

CORPORATE FILE

Shifting gears. Rane group looks for a resurgence

Shaking off multiple challenges, the Rane group focuses on reducing debt, and stepping up margins and growth

By Vinay Kamath

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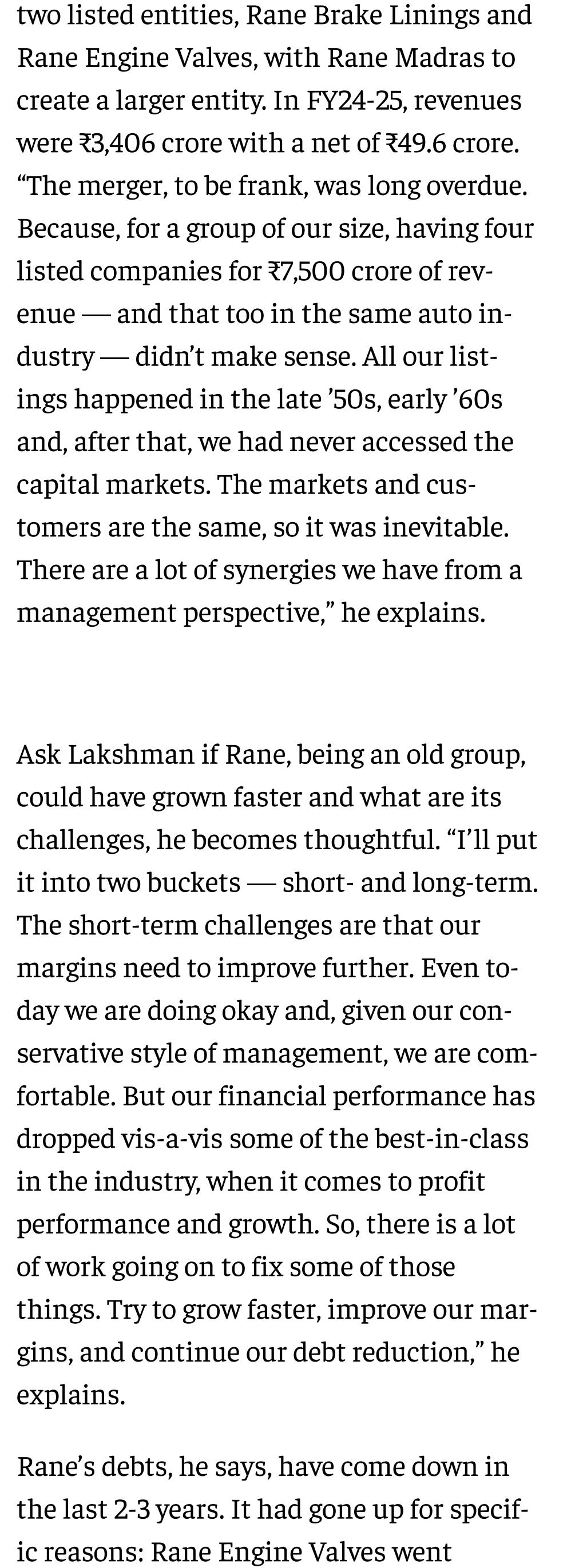
Harish Lakshman, Chairman, Rane Group

Exactly 35 years ago, in the January 1990 issue of a business magazine, this writer's article had focused on the Chennai-based (then Madras) Rane group. Featuring vice chairman L Lakshman and his younger brother L Ganesh, later to be Chairman of the group, the article said: "The Madras-based Rane group wears its conservatism on its sleeve and wholeheartedly swears by its virtues, but that has not stopped it from approaching the ₹100 crore turnover mark!"

If that was the extent of ambition then, today the Rane group — still admittedly conservative, and spearheaded by Lakshman's son, Harish, the current Chairman, who took over from Ganesh — has seen revenues burgeon to ₹7,413 crore in FY24-25 (21 per cent from international markets), serving customers in over 30 countries, with eight business units and 31 manufacturing plants.

