

Rane Engine Valve Ltd.

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India.
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//Online Submission//

REVL / SE / 34 / 2019-20

November 11, 2019

BSE Limited Listing Centre Scrip Code : 532988	National Stock Exchange of India Ltd. NEAPS Symbol : RANEENGINE
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Dear Sir / Madam,

Sub: Earnings presentation – Unaudited Financial Results for the quarter ended September 30, 2019

Ref: Our letter no. REVL/SE/33/2019-20 dated November 06, 2019

This is with reference to our aforementioned letter intimating Earnings Conference Call scheduled on **Tuesday, November 12, 2019 at 15:00 hrs (IST)** to discuss Unaudited financial results for the quarter ended September 30, 2019. We enclose herewith copy of the Earnings presentation proposed to be made thereat, to the analysts and investors.


The same is also being made available on the website of the company, www.ranegroup.com.

We request you to take the above on record and note the compliance with SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (SEBI LODR).

Thanking you.

Yours faithfully,

For Rane Engine Valve Limited


Kalidoss S
Secretary



Encl: a/a

4



Expanding Horizons

Rane Group

Earnings Presentation | Q2 FY20



November 2019

www.ranegroup.com



- › **Industry Performance Review – Q2 FY20**

- › Rane Group Performance Review – Q2 FY20

- › Group Companies Performance Highlights – Q2 FY20

Industry Performance Review (Q2 FY20)

Vehicle Segment	Production YoY Growth# in %	Rane Group Sales Growth YoY in % (India OEM)	Rane Group Revenue Split * (India OEM)
Passenger Cars (PC)	-24%	-25%	48%
Utility Vehicles (MUV)	-5%	-43%	15%
Vans	-34%	5%	1%
- Total Passenger Vehicle	-20%	-30%	64%
Small Commercial Vehicles (SCV)	-36%	-25%	3%
Light Commercial Vehicles (LCV)	-20%	-26%	8%
Medium & Heavy Commercial Vehicles (M&HCV)	-55%	-61%	10%
- Total Commercial Vehicle	-38%	-48%	21%
2-Wheeler	-15%	-9%	4%
Farm Tractors (FT)	-13%	-24%	8%

* Negligible presence in 3-wheeler. Other segments such as Rail, Defence and Stationary Engines contribute around 3%

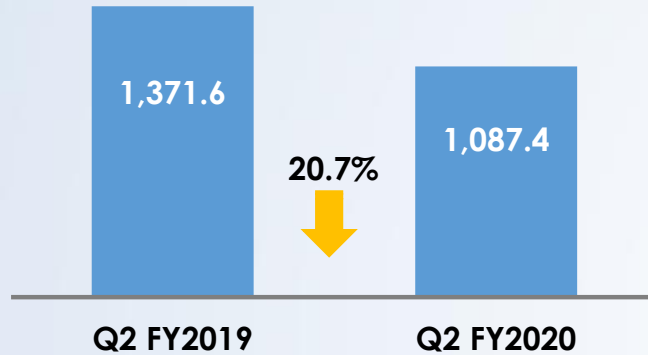
Source: SIAM

- › In passenger car segment, performance in line with the industry, however, in utility vehicle segment, better growth in unserved models resulted in higher decline than industry
- › In LCV segment, higher drop in served models resulted in higher decline than industry; In M&HCV segment, volumes of higher tonnage vehicles declined more than other categories. This resulted in lower pack values and hence higher revenue decline
- › Drop in two wheeler segment partially mitigated by new business for Friction materials
- › Drop in Farm Tractor segment higher than industry driven by decline in served customers/models

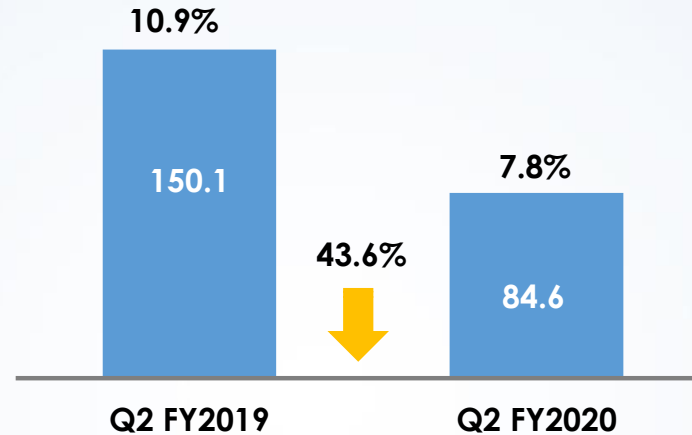
- › Industry Performance Review – Q2 FY20
- › **Rane Group Performance Review – Q2 FY20**
- › Group Companies Performance Highlights – Q2 FY20

Group Aggregate Performance Review (Q2 FY20)

