

Rane Holdings Limited – 88th Annual General Meeting – Transcript

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

Host (00:15): Sir, we are live now. You can start your proceedings.

CS (00:28): Thank you. Good Afternoon to all. I'm Siva Chandrasekaran, Secretary for Rane Holdings Limited. We welcome the members to this 88th AGM of RHL, being conducted through video conferencing in compliance with the Companies Act, 2013 & circulars issued by MCA.

Notice of this AGM and Annual Report of the FY 2023-24 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 MCA & SEBI Circulars. The transcript of the proceedings of the meeting would be made available on the website. Members who have pre-registered as speaker shareholders, would be unmuted 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): Yes sir. Currently 57 members have joined sir.

CS (01:21): Okay, So I confirm to Chairman that the forms the quorum for the meeting, and the other Board members & the Auditors have logged-in. Now I handover the proceedings to Chairman.

LG (01:57): 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 now introduce my fellow members of the Board of Directors, Mr. Harish Lakshman, Vice - Chairman & Joint Managing Director, Dr. V Sumantran, Chairman of Audit Committee & Nomination and Remuneration Committee, Dr. Brinda Jagirdar, Chairperson of Stakeholders Relationship Committee, Mr. Pradip Kumar Bishnoi, Independent Director, Mr. Rajeev Gupta, Independent Director, Mr. M M Murugappan, who is being proposed at this meeting as an Independent Director.

LG (01:57): I place on record the presence of representatives of Statutory Auditors – M/s. BSR & Co. LLP, Secretarial Auditors - M/s. S Krishnamurthy & Co., Internal Auditors - M/s. Capri Assurance & Advisory Services, Scrutinizer –M/s. AK Jain & Associates, Practicing Company Secretary. With the permission of the members, we'll take the AGM notice as read in view of the unmodified reports issued with the statutory auditors and the secretarial auditors for the financial year 2024, the reports are not being read. Before we move to the formal agenda, just like to make a few remarks. In terms of the state of the industry, the global economic growth is estimated to have slowed to 3.1% in 2023 mainly due to the negative impact of monetary policy tightening to curb inflationary pressures. There was significant contraction in both manufacturing activity and international trade amidst sluggish global demand, largely influenced by tighter credit conditions that weighed on housing markets, investments, and overall economic activity.

The Indian economy displayed remarkable resilience despite tighter monetary policy and global headwinds and emerged as the fastest-growing large economy witnessing growth of 7.8% in FY24. The global automotive industry reflected a complex interplay of innovation, resilience, and adaptation to a changing world and witnessed strong growth led by resilient demand and improving supply chain conditions. While the industry

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continued to pivot towards electrification, traditional internal combustion engine (ICE) vehicles witnessed strong growth across all major geographies. The Indian automobile industry recorded a satisfactory performance in FY24 and displayed positive momentum, increased offtake in EVs and safety trends. Stabilization in commodity prices, improving chip availability, robust economic activity and new model launches resulted in satisfactory growth in the industry.

Turning to the group's performance, the Group Companies registered a sale of ₹7,199 Crores, representing 8% growth over the previous year. Consolidated Total revenue was ₹3,543.98 Crores for FY24 as compared to ₹3,537.46 Crores for FY23, an increase of 0.18%. Consolidated EBITDA stood at ₹335.64 Crores for FY24 as compared to ₹348.61 Crores for FY23, recording a decline of 3.72%. Let me share with you some of the key highlights of the group for the year. The demand for the Steering and Linkages business was impacted mainly due to drop in sales of entry passenger car models and farm tractor segment in India. The company's focus on new technologies continued during the year with good progress on the development of several new products which will pave the way for future growth aspirations.

Rane Automotive Components Mexico was established during the year as a wholly owned subsidiary of Rane (Madras) Limited in the state of Aguascalientes, Mexico to cater to the customers in the North American region. This plant will start its commercial production in mid of 2025. The exports of the Light Metal Casting India had strong growth due to ramp up of volumes in new businesses. Light Metal Castings America, LMCA divestment was completed on 14th Sep 2023.

