

## Rane (Madras) Limited – 19<sup>th</sup> Annual General Meeting – Transcript

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

**Host (00:08):** Good afternoon sir. We are live so you can start your proceedings please.

**CS (00:27):** Good afternoon all, I welcome the members of Rane (Madras) Limited to this 19<sup>th</sup> Annual General Meeting which is being conducted through video conferencing in compliance with the Companies Act, 2013 and circulars issued by MCA. The notice of this AGM & Annual Report for the financial year 2022-23 were sent by email to all members whose email IDs are registered and also public notices have been issued in English and Tamil newspapers as per 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 to exceed two to three minutes per speaker in the interest of time. I request CDSL to confirm whether the quorum is present.

**Host (01:29):** Sir, currently we have 52 shareholders who have joined. So we have required quorum present.

**CS (01:34):** That constitutes requisite quorum. I confirm to the Chairman, that the members forming the requisite quorum, the other Board members and the Auditors have logged in. Now, I handover the proceedings to the Chairman.

**LG (01:49):** Thank you Siva. Good Afternoon. 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. The 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 also like to inform the members that other members of the Board, Mr. Ramesh Rajan, Mr. Harish Lakshman, Mr. Pradip Kumar Bishnoi, Mrs. Vasudha Sundararaman and Mr. Vikram Hosangady are with us at this meeting. I place on record the presence of representatives from M/s. B S R & Co., Statutory Auditors - Mr. Ankit Gupta, M/s. S Krishnamurthy & Co., Secretarial Auditors - Mr. K Sriram & Ms. Sharanya Siram, M/s. Deloitte LLP, Internal Auditors – Mr. Dileep and M/s. CR & Associates, Practising Company Secretary, Scrutinizer – Mr. C Ramasubramaniam. On behalf of the Board, I once again welcome you all to this 19<sup>th</sup> Annual General Meeting of your Company. Few remarks on the state of industry and your Company's performance 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 trade activities weakened amidst slowing demand due to an aggressive global rate hiking 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 spending and good private demand. The Indian automobile industry witnessed a robust growth in FY23 after having faced some hiccups in the previous year due to pandemic induced supply chain disruptions and high commodity cost.

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Turning to Company's Performance on a standalone basis, the sales of the Company was Rs. 2135.5 crores in FY23, increase from Rs. 1561.79 crores in FY22. EBITDA increased to Rs. 228.42 crores from Rs. 133.63 crores in FY22. In Steering and Linkages Business, all plants achieved their best performance with Sales, Cost, Delivery and Quality across customers and geographies. Capacity additions were made to cater to the increased demand of customers and Manufacturing facilities were upgraded to meet customer expectations. The new plant at Maraimalai Nagar acquired from M/s. Yagachi Technologies has been moved and integrated into our Varanavasi Plant to bring in operational efficiencies. The Company's focus on new technologies continued with good progress and development of several new products. Turning to the Light Metal Castings India, the Light Metal Casting had a strong growth due to increased market demand. The overall domestic sales increased by 73% and the Exports grew by 69%. The initiatives taken to improve the availability of the machines and other improvements in operations to improve productivity continued during the FY 22-23. This division is in the process of launching several new programs for SOP in FY 23-24 which will further improve its capacity utilization and revenue growth in FY 23-24. Light Metal Castings America which the Company acquired in 2016, it drafted a plan to turnaround the business by securing new business and improving operational performance. However, the initiatives took longer than expected. Though the operational improvements were fairly achieved, the slowdown in auto industry in the US due to Covid and poor offtake from existing customers resulted in a major setback to the turnaround plan. The board after reviewing the financial and operational performance of Rane Light Metal Casting Inc., USA (LMCA), has decided to divest / dispose the wholly owned subsidiary in US.

Turning to the outlook, the demand environment remains favourable as we look forward to FY24. The Indian automotive industry is likely to continue with sustained growth and some headwinds in the form of rising interest rates and cost increases due to new emission and safety norms. However, the overall picture is positive. The global economic scenario however faces headwinds both due to inflation, slower growth and geo political situation arising out of the war in Europe. Though India remains relatively shielded, the spill-overs of global scenario cannot be ruled out. Therefore, we navigate this macro environment cautiously prioritizing operational improvement and cost reduction measures to balance out any risk on growth. Thank you for your attention and I once again welcome you to the 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. The objectives and implications of special business are available in the explanatory statement annexed to the notice.