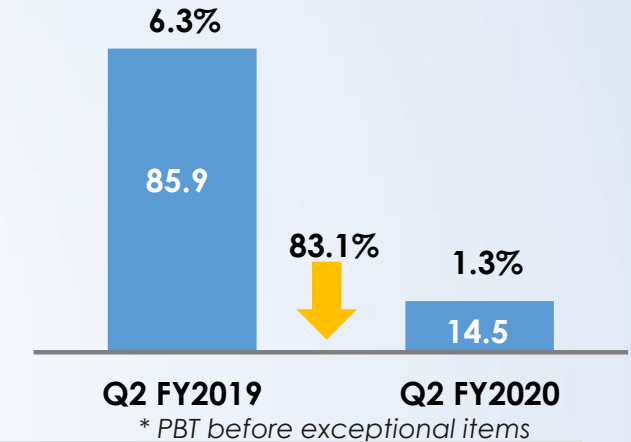
Total Net Revenue (Rs cr.)



EBITDA (Rs cr.)



PBT* (Rs cr.)



› **Total Net Revenue dropped by 20.7% from Rs. 1,371.6 Cr in Q2 FY19 to Rs. 1,087.4 Cr in Q2 FY20**

- Revenue from Indian OE customers declined by 33%. Volume dropped across vehicle segments
- Revenues from International customers grew 9% driven by commencement of new businesses for occupant safety products
- Revenue from Indian aftermarket segment declined 10% (comparable basis)

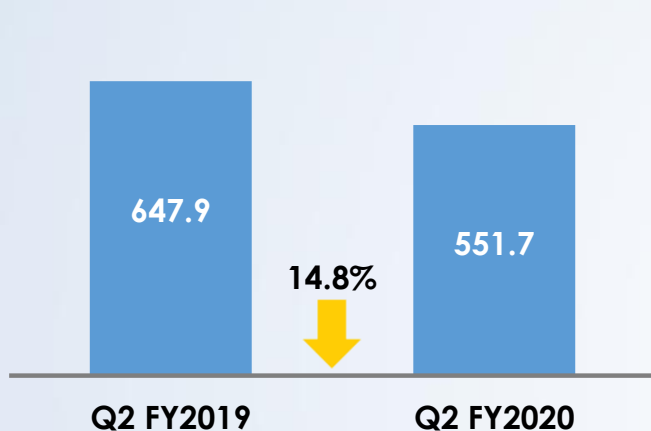
› **EBITDA declined from Rs. 150.1 Cr in Q2 FY19 to Rs. 84.6 Cr in Q2 FY20**

- Higher employee cost and lower fixed cost absorption resulted in drop in EBITDA margin

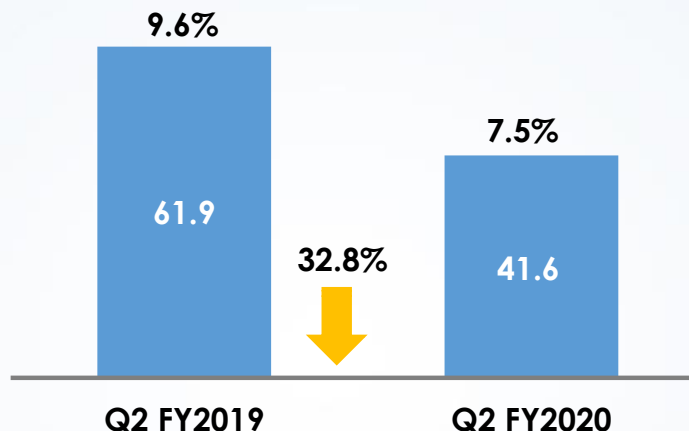
› **PBT decreased by 83.1% from Rs. 85.9 Cr in Q2 FY19 to Rs. 14.5 Cr in Q2 FY20**

RHL Consolidated Performance Review (Q2 FY20)

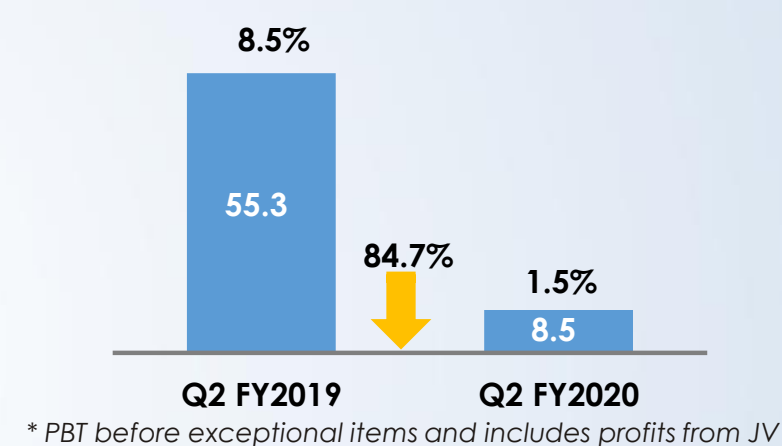
Total Net Revenue (Rs cr.)



EBITDA (Rs cr.)