Rane Engine Valve Limited achieved highest sales for the year and enhanced its financial performance with the support of sales growth and favourable material prices. The Turnaround and Sustenance Plan started couple of years back is yielding results in operational efficiency, capacity realization, export growth and better cost management. The company revised its vision to enhance product portfolio with non-ICE components, which has similar manufacturing process.

Rane Brake Lining posted strong financial growth, driven by increase in volumes across all major segments and entry into new models in Passenger Vehicle and Two-wheeler segments. Exports reached an all-time high with a 33% increase, driven by the launch of new products for the CV segment and the commencement of supplies to the US market.

The steering business of ZF Rane Automotive India sales had a strong growth compared to the previous year, attributed to new product launches and improved market conditions during the year. The Occupant Safety Division achieved a significant milestone by surpassing ₹1000 crore in sales. The wholly-owned subsidiary ZF Rane Occupant Safety Systems Pvt. Ltd. (ZROS) started production of Webbing, Cushion & Module during the year. ZRAI acquired the entire shareholding in TRW Sun Steering Wheels Private Limited on March 28, 2024. The business registered a strong and won various new business growth during the year.

The company continued to invest in R&D by upgrading the Test Lab to improve the testing capabilities in line with the industry trends. Given the returns trends on the quality issue, there was no further warranty provisions made signalling the end of issue.

During the financial year Rane Holdings Limited divested its entire shareholding in Rane t4u in exchange for 11.94% equity shares in eTrans Solutions Private Limited. As you are aware, The Board of Directors of the listed subsidiaries of the Company viz. RML, RBL and REVL at their respective meetings held on February 09, 2024 approved the proposed scheme of amalgamation of the Rane Engine Valve Limited and Rane Brake Lining

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Limited with and into Rane (Madras) Limited. The same is under the statutory approval process and once completed, we expect increased operational efficiency, diversified product offerings and enhanced synergies.

Turning to the whole group, the Indian automotive industry is poised for significant growth, driven by a multitude of factors such as rapid adoption of new technologies for enhanced safety, reduced emissions and changing customer preferences. However, the industry could face challenges from a range of issues including logistics and supply chain disruptions, escalating energy costs, shortages in skilled labour, complex economic and geopolitical landscape, sluggish consumer spending amidst tighter credit conditions, and higher prices. Nevertheless, the company will prioritise continuous improvement and innovate to adapt, ensuring its resilience and sustained growth in the long run. Thank you for your attention, and I welcome you once again to the AGM.

Turning to the formal agenda of this meeting, the business proposed to be transacted at this AGM or as follows.

Under Ordinary Business:

1. Consideration and adoption of Audited Financial Statement of the Company for year ended March 31, 2024, 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. Harish Lakshman, who retires by rotation and being eligible, offers himself for re-appointment.

Special Business:

4. Re-Appointment of Mr. Pradip Kumar Bishnoi as an Independent Director.
5. Appointment of Mr. M M Murugappan 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. Host may unmute the speaker shareholders, one by one.

Speakers are requested to state their name & folio number for identification.

Host (12:50): Yes Sir. So the first speaker is Mr. Sunil Kothari. So you can ask the queries, please.

Sunil Kothari (13:04): Thank you sir. Thank you very much. Good afternoon Mr. Ganesh. Sir, I think during these last three months we have done commendable job by achieving NSK stake, then receiving compensation for the NSK for the issue which we were facing.

So we are we are doing a lot right things. It is happening. We were taking since many years all the efforts was fortunately things are, seems to be happening in a right direction.

