"Rane Group
Investor Conference Call"
February 09, 2024

MANAGEMENT: **MR. L. GANESH – CHAIRMAN AND MANAGING DIRECTOR – RANE HOLDINGS LIMITED**
MR. HARISH LAKSHMAN – VICE CHAIRMAN – RANE HOLDINGS LIMITED
MR. P.A. PADMANABHAN – PRESIDENT, FINANCE AND GROUP CHIEF FINANCIAL OFFICER – RANE GROUP
MR. SIVA CHANDRASEKARAN – SENIOR EXECUTIVE VICE PRESIDENT – SECRETARIAL AND LEGAL SERVICES – RANE GROUP
MR. M.A.P SRIDHAR KUMAR – EXECUTIVE VICE PRESIDENT, FINANCE AND CHIEF FINANCIAL OFFICER OF RANE HOLDINGS LIMITED

MODERATOR: **MR. DIWAKAR PINGLE - E&Y**

Moderator: Ladies and gentlemen, good day, and welcome to Rane Group Investor Conference Call. As a reminder, all participant lines will be in the listen-only mode, and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing star then zero on your touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Diwakar Pingle from E&Y. Thank you, and over to you.

Diwakar Pingle: Thank you, Yashasvi. Good evening, friends. Welcome to the Investor Call of the Rane Group to discuss an announcement and answer your questions today. We have the management team from Rane Group, represented by Mr. L. Ganesh, Chairman and Managing Director, Rane Holdings Limited; Mr. Harish Lakshman, Vice Chairman, Rane Holdings Limited; Mr. P.A. Padmanabhan, President, Finance and Group CFO, Mr. Siva Chandrasekaran, Senior Executive Vice President of Secretarial and Legal Services; and Mr. M.A.P. Sridhar Kumar, Executive Vice President Finance and CFO, Rane Holdings Limited.

Please note that we have sent you the press release and also, we've sent you the presentation link of the deck, which is also available on the webcast as we speak, in case and if you have not received the presentation, you could look at our website or even the BSE site of Rane or you could write to us and we will be happy to send the detailed earnings presentation over to you.

Before we start, I'd like to say that everything that is said on this call that reflects any outlook for the future or which can be construed as a forward-looking statement must be viewed in conjunction with the risks and uncertainties that we face. These uncertainties and risks are included, but not limited to what we have mentioned in the prospectus and subsequently in the annual reports which you can find on our website.

With that said, now I'll hand over the call to Mr. Ganesh. Ganesh, sir, over to you.

Ganesh Lakshminarayan: Thank you, Diwakar. Good evening, ladies and gentlemen. I welcome you all to the special investor call to discuss the proposed reorganization in the group. Over the many years of interaction with investors and analysts, we have received many inputs from all of you, one of them being on simplification of the group structure. We have also been internally exploring various options for doing the same, consolidating, restructuring the operating entities.

Today, the Boards of Rane Madras Limited, Rane Brake Lining Limited and Rane Engine Valve Limited have approved the merger of RBL and REVL into RML. I hope you had a chance to go through the presentation on the proposed reorganization that was uploaded on the Stock Exchange website. We will quickly run you through the highlights of the presentation again on this call. And post which we will address any questions that you may have.

Rane Group is one of the leading auto component players that manufactures safety-critical components such as steering and suspension, friction material, valve train components, occupant safety systems, and light metal casting products as you are all aware.

Our products serve a variety of industry segments, passenger vehicles, commercial vehicles, farm tractors, 2-wheelers, 3-wheelers, railways and stationary engines.

We have today, the group turnover of about INR6,700 crores. And despite some industry headwinds over the last few years, we have grown at a CAGR of about 9% operating through 27 manufacturing facilities and having a market of customer presence in 30 geographies. This would not have been possible without the support of about 14,000 plus employees at Rane.