PBT* (Rs cr.)



- › Total Net Revenue decreased by 14.8% from Rs. 647.9 Cr in Q2 FY19 to Rs. 551.7 Cr in Q2 FY20
- › EBITDA decreased by 32.8% from Rs. 61.9 Cr in Q2 FY19 to Rs. 41.6 Cr in Q2 FY20
- › PBT decreased by 84.7% from Rs. 55.3 Cr in Q2 FY19 to Rs. 8.5 Cr in Q2 FY20

Group Aggregate Performance Review (YTD)

Rs Cr	6M FY19	6M FY20	Growth
Total Net Revenue	2,714.0	2,340.3	-13.8%
EBITDA	293.9	178.1	-39.4%
EBITDA Margin	10.8%	7.6%	-322 bps
PBT Before Exceptional Items	167.7	39.3	-76.6%
Exceptional (Expenses) / Income *	(2.9)	(51.8)	
PBT	164.8	(12.5)	-107.6%
PBT Margin	6.1%	-0.5%	-661 bps
PAT	103.5	(12.7)	-112.3%
PAT Margin	3.8%	-0.5%	-436 bps
Total Comprehensive Income	100.5	(15.6)	-115.6%

* Exceptional expenses represents incremental provision towards product warranty claim by RNSS

RHL Consolidated Performance Review (YTD)

Rs Cr	6M FY19	6M FY20	Growth
Total Net Revenue	1,290.6	1,135.2	-12.0%
EBITDA	123.0	85.4	-30.6%
EBITDA Margin	9.5%	7.5%	-201 bps
PBT Before Exceptional Items	109.7	24.2	-77.9%
Exceptional (Expenses) / Income *	(1.4)	(25.4)	
PBT	108.3	(1.1)	-101.0%
PBT Margin	8.4%	-0.1%	-849 bps
PAT	66.5	(3.5)	-105.3%
PAT Margin	5.2%	-0.3%	-546 bps
Total Comprehensive Income	64.3	(5.4)	-108.4%

* Exceptional expenses represents RHL share of incremental provision towards product warranty claim made by RNSS

- › Industry Performance Review – Q2 FY20
- › Rane Group Performance Review – Q2 FY20
- › **Group Companies Performance Highlights – Q2 FY20**

Rane (Madras) Ltd.

(RML)

RML Standalone – Operational Performance Review

Market Environment

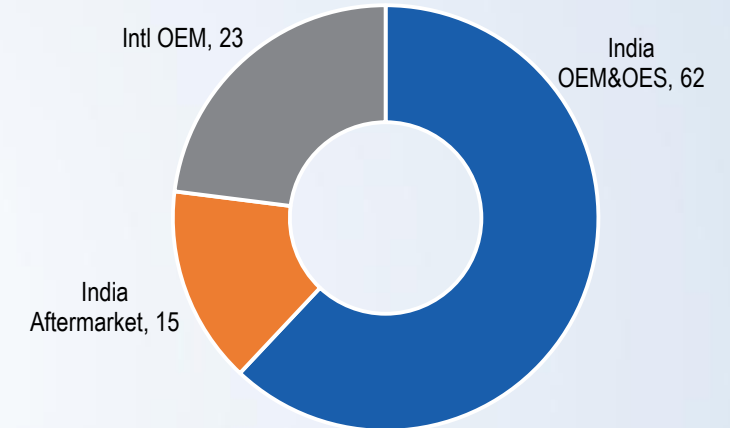
- › Adverse market condition across vehicle segments in India
 - Higher penetration of power steering in SCV and LCV segment resulted in decline in served market
 - Higher than industry decline in higher tonnage vehicles in M&HCV segment

Operational Highlights

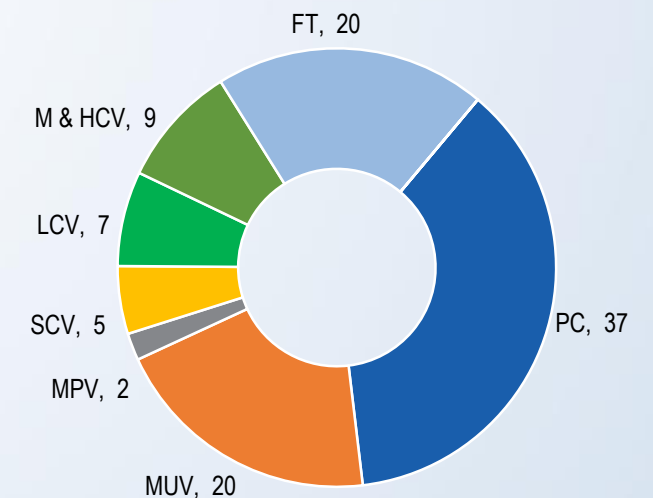
- › Won the 2nd Best Supplier of the Year award – Demand Fulfillment from Tata Motors, Commercial vehicle
- › Additional cost savings projects initiated across various plants to mitigate the impact of volume drop