Now my question is broadly just on the matter of this NSK at a very, very real reasonable and very fair values and we got the hundred percent taking now NSK. So I just would like to understand sir, what is the possibilities going ahead with our now technical maybe agreement or will not be more going ahead. So will we be getting some other technical partner here, some new product development possibilities, maybe some exports opportunity, if you can say something more about this nsk's growth path ahead will be really useful.

Second, my point or I would like to understand is on running ZF JV. What is our plan? What is the investments we are going to make now onwards and any new products are we adding in the ZFGV and any opportunity from ZF to exports any in a bigger way maybe for next two or three years.

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So on both this one now, a hundred percent owned by us, one is Jerry. If you can little bit talk about the guidelines and path ahead, will be really helpful. Thank you very much and wish you good luck sir for a better health and good luck.

Host (15:09): Yes sir. Our next speaker is Mr. Kaushik Mehta. Mr. Kaushik Mehta sir, you can ask queries.

Kaushik Mehta (15:25): Hello sir. So my first question is regarding the merger of all the three listed entities. Now that we have also acquired our hundred percent NSK, the only piece where we have do not have the entire company is essentially header. At what, do you at any point, see only one listed entity of rane group because as you know, market is giving significant discount to the holding company in spite of it having significant value and the whole group today trades at less than like around 2500 crores market cap, which is, which is essentially a joke for a company of our size and scale.

Sir my second question is, if you talked about doing thousand crore Capex over next three years in one of your concalls, if you can elaborate in terms of how finalized are those plans with the new developments that we have seen, and what is going to be the CAPEX for this year and what is it going to be used for.

So my third question is regarding this quarter's numbers which were released today. We see that growth has been a challenge for us except in ZF, where the growth is essentially coming from occupant safety products.

But the growth is becoming a challenge for us especially in the pre listed entities and even in NSK. So where are we losing out? Are we losing out on newer models or is our market share going down? What are we trying to do to address that? Are we increasing our product portfolio? Like what exactly is like if even if I compare our product, like to like basis, our growth is actually more than our competitor on a significant business. So as management, how worried are you? Because see in auto ancillary, if you don't grow, your margins will suffer and which is why our margins are actually lower than even some of the very average auto ancillary companies, whereas our product and our technology is probably right up there with the best, but our margins don't tell us that. So where is it that we are losing ourselves as far as that is concerned? So these are my basic questions and I would love to know your thought process on it.

Host (18:06): Our next speaker is Mr. S Krishna Kumar.. Mr. Krishna Kumar. sir, you can ask queries please.

Krishna Kumar (18:21): Good afternoon Mr. Ganesh and I'm Suresh and best wishes for the year ahead. So I think, we have discussed a part of the questions in the last agendas also, just specifically sir, as a group sir, you know, if you look at the overall group, group debt etc., are we kind of comfortable with current, debt levels or would you like to kind of get to a better leverage? So what is the thought process of the group from a cash flow to Capex to debt perspective? If you can share some overall thoughts over three years, how do we see that? The Second question is more on NSK so you know, while we had several issues with the warranty, which took a lot of your bandwidth and the people at the, at the team level but overall the margins of NSK have been on a decline for quite some time and probably are you know, staying low, so what would be in your expectations, a normalized margin? So could we get to that kind of 12% kind of margins which are generally in the possible in the auto component industry on average at a beta level and how long you think will be the kind of time and effort to take to get to that kind of, level. And lastly sir, from a technology perspective, we have this collaboration, so now we are hundred percent so does the agreement or closure of the agreement give us the right to choose our own technology or strategic partner there, and or is there any timeline or a cool off period from this JV to the next one? Any thoughts there would be also good basically for us? Thank you very much sir and step towards consolidation of the companies. Thank you. Thank you. All the best.

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Host (20:24): Next to our last speaker is Mr. J Abhishek.

Abhishek. J (20:36): Am i audible? Yes.

Host (20:44): Yes.