Today, the group operates through a parent company, Rane Holdings Limited, which is a listed entity and has 3 listed subsidiaries and 2 joint ventures. We have considered the listed subsidiaries namely, Rane Madras, Rane Engine Valve, and Rane Brake Lining for the proposed reorganization.

The proposed inter-se merger among the subsidiaries envisages merger of REVL and RBL into RML with a broad objective as follows: simplification of the group structure, brings down the number of listed entities in the group, unlock some synergies from the unification of the businesses, optimization of support functions; enhance operational financial synergies as well as scale, and create a strong platform for future growth. Large listed entity increases our flexibility to raise capital if and when necessary for growth pursuits.

All the above will unlock value for the group, we believe. In addition to growing the existing businesses, the single entity will be a strong platform for nurturing new businesses going forward and capturing some of the opportunities ahead for us in an industry that is poised for very strong structural growth.

Independent valuation exercise was conducted for this by PwC and M/s Bansi S Mehta, the registered valuers recommended merger share exchange ratios. Fairness opinion of the recommended share exchange ratio was obtained from 3 merchant bankers, Axis Capital provided the same for the Board of Rane Madras, Motilal Oswal provided fairness opinion to the board of Rane Brake Lining, and Centrum Capital provided the fairness opinion to the board of Rane Engine Valve.

The recommended swap ratio is as under. RBL shareholders will receive 21 fully paid shares of RML for 20 fully paid shares of RBL held on the record date. And REVL shareholders will receive 9 fully paid equity share of RML for 20 fully paid equity shares of REVL held by them on the record date.

Based on Independent valuation and recommended swap ratios, the post-scheme holding structure is available in the presentation. With these comments, we will open for any questions. Thank you.

Moderator: Thank you very much. We will now begin the question-and-answer session. We have our first question from the line of Sunil Kothari from Unique PMS.

Sunil Kothari: Really a great move, my hearty congratulations. Sir, after this 5, 6 years challenging time, we have taken really a bold decision by hiving off our American subsidiary. Now we are merging this. And it seems that we are sure and we want to grow more than what we achieved in the last 5, 10 years. So, my best wishes and hearty congratulations for this.

Sir, my question is broadly whenever we do the size of activity and reorganize our structure, we always focus on reducing cost and improving profitability, improving ROIs and improving our scale of growth. So if you can talk a little bit more without giving maybe some numbers, but how we want to move ahead with these 20 listed companies' plants removing these unlisted subsidiaries of 7 plants. How we restructure, synergize and what benefits in terms of organizational structure, operational efficiencies and financial efficiency will help us?

Harish Lakshman: Thank you, Sunil. I know that you have been a well-wisher of the group for a long, long time. And this is also something that has been asked by the investor community for many years. So I'm very happy that the Board has approved this decision of today.

As explained briefly by Mr. Ganesh, we all know that the automotive industry over the next 10 years is going to see a lot of growth. And also, while there's going to be growth, there is also significant shift that is happening in terms of technologies with EV, etcetera. And on the other hand, we are also seeing that scale is becoming more and more important not only from a business standpoint, but also from an investor and stock exchange standpoint.

So, considering all of these, we decided that this was a step in the right direction. And of course, as you are very well aware, we have 3 distinct product lines. One is the steering and steering components-related business. The second, of course, is the engine valve business and the third is Brake Lining business. Now while there is a lot of overlap in terms of customers across these 3 businesses, there are also customers that we don't overlap. And especially when you look at export markets, each of the companies has different strengths in different geographies. So, we believe that combining these businesses can accelerate growth faster for all the 3 businesses through some cross-selling as well as some capitalization on customers in the other geographies. The second is, of course, is also synergies relating to costs that can be extracted through this merger. There are some ready synergies that will be available in terms of regulatory and compliance-related costs, having 3 listed entities versus 1. There will also be better access to capital, ability to negotiate debt, etcetera.

There will be tax savings possibilities. So, there are some immediate possibilities that we see. And also, certain more medium-term to long-term cost savings through combination of support functions, etcetera. We have just worked on the merger right now and obviously, the immediate savings whatever is available that we will try and capitalize once the merger is complete and then start working on some of the medium-term and long-term plans.