Business Split (Q2 FY20)

By Market (%)

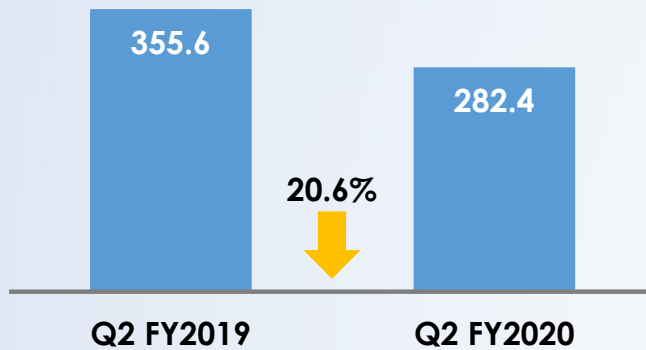


By Vehicle Segment (%)

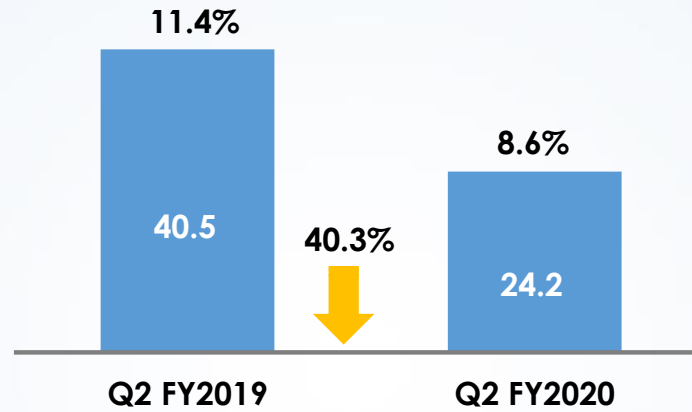


RML Standalone – Financial Performance Review

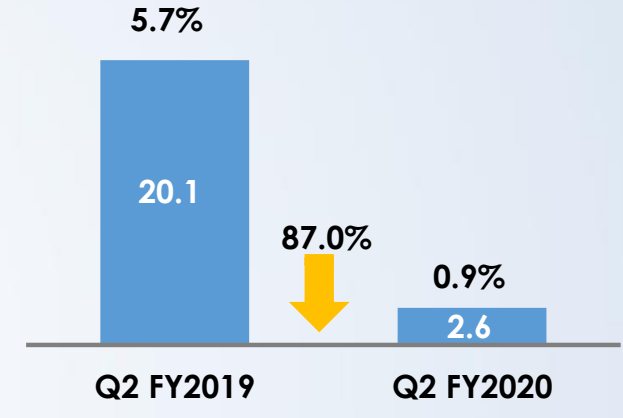
Total Net Revenue (Rs cr.)



EBITDA (Rs cr.)



PBT* (Rs cr.)



* PBT before exceptional items

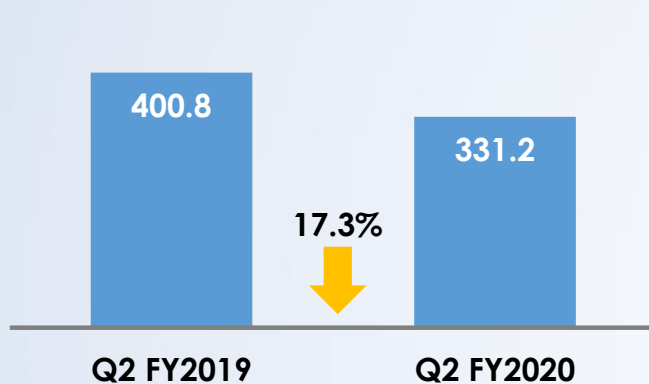
- › **Total Net Revenue dropped by 20.6% from Rs. 355.6 Cr in Q2 FY19 to Rs. 282.4 Cr in Q2 FY20**
 - Sales to India OE customers declined 31%
 - Sales to Indian Aftermarket segment dropped 16%
 - Sales to International customers declined 14% driven by drop in volume for Die casting products
- › **EBITDA declined by 40.3% from Rs. 40.5 Cr in Q2 FY19 to Rs. 24.2 Cr in Q2 FY20**
 - Lower volume and unfavourable mix resulted in 282 bps drop in EBITDA margin
- › **PBT decreased by 87.0% from Rs. 20.1 Cr in Q2 FY19 to Rs. 2.6 Cr in Q2 FY20**
 - Increase in interest costs due to higher borrowings resulted in drop in PBT margin

RML – Standalone Financials (YTD)

