'We are on track to achieve ₹5,500-cr topline by 2018-19'

Engine valve business to be expanded; will continue investment in R&D, says Rane chief

G BALACHANDAR

Chennai, June 19

Leading auto component house Rane Group ended 2016-17 with net sales of about ₹4,032 crore (₹3,261 crore in 2015-16) with strong growth across most of the vehicle segments. It is confident of reaching the revenue target of ₹5,500 crore by 2018-19. L Ganesh, Chairman, discusses growth prospects and expansion plans. Excerpts:

THE BL INTERVIEW

How was 2016-17 for Rane Group as a whole?

As a group, we had a good year. We had a healthy growth in terms of topline (24 per cent) and profitability (PBT grew by 71 per cent without exceptional items). EBITDA increased to 11.3 per cent from 10.1 per cent. Passenger car business did slightly better than expected. Farm tractors picked up in the last quarter and ended up with positive growth. We had some concerns over two wheeler segment, which was hit by the effects of demonetisation, but picked up in February and March and ended the year well. The only sector that did not recover was M&HCV. We thought because of BS-IV, there would be a lot of pre-buying and Q4 would be good. But, that didn't happen. So, M&HCV performed below our expectations.

What is the capex plan for FY-18 and are you on track to reach ₹5,500 crore in FY-19?

There are indications that we will be on track to achieve ₹5,500 crore topline by 2018-19. Exports order books are healthy. We expect some hiccups in the after-market segment due to GST. But, I think market will overcome that. We are talking to distributors. I don't think there will be too much of panic in the market because of GST.

Last year, our capex across the group companies was about ₹290 crore. This year, it will be about ₹200 crore. Expansion will happen across seat belt, airbag and electric power steering businesses. Engine valve business will undertake some expansion for export requirements. We will add capacity at Tiruchi plant for Rane Brake Linings. Also, we will continue to invest in R&D and testing capabilities. R&D spend has been below one per cent in most companies except RBL where we have been spending 1.5-2 per cent. Our target is 1.5-2 per cent R&D spend.

Was there any structural change in TRW joint venture as an effect of TRW-ZF merger and their business plans?

They have done one or two changes in their own management. As far as Indian JV is concerned, there is no change in the structure. We have now started exporting seat belts in a big way. We have got bigger opportunities in the area of airbags now. These are bigger growth areas in addition to steering gear. Also, since ZF-TRW has presence in various other products, we are in discussion with them to explore partnerships in newer products segments.

How has your occupant safety parts business (Rane-TRW joint venture) been growing?

In terms of seat belts, we have brought in new technologies in the last couple of years. Also we have brought latest designs which TRW launched recently in Europe. That has given us some good advantages both in terms of product features and packaging (they have made it more compact). This is now helping us with the Japanese and Korean car makers. Earlier, TRW used to focus more on European and American companies. Now, they have changed the focus and the new technology given to the JV is helping.

Airbags business, which had revenues of about ₹100 crore in 2016-17, is growing rapidly. Because of the upcoming regulatory requirements, car makers are pre-empting that and are putting airbags in their cars well before the deadline. It has become a competitive trend. Also, many OEMs are exporting from here. There can't be two types of cars — with and without airbags. So it has become a standard option now. Overall, we expect occupant safety business to grow by 25-30 per cent.

Is there any renewed plan for aerospace business after SasMos exit?

We sold our stake in SasMos because there was some kind of vision divergence between the original promoters and us. They wanted to go in a particular direction and we said no point in having two different visions for this business. Hence, we decided to opt out, but got a good return. As we speak, we are evaluating opportunities in the aerospace business. If something good comes up during the next one-two years, we will invest in that. Our goal of achieving about 10 per cent of total sales from aerospace is intact. We are looking at not just a total buy out, but also joint venture opportunities in this space.

We expect some hiccups in the after-market segment due to GST. But, I think market will overcome that. We are talking to distributors.

L GANESH
Chairman, Rane Group