#### **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. Appointment of Director in the place of Mr. Harish Lakshman (DIN: 00012602), who retires by rotation and being eligible, offers himself for re-appointment.

#### **Under Special Business:**

3. Approval under Regulation 17(6)(ca) of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, the remuneration payable to Mr. Ganesh Lakshminarayan (DIN: 00012583), Chairman

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(Non-Executive Director) exceeding fifty per cent of the total annual remuneration payable to all Non-Executive Directors.

4. Approval for increase in borrowing limits of the Company under Section 180(1)(c) of the Companies Act, 2013.
5. Approval for revision in terms of appointment and remuneration of Mr. Aditya Ganesh, President – LMCI and Strategy Head of Rane (Madras) Limited - SLD, a related party, under Section 188 of the Companies Act, 2013.

Before we turn to the voting, I now invite any questions from members who have pre-registered as speakers on the audited financial statements and other business agenda of the AGM. The host may unmute the speakers who have registered for this purpose.

**Host (09:58):** Sunil Kothari sir, you can unmute yourself and speak.

**Sunil Kothari (10:05):** Thank you very much for this opportunity. You are getting my voice sir?

**CS (10:11):** Yeah, very low. You can speak a little louder.

**Sunil Kothari (10:14):** Okay, thanks a lot sir. Sir, I have already sent my questions and I'm sure you will be giving detailed replies to that. I wanted to focus on 2-3 things. I understand the pain you have taken out of this US Subsidiary and we are coming out from that. This is a very wise and bold decision so I congratulate the management and Board for this action. I'm sure we must have processed many proposals and action and if you can highlight or give us some details on what efforts you have taken and at what stage we are. That is one of the main area which I wanted to understand.

Second, our exports are going really well. We are globally capable in terms of mechanical products. Wanted to understand exactly what is happening in global scale leaving in customers, so we are doing really well in terms of exports. So are we replacing some other suppliers or what type of opportunity are these? How prepared are we? You can talk a little on this because we have done a lot of work internally during last 2-3 years on many new technologies, new product development. So, if you can elaborate and give some more details that would be really helpful to understand our future prospects.

I would also like to draw your attention on this. 1<sup>st</sup> quarter results have been declared today and currently on a quarterly basis we are paying almost 10% interest. We are a conservative and very capable group. I think you would not like to pay this type of interest. So any strategy or thought process on next 2-3 years, how we want to move about with this debt and increased cost. One more thing is on this 18% growth provision which we made in 1<sup>st</sup> quarter. Results really surprised us but unfortunately Rane is facing this type of situation, we still remember our NSK experience. Would like to understand from you what is the reason from our side. How are we rectifying those and in worst situation what type of assessment you feel we have to make to face the damage and what is the size of damage? That will be really helpful and thank you and wish you a good luck sir.

**LG (12:56):** Thank you Mr. Sunil Kothari. Yeah, I will try to answer all your questions. The first question is on the exports. Yes, we have been consistently working with all our major customers which includes Global customers like Renault, in all geographies including Brazil and rest of North America, China, Mexico and we are also expanding our business relationship with new customers like ZF & BOSCH in both Europe and North

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America. All the efforts as you said in the last 2-3 years which we are talking about has started giving us good dividends and these new businesses including these geographies you asked about I think the next 2-3 years we are talking of anywhere between 250-300 crores of business arising from this new opportunity. We are at various stages; the products developed for certain customers is in development stage. For some others, we have started SOP so this will grow gradually in next 2-3 years but we are on a very good wicket in terms of export with all these customers. In terms of domestic growth, you talked about what is the reason for this healthy growth? I think primarily there are 2 reasons. One is of course the Indian auto industry as I mentioned in my opening remarks, has had a very robust year. All the segments did extremely well, unfortunately for Rane (Madras) we are present in all the segments except 2 wheelers so that helped us. Also our significant market share we have about 35%+ in rack & pinion, 75% in bolt joints, about 60% in commercial vehicle linkages. So a healthy growth of the industry and our healthy market share I think these 2 were the main reasons for our domestic growth. In terms of ATV as u rightly mentioned in your question, we have a very good wicket in the US Market. We are a very strong player in the ATV business and we are also adding some new technology products. This area we are working on new technology upgradation so our objective will be to maintain our position as a significant player in the ATV segment in US. In other products the opportunity is rising, increasing because of 2 main reasons. One is I think the China +1 strategy makes western customers, global customers look at India as an option therefore we are getting good RFQs Second is we are cost competitive as compared to local source in Europe and US. So that is also helping us. I think these 2 are the main drivers and as long as we work on productivity and continue our competitiveness the next few years, they should help. Coming to debt to capital employed, yes you are right, our debt to capital employed is 60%+ now which is high and this was mainly because of our US subsidiary which you are aware we had to fund the losses in the last few years. Our objective in the next couple of years, 2-3 years will be definitely to bring down the debt to capital employed significantly in Rane (Madras). We have some plans and we are working on that in the next 2-3 years.

