margins that we have tried to achieve in 2022-23, we can try to do some more improvement with volume growth and some more cost management. I don't think significantly you can see any improvement. In terms of Rane NSK we have had some specific issues as end of the life for some products and beginning of some new products and local content vs import, etc. We are working on that but to be honest I think those 2018-19 margins may be difficult to achieve in the near future.

**Host (25:22):** Thank you, we will move to the next speaker. We have Mr Manoj Kumar Gupta.

**Manoj Kumar Gupta (25:26):** Hello? Hello Sir:

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**Host (25:30):** Yeah, we can hear you. Please continue your question.

**Manoj Kumar Gupta (25:33):** Good afternoon respected Chairman, Board of Directors and fellow shareholders. My name is Manoj Gupta. I have joined this meeting from Calcutta. Sir, first of all thanks to you for excellent results of the Company for the year 2022-23 and thanks for your dividend Rs.17 / share. Sir, the capital is around Rs. 14 Crores and reserve is more than 20 to 30 times. So will you consider to issue bonus shares to shareholders. And sir what is the future plan? And how will you return to the investors? And sir what's the direct / indirect impact of inflation on our company and what is the future plan of our Company? Your photo should be colourful in the balance sheet. The balance sheet is really nice but the chairman photo should be colourful and auto industry will rule so watch your future outlook for auto industry of the country and many thanks for keeping Mr. Rajeev Gupta in the Board. He is a very experienced person and company will get benefit from his vast experience sir, thank you.

**LG (26:47):** Thank you Mr Manoj Gupta. Thank you for your sentiments. In terms of auto industry, India is one of the fastest growing auto industries in the world today and given the demographic situation in India and our potential and export opportunities created by China plus one strategy and other kind of incentives that our government is giving out under PLI etc., we believe that the Indian auto industry will continue to go at least for the next decade in a healthy rate. So, we are well placed to ride on this growth. Apart from this Rane Group is focussing a lot on International sales, we have reached about 23-24% of our total revenue from our international sales and we continue to focus on this and increase our exports even further. So, we think we are quite positive for the next 5-10 years in terms of growth. In terms of Rane Holdings, I mean our philosophy was to distribute about 50-55% pay out in terms of dividend which will continue and in terms of the subsidiaries, all the subsidiaries are well placed. As I said, even in engine valves, which may be in the long run one needs to address in medium term. We think the growth will continue for engine valves and all other products are EV agnostic and will continue to grow. So, overall I think my answer to you is that we are quite positive.

**Host (28:26):** Sir, we have one more speaker. This is the last one Mr. Abhishek, u can speak.

**Abhishek (28:49):** Am I audible sir?

**LG (28:50):** Yes

**Abhishek (28:51):** Just a second sir. Sir, I'm Abhishek, shareholder of the Company DP ID: IN301637 Client ID: 41359155. Sir, first of all I congratulate the management on the eve of Annual General Body Meeting and trust all is well with you and your family in this challenging situation. Our company deserves much more market cap than the current market cap. After completing more than a decade of successful operations, profitability and becoming one of the strongest brand in our respective segment. Sir, most of my questions are already sent by email sir so I will not repeat the same question in the interest of time. And our company follows a good corporate governance. Hope that the management will reward the minority shareholders in the years to come in large numbers. And I thank the company in making this annual body meeting a large success, I wish the company and the Board of directors a great success and prosperity in the coming future and thank you for giving this opportunity sir. Hope to see you in the physical AGM next year. Sir, kindly consider hybrid AGM in the years to come because hybrid AGM is the most convenient option and this being preferred by the investor fraternity and most of the Companies in Bombay, Delhi have adopted the practice So I request the management to kindly try and consider the same in the years to come because most of the senior citizens are not able to join in this virtual meeting due to the digital challenges in the virtual platform. Nothing much to ask sir, thank u very much, Thank you.

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**LG (30:21):** Thank you, Mr Abhishek.

**CS (30:24):** So, that completes all the shareholders.

**LG (30:25):** 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 AGM. The remote e-voting facility opened on August 01, 2023 and ended on August 03, 2023 as scheduled. Those members who had not exercised their vote by remote e-voting, can do so during the AGM. The e-voting facility will be kept open after the end of the meeting and for 15 minutes and thereafter the meeting shall stand concluded. Mr. C Ramasubramaniam, Practicing Company Secretary, appointed as Scrutinizer for the remote e-voting, will also act as Scrutinizer for the E-voting for this AGM. Voting results will be made available on the website of the Company. I once again 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 to Mr. C Ramasubramaniam, Scrutinizer for conducting the e-voting at the AGM. Thank you.

**Scrutinizer (31:38):** Thank you sir, the E-voting facility will remain open for further 15 minutes. The electronic facility will automatically be disconnected after the said period.

**LG (28:41):** Thank you. Thank you for all for your participation. Others can disconnect now. Thank you.

**Scrutinizer (47:03):** The time for e-voting has elapsed. The Electronic facility is being disconnected for the meeting. Thank you.

**Host (47:10):** Thank you all for joining. Hereby we are concluding this meeting.

**(14:47:00):** End of event