Sunil Kothari: Right. So Harish, on this, is there any possibility of shifting, say, some of the lands to some bigger plants, which help us to give us cost reduction and improve our productivity? Does those possibilities will be there between these 20 plants?

Harish Lakshman: Yes, yes, definitely. I mean those are all synergies that is possible, as we go forward now, because we'll have all these factories under one legal entity. So, ability to use all assets, whether it's equipment, whether it is plant, labour, capital, land, everything can be used in a more efficient way.

Sunil Kothari: And sir, there are 2 major cost components, which a little bit we can try to improve upon and reduce the cost. One is employee cost, which is almost 12.7%, as per presentation and other expense is 19%. So where you see the scope and what type of scope is there? If you don't want to quantify, fine, but is there any scope to reduce this in a respectable manner?

Harish Lakshman: So, I definitely cannot give any numbers at this point in time. And as I explained, the focus is going to be on growth and through accelerated growth we expect some of these costs as a percentage to sales to definitely improve.

Sunil Kothari: Sir, last question is we are really making good EBITDA, respectable EBIT, but unfortunately, because of some last year's accumulated debt and interest burden, almost 30%, 40% of our EBIT is going towards interest payments. So, any thought process on this, Mr. Ganesh also last year told that we have solid final plan to reduce the debt. So, if you can talk something more on this about reducing interest burden. And so that will help us to grow faster and give us strength to invest more, like we planned -- Mexico plan.

Harish Lakshman: No. Definitely, as we have mentioned in earlier calls and as Mr. Ganesh has also said, reducing debt even for this combined entity is an important objective of us. We are still working on various plans on how to achieve that. So as and when we take certain decisions, we will definitely share with all the investors.

Moderator: The next question is from the line of Manesh Attal from Attal and Associates.

Manesh Attal: Congratulations on your numbers, sir. I'm fairly new to this company. So, I just wanted to know this Rane Brake Lining -- you've recently got some approvals from railways for composite brake pads and all, right? So where do you see your capacities with this, sir? And do you see railways as a big part of your revenues going forward? And are you able to get more business? Is there any possibility to get into R&D for some good products in railways?

Ganesh Lakshminarayan: **B**asically, Rane Brake Lining has been with railways traditionally for many years. And then we kind of quit that business over a period of time because there is a lot of unorganized competition and pricing pressure.

But what is happening recently with the arrival of Metro and with the arrival of LHB coaches and higher speed trains like Vande Bharat, the technology requirement of brake pads and brake blocks have gone up. So, we find an opportunity for players like us to come back into the market with quality products.

So therefore, the recent orders, we have got very good order position with all the metros already, and with the LHB and some of the new railways. So, will it be a significant part of the total sales? May not be. The volumes are not anywhere near automotive requirements. So it won't be. But as long as it is the profitable business, we will certainly grow that business.

Manesh Attal: Okay. Fair enough. What about Rane Brake Lining? Is there any possibility of you manufacturing brake shoe in the future because now it's an integrated entity, right? So, do you also see yourself getting into that category or adding new categories into automotive because -- integrated, right?

Ganesh Lakshminarayan: We are making some brake shoes for aftermarket already. So slowly, we have entered the brake shoe market in the aftermarket. So not in OEM, but in the aftermarket, we want to grow that business.

Manesh Attal: Sir, what are the numbers? Can you give me the numbers?

Ganesh Lakshminarayan: It just started. So as coincidence, you are asking now. So maybe over the next 2, 3 years, we'll build some volumes.

Manesh Attal: Okay. And one more thing, sir, like the strategy behind getting this integration of all our companies into one company. This is going to bring you synergies. But what was the reason? I mean, the major reason behind getting these 3 into 1 now at this point of time. Because you have mentioned that getting funds, organic and inorganic growth and all it will help you. But don't you feel that individuality of the companies would be lost by integrating them?