Abhishek. J (20:46): So first of all, I congratulate the management on the annual general body meetings across, all is well with you and your family. In this session, a 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 brands. Sir, I would like to know as of how many employees are there in the company sir, what are the steps being taken by the other expenses legal professional charges and the audit fee? So then what is the issue pertaining to the geopolitical situation whether our company is facing any issues related to that and how do we use artificial intelligence in our company as most of the companies are being using artificial intelligence, so how was our company implementing the same and hybrid mode so that more number of participants can join in the meeting.

That would be helpful because most of the are not able to join because of the challenges in this virtual platform where we can try considering hybrid ideas. Most of things can wait in the meeting and there is no such a protocol being laid neither by the Ministry of Corporate affairs nor to have an application form to be filled for the shareholder who is willing to register as a speaker. We are not applying for any examination or for any job, but the shareholder writes an email to you when he mentions his name and for your number, you are asking for a speaker opportunity, you are bound to provide a speaker opportunity. For the past two years you have not failed to provide an opportunity to the speaker shadow that by saying that the link email has not come across.

And we have to go behind the company to get a link from the company. This is not a fair practice sir. So try to avoid this practice because all the details which are your sorted from, everything has been provided in the email. So once you receive an email from the shareholder, kindly provide them a link and allow them to participate and seek clarification rather than asking them to fill the application.

Abhishek. J (23:06): So nothing much to answer. I wish the company and the board of directors, a great success and prosperity in the coming future, and thank you for the opportunities I hope to see you in the hybrid AGM next year. Thank you very much.

LG (23:25): Thank you very much. I'll try to answer all the questions one by one now. 1st Mr. Sunil Kothari, thank you very much for your compliments. Yes, we have kind of done some of the things which we were planning for more than a couple of years but could be executed during the last year and hopefully, you know, some of the difficult challenges we have put behind us. In terms of NSK, the NSK technical license will continue and they will continue to support us. In fact, Japanese expires will continue here in RNSS with us in India and the technology support will continue. As we go forward depending on some of the new customer requirements, if there is a need to look at new technology, we will look at new technology. we are free to do that and as the need arises, we can do that. So there is NO exclusivity, but NSK will support us continuously for all the existing programs and any new Japanese programs especially in terms of AI.

The new products, other than what we make today, we continuously discuss with the partners and see whether there are opportunities. As of now, nothing has been identified, but this is a continuous process. In terms of export, all the products are growing, seatbelts, airbags, and cushion and cushion assembly in significant growth. In fact, even they just started making under the PLI scheme, that is also stuff we have done our first exports last month. So all the products that we make in the company, that division have started in terms of export and are growing at a very, very healthy rate.

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Mr. Kaushik Mehta, in terms of merger, yes, we decided to merge all the operating subsidiaries of holdings and make it into one. Obviously as you know, we have stated that in the objective synergies we see, we see a larger company from a shareholder perspective. We see the ability to do some of the things in a growing market in a bigger company rather than three individual companies. So we certainly see synergy benefits in terms of the merger. Even after the acquisition, will remain a separate company for the present. Going forward, we'll see how, what is the best option for that.

In terms of one company merging everything, we noted your point. We'll look at it in the future. As of now, our idea is to keep the holding company separate, but we note your point. In terms of Capex, I think this year Capex is close to about 300 crores plan, but what we do is while we plan in March and get the board approval, we watch the market closely and quarter to quarter depending on how the market moves, we kind of modify this Capex. So as of now, we see some slight sluggishness in the market, so I don't know whether we'll end up achieving the Capex, but we'll see as the year goes along.

In terms of growth, there are two aspects I want to answer your question from two dimensions. One is domestic and the other is export. From a domestic point of view, only Rane Madras had a bit of a challenge in this quarter. If you see linings had a good growth, had a peculiar problem in terms of empty level passenger car where we are strong, that there was a sluggishness and farm factors where we are in very significant position had a very bad quarter. So these two affected the performance, but I think this is purely temporary. In terms of export, the group exports continue to grow very well, some under the kind of project programs under the program happened during this quarter, so there were some programs which ended, but having said that, in terms of new order flow, in terms of growth, export will continue to grow and be a significant part of the group sales.