In terms of warranty, yes its very unfortunate that this has happened. It's very coincidental that 2 companies in the group had to undergo this. But our discussion with Maruti, we are not fully aware of all the issue because it's a very recent development. So we had a discussion with Maruti but we have made a provision in the first quarter. So, hopefully this is kind of 1-time coincidence that it happened in Rane NSK and Rane (Madras) and it's not a reflection of quality or systems or anything like that.

Any other question? Any other speaker?

**Host (17:17):** Sir, One speaker, Om Prakash Kejiriwal.

**Host (17:28):** Om Prakash Sir, you can unmute yourself and speak.

**Om Prakash Kejiriwal (17:30):** Yes, thank you. Am I Audible sir?

**LG (17:33):** Yes.

**Om Prakash Kejiriwal (17:34):** Yes, thank u. Good afternoon sir ji and good afternoon to everybody attending this AGM. Myself, Om Prakash Kejiriwal, equity shareholder from Kolkata. I'm a joint shareholder. Thank you sir ji for providing me the platform to speak something before you. Thank you secretarial department for helping me to register as a speaker shareholder. Sir ji, this is my 1<sup>st</sup> AGM only due to virtual even though I'm your very old shareholder. It is just an opportunity for me to attend this AGM sitting in Kolkata.

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If possible, please follow this virtual AGM next year also. Sir ji, I'm your very old shareholder. I was of the impression that Rane Group belongs to some Punjabi Group, Punjabi Family. But all are non-Punjabis in your Board of Directors. Please open the secret of Rane Name. Who is the actual owner of this company? Please let me know the beauty of our company. Our equity capital is increasing, our revenue is increasing and then our loss has also increased to Rs. 126 crores on standalone basis. It means we are losing Rs. 78 per share on face value of Rs. 10. No dividend from FY 2019-20 onwards means from last 4 years we shareholders are getting no dividend. Seeing the numbers, it feels what situation have we put ourselves into? why don't you take something?

But in consolidated account our position is opposite. There our EPS is Rs. 18.46. What is the reason? Why not you merge all our subsidiary companies. Our balance sheet will become much stronger and losses will be less. Please split our shares in 10:1 ratio so more and more small shareholder could join our company and become shareholder. Sir ji, today you came out for June quarter results. 1 minute.

In the consolidated accounts you have shown a loss of Rs. 14 Crores which in the previous year was Rs. 3 Crores. Please tell us as to till when will we keep incurring losses sir ji? Because if we are going to show losses often then we will never be able to come into your dividend list. Please tell us till when will you keep booking losses?

Sir ji, a factory visit, I'm a very old shareholder of your company. Invite us for factory visit so that we can see our factory, how we are running and how we can achieve good profits. At last sir ji, please be cheerful. I will always remain with you as a long investor. Thank you. Thank you sir ji.

**LG (20:57):** Thank u Mr. Kejriwal. Virtual General Meeting, of course, we hope that this will continue. I think is very convenient for everybody and it depends on, I guess, SEBI & MCA how they decide going forward. In terms of Rane Group, Rane Group is basically a Chennai based group. The promoters are Chennai based. The name is Maharashtrian. The origin is, the original promoter worked in a Company, in a shop in Bombay called Rane Auto Parts and then he moved to Chennai and started Rane (Madras) and other companies in the group. But sentimental reasons, the name Rane has been retained. So Rane is actually a Maharashtrian name but the promoters are basically from Chennai.