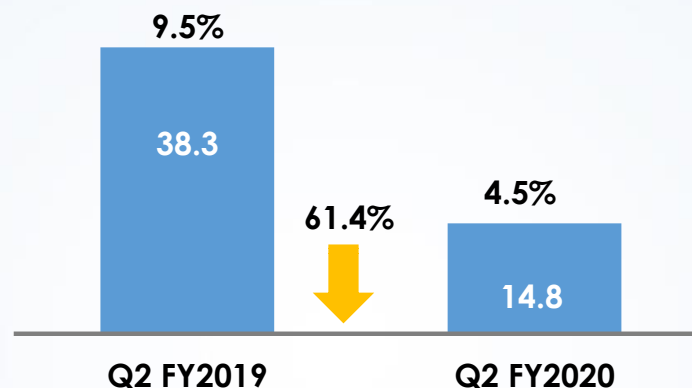
Rs Cr	6M FY19	6M FY20	Growth
Total Net Revenue	703.1	579.6	-17.6%
EBITDA	79.5	49.7	-37.5%
EBITDA Margin	11.3%	8.6%	-274 bps
PBT Before Exceptional Items	40.4	7.5	-81.4%
Exceptional (Expenses) / Income	-	-	
PBT	40.4	7.5	-81.4%
PBT Margin	5.7%	1.3%	-445 bps
PAT	27.2	5.9	-78.2%
PAT Margin	3.9%	1.0%	-285 bps
Total Comprehensive Income	26.3	5.6	-78.9%

RML Consolidated – Financial Performance Review

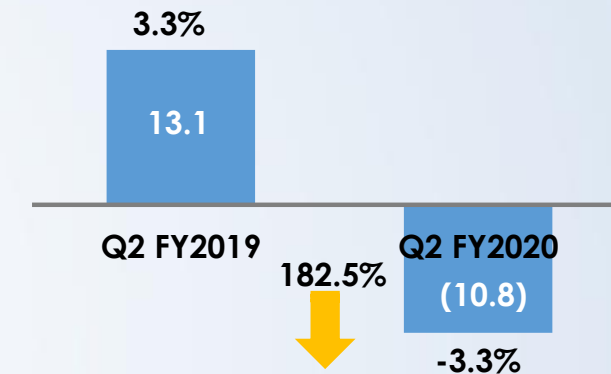
Total Net Revenue (Rs cr.)



EBITDA (Rs cr.)



PBT* (Rs cr.)



* PBT before exceptional items

- › **Total Net Revenue decreased by 17.3% from Rs. 400.8 Cr in Q2 FY19 to Rs. 331.2 Cr in Q2 FY20**
 - The US subsidiary stabilized on the supplies to the new program which helped to partially mitigate the drop in volumes in few existing products
- › **EBITDA dropped by 61.4% from Rs. 38.3 Cr in Q2 FY19 to Rs. 14.8 Cr in Q2 FY20**
 - Higher expenditure on R&M towards preventive maintenance and increase in employee costs resulted in drop in EBITDA margin
- › **PBT declined from Rs. 13.1 Cr in Q2 FY19 to a loss of Rs. 10.8 Cr in Q2 FY20**

RML – Consolidated Financials (YTD)

Rs Cr	6M FY19	6M FY20	Growth
Total Net Revenue	797.5	677.4	-15.1%
EBITDA	72.3	31.3	-56.7%
EBITDA Margin	9.1%	4.6%	-444 bps
PBT Before Exceptional Items	24.1	(19.4)	-180.7%
Exceptional (Expenses) / Income	-	-	
PBT	24.1	(19.4)	-180.7%
PBT Margin	3.0%	-2.9%	-589 bps
PAT	10.9	(21.0)	-293.0%
PAT Margin	1.4%	-3.1%	-447 bps
Total Comprehensive Income	6.7	(21.4)	-421.0%

Rane Engine Valve Ltd.

(REVL)

REVL – Operational Performance Review

Market Environment

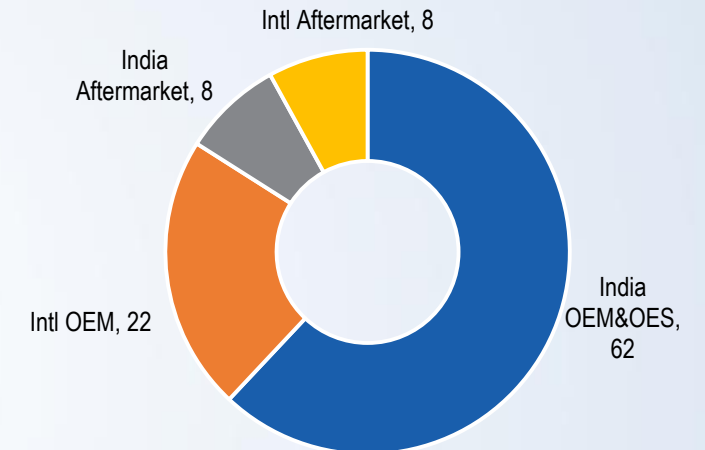
- › Drop in volume across vehicle segments in India
- › Export Aftermarkets sales cushioned drop in offtake from International OE customer