In terms of margins, we agree with you, we are working with the company's management to improve the margins. We should improve the margins going forward and that is one of the efforts and hopefully the synergy and the scale effect of the merger also with that we should help and in terms of also as one of the other shareholders asked once that is done, some amount of margin improvement will be done. Mr. Kumar, I think yet at a group level, we agree with you that debt is a bit high especially as you know because of the US investments which we supported for nearly four or five years. But our idea is maybe somewhere in the under normal conditions, 35 to 40 % debt to capital employed will be very, will be very comfortable.

And our attempts will be post-merger, bring down the debt maybe in the next 18 months or so to that kind of level in running address. Otherwise, you know, there's nothing specific other than working on that which will also help bringing down the interest board. In terms of warranty, we have seen the warranty claims have come down significantly and the current provisions are adequate. So we are very confident that there will be no further provisions for warranty and hopefully in the next few months, this warranty will completely stop and whatever is coming now quacking in, we have enough provision to cover that. In terms of margins, we have some product mixed issues in this joint venture, in the last one or two new programs that NSK globally had to accept, some pricing pressures were there. So we are looking at this, we are seeing what cost reduction can be done, what kind of improvements can be done to hopefully improve the margins and certainly going forward, the new programs, we will ensure that the margins are reasonable and adequate and definitely it will take us about maybe 12 to 18 months to bring back some semblance of profitability on the operating level.

Back in this business, we are working on this and I'm not able to say what kind of margin we'll end up with because it depends on how export grows etc. But certainly we will try to improve it you know not at the current level but certainly to a better level. In terms of technology, we are quite free to seek any technology we want as it becomes a hundred percent subject.

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Thank you very much for your comments. In terms of market cap yes, our idea is we believe that good performance is the main criteria for market cap and our attempt will be to improve operating margins, EBITDA, RoI etc. as we go forward and thereby improve the market cap. Hopefully the merger giving a bigger company in terms of ability to participate will also contribute towards this.

In terms of employees, totally we have about 14000 employees all around in all the locations put together. In terms of other expenses, legal fees etc. of course, we constantly look at these things. No expense is kind of let free other than without a review on a monthly quarterly basis. Legal fees can depend on some of the transactions that happen merger, demergers, disinvestment but it is very much under our radar. In terms of geopolitical issues, the issue we are facing apart from the general uncertainty caused by the geopolitical situation, the freight is an immediate problem because of the red sea issues. We are facing significant increase in freight costs and we are negotiating with customer to recover as much of this as possible, and we hope that going forward the geopolitical situation will improve.

In terms of AI, generally we have started working on industry 4.0 and as a part of this, we have started using AI in some of our locations and other kind of Shop floor practices, we are kind of trying to learn how AI can be used in our manufacturing environment to improve the efficiency.

In terms of MCA form query, I'm not fully seized of what exactly this is. We will review whatever is in our control, we'll definitely simplify as much as possible. Thank you very much for all your participation. I hope I've answered all the questions.

LG (33:00): 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 Tuesday, July 30, 2024 and ended on Thursday, August 01, 2024 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 upto the end of this meeting for 15 minutes and the meeting shall stand concluded thereafter. Mr. Balu Sridhar, 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 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. Balu Sridhar, Scrutinizer for conducting the evoting at the AGM. Other Panellists may logoff from the meeting.

Scrutinizer (34:32): Thank you Chairman, E-voting facility will remain open for further 15 minutes. The electronic facility will automatically be disconnected after the said period

Scrutinizer (49:30): The time for e-voting has elapsed. The Electronic facility is being disconnected for the meeting. Thank you.

Host (49:50): Thank you all for joining. Hereby we are concluding this meeting.

(14:49:50): End of event