Harish Lakshman: So, as I explained earlier, the idea is to create a larger-sized company because ultimately, we are all in the auto component industry and with a lot of customer overlap. So, the size will create more flexibility. And all these 3 companies now post the merger, will be continued to be run as separate divisions of the merged entity.

So, the respective divisions will continue to focus on their product line, their strategy and their growth. And as you know, many auto component companies, not only Indian companies but many global companies, they have a wide array of products in their portfolio, which are very different, but being run as divisions.

So, what we are doing is not something new, but many auto comp players perform this way. And for us, our 3 listed companies are historical. All these 3 companies were -- became public limited in the 50s and 60s at that point in time to raise capital. So now when the times have changed, we believe that this larger entity will bring us the faster growth and better focus.

Manesh Attal: One more thing, I just wanted to know what is our exposure to EVs and what portion of our revenues, I'm talking about the merged entity. How much portion of it, if you can quantify it could be right now from EV where are developing for EVs?

Harish Lakshman: So, if you see our merged entity is going to be fairly diversified, 58% of our sales is going to come from PV segment, passenger vehicle and 21% from commercial vehicle segment, 9% is farm tractor, 6% is 2-wheeler, 3-wheeler and 6% is others. So, the risk of immediate EV is only in the 2-wheeler and passenger vehicles. And I'm also happy to let you know that more than 85% of Rane Group sales is EV agnostic. So, totally agnostic.

So even if the whole world switch to electric tomorrow, 85% of our sales will remain intact. But having said that, we are focusing on EV sector, especially in export market and many of the recent export orders that we have won and we have been sharing with the investors in the last few calls, many of them are EV related in Europe and U.S.

Moderator: We have a next question from the line of Rajkumar Vaidyanathan an individual investor.

Rajkumar Vaidyanathan: Congratulations for the proposed amalgamation. Good to see that you people are leveraging the expertise of Mr. Vikram Hosangady. So, it's really nice, sir. So, a few questions. First one, I want to know what is the rationale for not pursuing the merger at Rane Holdings level, but at Rane Madras level, so is there a reason that you are not pursued it at RHL level?

Harish Lakshman: Yes. So, the answer to that question is, as you know, under Rane Holdings, we had these 3 listed subsidiaries and the other 2 are joint ventures, where Rane Holdings is a 49% shareholder. And as you know, ZF owns 51% in one and NSK owns 51% in the other. So as a result of this, there are partners involved, their technology, their view on the strategies of the company, etcetera. So given that we have joint venture partners, we have decided that we will keep that separate from our own listed subsidiaries.

Rajkumar Vaidyanathan: Because that would have benefited the RHL and shareholders also because now this merger only benefits the 3 companies, but not RHL, RHL continues to be a holding company. So, the holding company discount will still remain.

Harish Lakshman: Correct.

Rajkumar Vaidyanathan: Is the warranty issue at one of the JVs, was that a reason that you wouldn't pursue it at the RHL level?

Harish Lakshman: Sorry, can you repeat the question?

Rajkumar Vaidyanathan: You have a warranty issue at the NSK venture, right? So, was that a reason that you didn't want to expose the other entities?

Harish Lakshman: Warranty has got nothing to do with it. As a strategy -- because we don't want to combine our own listed subsidiaries with the company -- joint venture companies where there are global players involved.

Rajkumar Vaidyanathan: So, sir, just to, ask, on the same question. So, you will not be pursuing one more merger at RHL level? Are you leaving it to open for the future?

Harish Lakshman: See, it's never easy to answer this question. As of now, this is our plan, and let's see how slowly market and things evolve.

Rajkumar Vaidyanathan: And sir, can you also give the near-term synergy benefits in terms of a ballpark number like in the next 12 months and then lead into, say, 2 to 3 years, what benefits you will be getting? And will there be any consolidation of facilities because some of the facilities could be fungible in terms of capacity? So, some of the overlaps we could kind of emerge and then we can also look at monetizing some of the land holdings. So, if you could please comment on that.