Operational Highlights

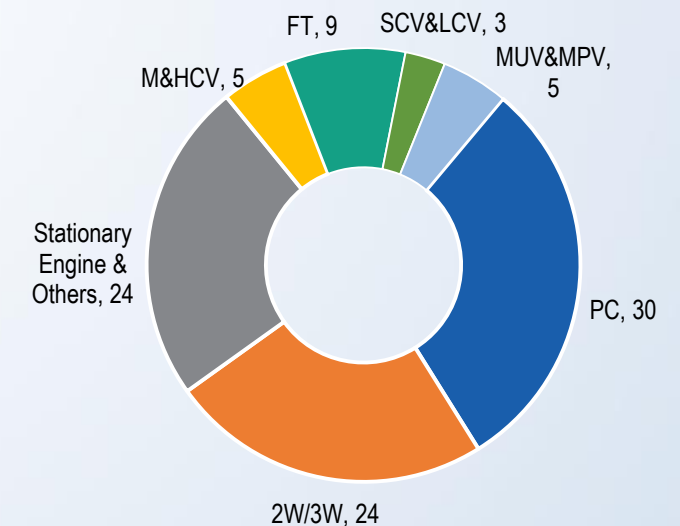
- › Plants continued to improve operational performance
- › Won the following awards in the quarter
 - Best performance: FY18-19 award for Quality & Customer Satisfaction from Renault India
 - Superior Quality Award from Cummins India

Business Split (Q2 FY20)

By Market (%)

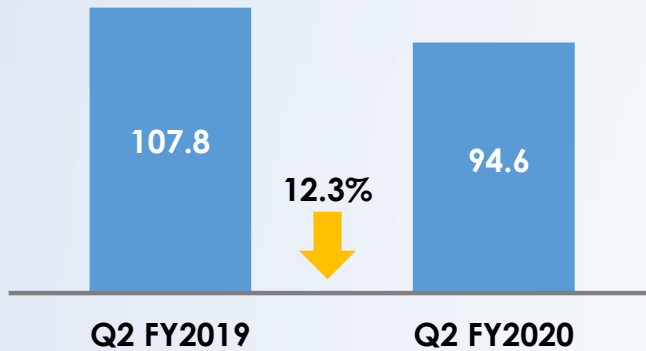


By Vehicle Segment (%)

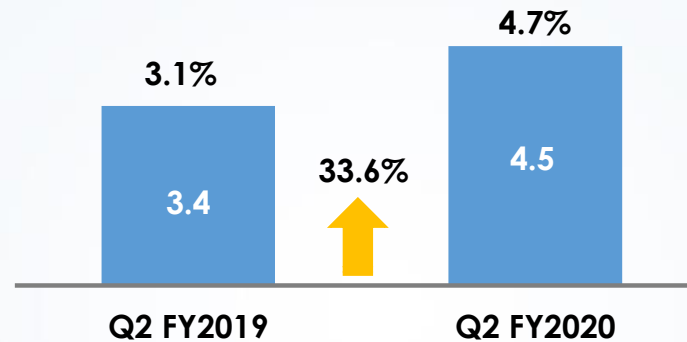


REVL – Financial Performance Review

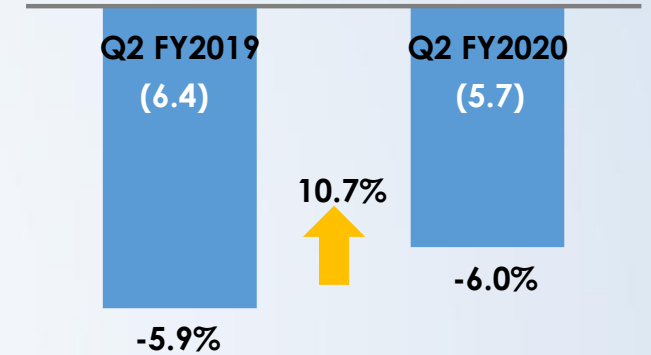
Total Net Revenue (Rs cr.)



EBITDA (Rs cr.)



PBT* (Rs. cr.)



* PBT before exceptional items

› **Total Net Revenue declined by 12.3% from Rs. 107.8 Cr in Q2 FY19 to Rs. 94.6 Cr in Q2 FY20**

- Sales to Indian OE customers declined 18% . Volume drop across segments
- Sales to Indian aftermarket segment declined 9%
- Sales to International customers declined 18%

› **EBITDA increased by 33.6% from Rs. 3.4 Cr in Q2 FY19 to Rs. 4.5 Cr in Q2 FY20**

- Despite lower volume, favourable raw material price and forex movement and operational performance improvement helped to improve EBITDA margins

› **Loss before tax for Q2 FY20 was Rs. 5.7 Cr as against Rs. 6.4 Cr in Q2 FY19**

REVL – Financials (YTD)

Rs Cr	6M FY19	6M FY20	Growth
Total Net Revenue	210.9	198.6	-5.8%
EBITDA	6.7	7.8	15.4%
EBITDA Margin	3.2%	3.9%	72 bps
PBT Before Exceptional Items	(13.0)	(12.2)	6.3%
Exceptional (Expenses) / Income	-	-	
PBT	(13.0)	(12.2)	6.3%
PBT Margin	-6.2%	-6.1%	3 bps
PAT	(8.5)	(7.9)	6.3%
PAT Margin	-4.0%	-4.0%	2 bps
Total Comprehensive Income	(8.8)	(7.8)	10.9%

Rane Brake Lining Ltd.