Over 80 years old, Rane is among the older business groups in Chennai, catering to the automotive sector with a variety of components ranging from steering systems and brake to engine components and light metal castings; over 67 per cent goes to passenger vehicles, 23 per cent to commercial vehicles, and the rest to tractors and two-wheelers.

Harish Lakshman is sanguine that, despite the global uncertainty, the automotive sector will find the going good. "I believe it should sustain because GST 2.0 is a significant step that's going to spur demand. I have had conversations with senior executives of our customers like Maruti, Tatas and Mahindra — they're all quite optimistic that the footfall at dealerships is going up considerably. In fact, the Maruti MD was saying that the number of helmets inside the dealerships are going up, which means two-wheeler buyers are coming into showrooms to look at the lower-end cars!"



Rane's total exports stand at 21 per cent, of which 45 per cent goes to North America and Mexico, so the uncertainty over US tariffs is unsettling. To diffuse the risks, Rane is increasing exposure to European markets and Southeast Asia, which, he says, is a difficult market to crack because of the strong Japanese influence.

Rane had established a manufacturing plant in the US in 2016 for light metal castings but sold it in 2023. Asked if the company would again establish a beachhead in the US, Lakshman is cautious. "In hindsight, if you are not making a very high-technology product, where the differentiation is based on manufacturing efficiency, that's not going to happen. Some high-tech manufacturing can potentially move back to the US, but I don't see us making an engine valve or casting in the US," he explains.

Lakshman is unfazed by the shifting trend to EVs, saying 92 per cent of the group revenue is agnostic to what the power train is — whether an IC engine or an EV. "So, even if the whole world flips to electric tomorrow, Rane will lose 7-8 per cent of our sales. But I'm personally convinced that the pace of growth in EVs will continue to increase in the next 15-20 years. There are new opportunities for Rane because EV brings its own new set of technologies. So, we keep looking and evaluating opportunities and at the appropriate time, we will place some bets," he elaborates.

The Rane group, like other business groups in Chennai such as TVS and Ashok Leyland, has received three Deming Grand and five Deming awards for its units for the sustained quality of its components. A walkabout at the Rane Madras factory at Varanavasi, near the Oregadam industrial estate on the outskirts of Chennai, shows an orderly plant with high levels of efficiency and discipline. Surrounded by landscaped gardens and a Miyawaki forest with fruit-bearing trees and a huge pond for rain harvesting, this spic-and-span plant

makes several engine components such as rack and pinion steering gears, tie rods, ball joints, etc, which go into PVs and CVs.

As Lakshman says, earlier there were no systems and processes as everything was person dependent, like in many traditional family-run companies. "The biggest benefit that TQM brought us is systems across

functions — from finance to manufacturing and engineering to purchasing," he adds.

The Demings were the icing on the cake and gave Rane a powerful calling card. "I don't think Rane would have been competitive but for the TQM initiative. It has also helped build our brand image and trust and confidence, especially with overseas customers. When they come for audits, they can see that this company has systems and processes capable of supplying parts that can be fitted in Western markets. India has come a long way, and some companies like us used the Deming award as a platform to build those capabilities," elaborates Lakshman.

As a group, Rane has been open to overseas tie-ups, as well as M&As. "We have had a lot of successful M&As. We've also had a few bad ones. But we are convinced that M&A as a growth strategy is an important initiative," adds Lakshman. A successful one is with the German company ZF Rane Automotive, for steering gear systems, safety belts and airbags. "We are growing steadily. We were a very small player, say five years ago, now we have become a substantial player and have a significant share of business with some customers in India, and we also have a good export portfolio," he says. It competes against Swedish company Autoliv, the global No. 1 in safety systems.

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As Lakshman says, the issues that bogged down the group's growth are behind it now, and its strong brand, reputation, and good customer connects. "We are market leaders in most of our product lines. So, just building on that will automatically give us growth. Over and above, there are new opportunities that are continuously coming up, not only in India, but also with exports," he adds.

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