In terms of losses of the Company and no dividend., we entirely appreciate and understand your concern. I think, as u are all aware, the US subsidiary for us has been a major drag in the last 3-4 years and we tried our level best because it was a strategic investment to turn it around but unfortunately things did not work out as per our plan. So, the Board has now decided to dispose this subsidiary and hopefully once that is completed the next few months Rane (Madras) should again be positive in terms of profitability and cash flow and I'm hoping very shortly we will come back with dividend paying list.

In terms of merger of all subsidiaries, we got your point. Because Rane (Madras) US Subsidiary we are selling. Thereafter, there are no other subsidiaries that we have. Therefore, that question doesn't arise. In terms of Q1, actually quarter 1 was not as bad as it looked in terms of operating profits. Unfortunately, the last few weeks the issue came up with Maruti and we had to make a provision for warranty and this is an unexpected event. We otherwise would have had a fairly good quarter and going forward, I would like to assure you that this kind of issue while, this issue has to be resolved maybe in the next few months. It's not that Rane (Madras) has had this kind of track record in the past. So hopefully, this will not be going in the future.

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In case of factory visit, if you are visiting in Chennai or anywhere else where we have a plant like Mysore. Please let us know maybe we can always arrange a visit for you. Thank you very much.

**Host (23:45):** Sir our next speaker is Manoj Kumar Gupta.

**Manoj Kumar Gupta (23:57):** Hello good afternoon, Chairman, Board and fellow members. My name is Manoj Gupta. I have joined this meeting from Kolkata. Sir, I have a great respect and regards to you. You can forget us but we cannot forget. We met you in Kolkata during the EIH AGM and EIH Associated. I strongly support all the resolutions that with a hope that the company will bounce back under your leadership. Leadership is not an issue. Company should run in this circumstance. Entire world is facing a lot of problem due to war, due to inflation, due to global crisis. But India is still better than all the countries that India has the potential to lead the world so we have full faith and confidence under your leadership with a team of management and entire team you will turn around the company and pay the dividend. How will you face the challenges of inflation in future because every raw material prices have gone up but return is not in that manner because raw material has gone up, but you can't increase the product cost of your products. So how are you facing that challenge?

And a factory visit, whenever I come to Chennai, I will talk to the Company Secretary. Thanks to your entire company secretarial team for helping us to join this meet through VC. I faced some problem earlier but thanks to your company secretary to help us join this through VC and I hope again I pray god to give you more success in coming time to help you to turn around this company. It's a pleasure to meet you sir, because you're not coming to Kolkata. It's my pleasure to meet you, Thank you sir.

**LG (25:47):** Thank you Mr Manoj. It's good to see you after a long time. In terms of inflation, you are right. Last 2 years have been very stressful for our industry and every commodity has been going up. Volatility has been pretty high. By and large we are trying to recover most of the increases from our customers. While 100% sometimes it's not possible, we try to recover as close to 100% from customers and other thing is to reduce the cost down in other areas like productivity, other improvements. It is a challenging industry where contribution percentage keeps going down because of this. But 2 things, 1 is its reality and other is that now after 2 years' things have softened a bit, commodity prices have stabilised and started down a bit. So hopefully the next couple of years, things may not be as bad as it was.

Thank you for your good wishes and when you come to Chennai do get in touch with the secretarial department, we welcome you to visit your factory. Thank you.

**CS (26:55):** Are there any other speaker registered shareholders?

**Host (27:05):** No sir, no other speaker shareholders, you can continue your proceedings please.

**LG (27:12):** 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 in this AGM. The remote e-voting facility opened on July 23, 2023 and ended on July 25, 2023 as scheduled. Those members who have not exercised their vote 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 and the meeting shall stand concluded thereafter. Mr. C Ramasubramaniam, Practicing Company Secretary, is appointed as Scrutinizer for the remote

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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 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 evoting at the AGM. Thank you.

**Scrutinizer (28:25):** Yes, 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):** We end the official business. The others can sign off now as per your convenience. Thank you.

**Scrutinizer (43:00):** The 15 minutes time for e-voting has elapsed. Electronic facility is being disconnected for the meeting. Thank you.

**Host (43:10):** Thank you all for joining us.

**(14:43:00):** End of event