Harish Lakshman: Yes. Unfortunately, we are not in a position to have any numbers at this stage. In fact, the merger itself is going to take, I think, 7 to 9 months to complete. So, the benefits of synergies will kick in only after that. So, we are only -- probably by only January 2025, we can start looking at the synergy. And the other part of your question about using existing plants and surplus real estate, etcetera, that is more in the medium term. And as and when we have a clear plan, we will share it with the investors.

Rajkumar Vaidyanathan: Okay. And sir, these entities that you're merging, they are paying some charges, official charges, trademark fee and so. So cumulatively, it comes to about INR35 crores based on your '22, '23 results. So, will there be any savings on this or it will remain more or less the same number?

Harish Lakshman: I'm not able to -- you're talking of Rane Holdings, is it?

Rajkumar Vaidyanathan: No, the RML, RBL and REVL, they all pay some charges to the holding company, right? So, some professional charges and trademark fee to Rane Holdings?

Harish Lakshman: Yes, yes. That will continue. There will not be any significant change in that.

Rajkumar Vaidyanathan: So, there will not be any significant savings there?

Harish Lakshman: Yes.

Moderator: We'll take the next question from the line of Manish Goyal from Thinqwise Wealth Managers.

Manish Goyal: Very hearty congratulations, sir. Excellent move for shareholders altogether. Sir, just a couple of questions. First again, I'll probably talk on the debt part, which I think combined entity would have almost INR800 crores of debt with annual interest outgo of INR55 crores to INR60 crores at this moment.

So, while on other side, we'll probably have a cash flow generation of both depreciation of 3 companies put together INR120 crores and INR120 crores profit. So roughly INR250 crores of cash flow generation in near future and probably that will go up to maybe INR300 plus crores.

So, I just want to get a sense that what would be our capex plan? How much would be cash flow can go towards capex? And will there be enough cash available to repay debt or probably then look to monetizing asset in near term?

Harish Lakshman: So, Manish, it's little too early for us to answer this question. As I explained earlier, the merger itself will be effective hopefully, by January 2025. And so, any sort of major restructuring plan of debt or even real estate, etcetera, will happen only post the merger. So, we will need more time to answer some of these questions. Maybe 6 months, 9 months down the line, we'll have better insights.

Manish Goyal: Sure, sir. But at least on the capex side, would it be possible to indicate as to what would be our annual capex plan going forward?

Harish Lakshman: So, I mean, on average, we have been investing around INR300 crores to INR350 crores when the industry is on an upcycle, especially if you look at last couple of years. I expect the capex to continue in that range of about INR300 crores. Of course, this includes the joint ventures, and out of which, as you are very well aware, a significant portion of that capex has been going for our seatbelt and airbag business.

So -- but if you look at these 3 combined entities, we have been investing on average about INR140 crores to INR150 crores. That will continue. I mean, assuming the automotive market continues to grow strong, and we have strong single-digit if not double-digit growth.

Manish Goyal: Sure. Okay. And sir, on the -- for Rane Madras, now we have proposed to set up a subsidiary in Mexico, and you did come out with a press release in terms of what are your near-term plans of investment of $3 million to $6 million, and you probably have immediate visibility of some INR80 crores and potential of INR250 crores incremental.

So sir, by when do you think that we should be able to start generating revenues, number one. And number two when do we see maybe in next 2 years or 3 years, what kind of revenue we can achieve over there?

And also related question is that, so now basically, we have exited the U.S. subsidiary, but probably we definitely would have got a lot of learnings from that. So how well we are prepared and probably make it a success of this new venture in overseas market. And also, because now we are going to address this into ball joints in EV segment, which again is probably, I believe, a new segment for us. So, if you can give us some perspective over this, sir.

Harish Lakshman: Yes, sure. So, I'll try and answer all your questions. So, the revenue generation is expected to start only in the second half of 2025. So, this plant obviously is a commitment that we are making for the long term. And of course, we have already secured one customer order, which goes into production in second half of 2025.