(RBL)

RBL – Operational Performance Review

Market Environment

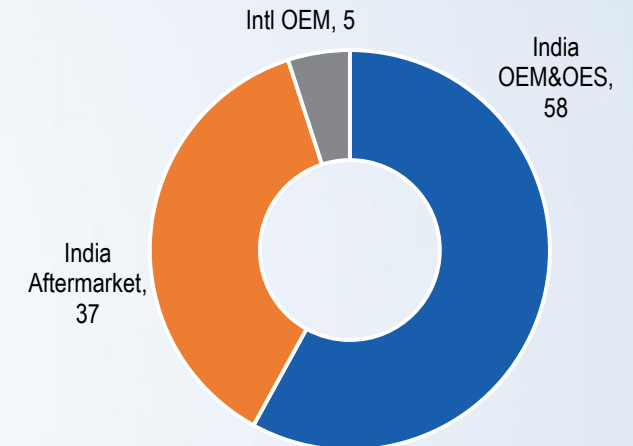
- › Volume drop across Indian vehicle segments; Favourable demand from two wheeler segment driven by migration to disc brakes
- › Muted demand from Indian Aftermarket business

Operational Highlights

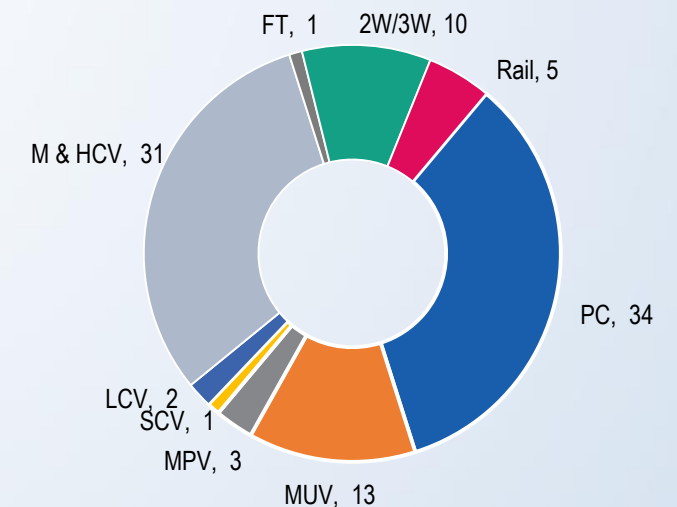
- › Initiated stringent cost management across various cost elements
- › Received Excellent Energy Efficient Unit award from CII

Business Split (Q2 FY20)

By Market (%)

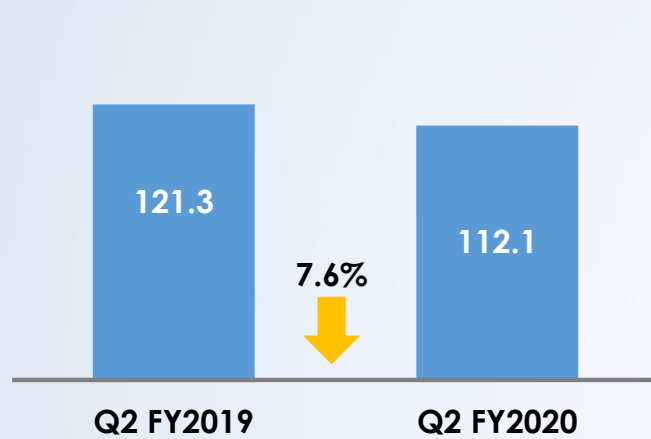


By Vehicle Segment (%)