What we are hopeful is between now and then, we are able to secure a few more orders with either the same customer as well as some other customers as well. And of course, our strategy clearly is to not rely only on the EV segment in North America. So, we are trying to work on some non-EV segment as well.

Of course, as you know, our product is agnostic, whether it is EV or not. That way, we diversify the risk, and as far as the learnings are concerned, yes, of course, there are a lot of learnings that we have had from the investment -- our U.S. investment, including the kind of management that we put in place from day 1 and the systems and processes that we are using. So, we have taken all those learnings, and we are trying to -- we are putting them in place from day 1 in Mexico. So, we are hopeful that we will be able to get it right this time.

Manish Goyal: Sure, sir. And so, will it be that a lot of products will go from the Indian entity over there? Or will it be assembly oriented or manufacturing setup over there? And how will it be scaled up?

Harish Lakshman: So yes, it will be gradual scale-up, yes. So obviously, the mother plant will be based here in India. And we will be starting with assembly as well as some limited machining in Phase I. And then as and when our order booking increases, we will start investing that higher amount to increase the value add over there.

Manish Goyal: And related question is that, was it that probably customers are asking for nearshoring and to probably have a better supply chain management? That was the one of the reasons to probably set up a subsidiary in Mexico and not only supply from India?

Harish Lakshman: Yes, yes, very much, very much because of customers wanting to have something which is more local and also the new USMCA agreement that has been signed favours investment in North America. And given the inherent cost advantage of Mexico, that turns out to be an obvious choice. And in fact, many of our customers, while they are American companies, most of our supplies are likely to be to Mexico plants.

Manish Goyal: Okay. Okay. And last request, sir. Maybe if as, you had started sharing the quarterly numbers of the JVs, probably we have missed this time. So, if you can, at a later stage, you can also share the numbers of the JV, it will be very helpful, sir.

Harish Lakshman: Definitely, Manish. I mean we have taken your input from last time. And as you know, the Rane Holdings Board meeting got over yesterday. So very soon, you will be seeing the presentation.

Manish Goyal: Right, sir. And really, last question. So hopefully, now Rane NSK, the issue is behind and most of the provisions what we have done, we don't expect any more provisions going forward, right?

Harish Lakshman: Yes.

Moderator: The next question is from the line of Krishnakumar from Lion Hill Capital.

Krishnakumar: Sir, congratulations on this move -- congratulations on this merger of the 3 listed entities. And I think Rane Group has been doing step by step in terms of what we are requesting you. And I'm sure you will see merit in probably merging Rane Madras into Rane Holding at a future date, given that it's only a holding that is there in the Rane Holding of the JVs.

So sir, I just wanted a clarification on the new initiatives. If and when we do any joint venture with a technology provider or foreign partner, does the structure now mean that JV will be housed in Rane Holdings, whereas any independent initiatives of Rane Group will be done through Rane Madras listed entity? Is that the way to understand the thought process, sir?

Harish Lakshman: So by and large, yes Krishnakumar. The idea is to grow our 3 listed subsidiaries where we have control of the business. So now if you ask if it is possible, where we are a majority shareholder in the joint venture, I don't know, maybe even in this newly created Rane Madras is a possibility. But if it is going -- it depends on the strategy, it's going to be largely India-based, and we are technologically dependent, then the concept is to use the existing structure.

Krishnakumar: And just to get the numbers, sir, on the revised merged basis, roughly the market cap of Rane Madras together consolidated would be about INR 2,100 crores at current prices, is that mathematically right number?

Harish Lakshman: Current RML market cap is around INR 1,200 crores.

Krishnakumar: Yes, yes. That's what -- as to the issue of new shares on consolidation, mathematics is like INR 2,100 crores so is that the right understanding?

Harish Lakshman: INR 2,300 crores.

Moderator: We have a next question from the line of Rajkumar Vaidyanathan an individual investor.

Rajkumar Vaidyanathan: Sir, just 2 questions. So, I just want to know, will we be looking at any inorganic opportunities as well, are we only looking at consummating the merger?

Harish Lakshman: Inorganic, you said, is it?

Rajkumar Vaidyanathan: Yes.

Harish Lakshman: Yes. I mean definitely, we are not averse to looking at acquisitions in the future. Inorganic, as we have said in the past, is part of one of our strategies of growth. We are not looking at anything right now. And in all likelihood, unless something significant comes up, I don't see a doing anything until this merger is completed.

Rajkumar Vaidyanathan: Okay. And sir, the next question is will you now look at institutionalizing the shareholding also now that you will have a scale? So, I just request you to reach out to the financial institutions so that you have the stock is stable and it's appreciated.

Harish Lakshman: No, definitely, that is one of our objectives. Thank you.

Moderator: We have a next question from the line of Sunil M. Kothari from Unique PMS.

Sunil Kothari: Something on this exports opportunity, which we are now focusing through Mexico. We are globally very proven. So, ball joints, rack and pinion and now hydraulics also seems to be a focus area. And aluminium die casting is also very now successfully, we have overcome all the challenges. So, if you can talk a little bit more on this segment, exports opportunity and what we are doing more to grow this for the core segment?

Harish Lakshman: As you are aware, on in the last 24 months, there has been good growth in our export business, especially in RML, and of course, even REVL, we grew during this current financial year. And as I said earlier, the opportunities have increased. Clearly, we have seen the China plus one global strategy being followed by many European and American customers benefiting us.

So, our RFQ pipeline has definitely increased in the last 12 to 18 months. So, we are also hopeful that we can convert some of this into business. So, there is a lot of time and effort that is -- that our management is spending in growing the export business, more aggressive targets are being taken.

As you know, we have sales offices both in U.S. and in Europe, they are also being strengthened. So, all activities are going on. And of course, post this merger, as I said earlier now Rane Brake Lining also is trying to take on aggressive targets for exports, and they will also benefit through this process.

Moderator: We have a question from the line of Chirag Shah from White Pine.

Chirag Shah: Sir, 2 questions. One, sir, in each of these businesses, what are the utilization levels? That is the question number one.

Harish Lakshman: I mean obviously it varies product to product. And now with these 3 companies, we have almost 8, 9 products, but I can say that most of our products the capacity utilization is in the 75% range.

Because of the good growth that the automotive industry has seen in the last 24 months. As you know, passenger vehicle is at an all-time high record, two-wheelers almost come back to the peak, CV is heading in that direction. All going well next year, we should be at an all-time high record. So therefore, the capacity utilizations are in the high 75% going to 80% range.

Chirag Shah: And it can actually go up to about 85% level given the seasonality?

Harish Lakshman: Yes.

Chirag Shah: Okay. And sir, how would your customer profile now look like after the 3 merged entities? Not the segment profile, but how the customer mix, top 3, top 5 customers who would be and is not individually aggregate how much they will be?

Harish Lakshman: So, I mean, there will be no major change. As I said there is significant overlap between the customers of the 3 entities, of course, only in the case of Rane Brake Lining, we are a Tier 2 business. So, the brake manufacturers are the largest, but there will be no significant change. Our top 3 or 4 customers will continue to be the same, whether it is Maruti, Tata, Mahindra, Leyland, Brakes India, etcetera.

Moderator: As there are no further questions, I now hand the conference over to management for closing comments. Over to you, sir.

Ganesh Lakshminarayan: So, thank you very much for your participation. I hope that this merger will achieve the objectives which we stated and give better returns to shareholders. We're also focusing on higher growth as Harish mentioned, and some cost optimization after the merger is completed with more exports and better growth in the future. We hope to perform better as a group. Thank you very much.

Moderator: On behalf of Rane Holdings Limited, that concludes this conference. Thank you for joining us, and you may now disconnect your lines.