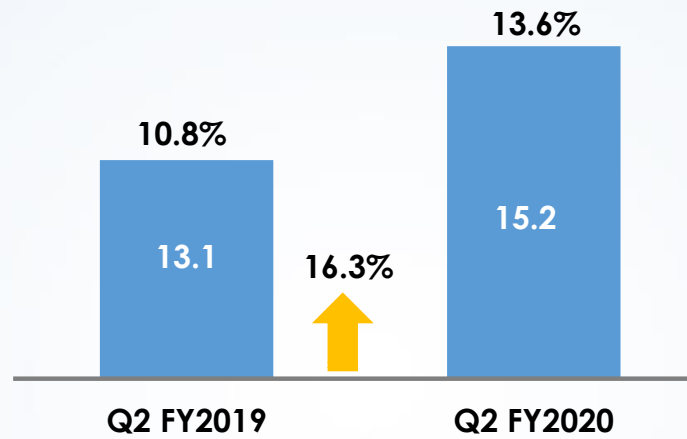


RBL – Financial Performance Review

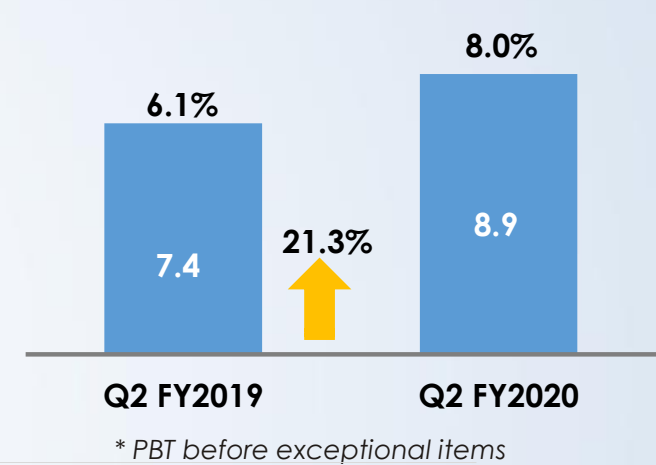
Total Net Revenue (Rs cr.)



EBITDA (Rs cr.)



PBT* (Rs cr.)



› **Total Net Revenue decreased by 7.6% from Rs. 121.3 Cr in Q2 FY19 to Rs. 112.1 Cr in Q2 FY20**

- Sales to OE customer declined 14% due to drop in volumes across segments. Revenue from two-wheeler segment grew 19%.
- Sales to Aftermarket customers grew 1%. Managed flat growth despite sluggish market and stock corrections at dealers.

› **EBITDA improved by 16.3% from Rs. 13.1 Cr in Q2 FY19 to Rs. 15.2 Cr in Q2 FY20**

- Favourable product mix helped offset higher employee cost
- There was also an one off reversal of provision for bad debts during the quarter

› **PBT increased by 21.3% from Rs. 7.4 Cr in Q2 FY19 to Rs. 8.9 Cr in Q2 FY20**

RBL – Financials (YTD)

Rs Cr	6M FY19	6M FY20	Growth
Total Net Revenue	244.4	231.0	-5.5%
EBITDA	28.6	30.9	8.1%
EBITDA Margin	11.7%	13.4%	169 bps
PBT Before Exceptional Items	17.3	18.3	5.8%
Exceptional (Expenses) / Income	-	-	
PBT	17.3	18.3	5.8%
PBT Margin	7.1%	7.9%	84 bps
PAT	11.9	14.8	24.4%
PAT Margin	4.9%	6.4%	154 bps
Total Comprehensive Income	12.2	14.3	16.6%

Rane TRW Steering Systems Pvt. Ltd.

(RTSS)

Market Environment

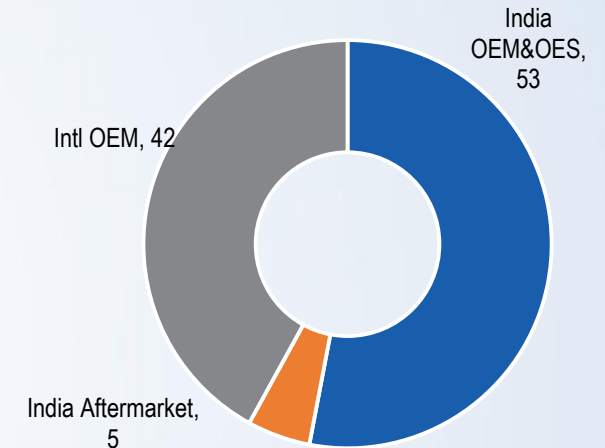
- › Significant drop in Indian Commercial Vehicle volumes impacted steering gear products
- › Export remains focus for occupant safety products to mitigate the drop in domestic market

Operational Highlights

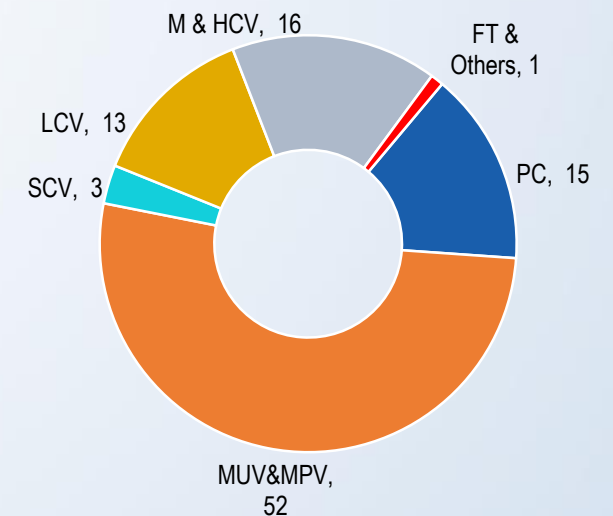
- › Won the Best Supplier of the Year award – Demand Fulfillment from Tata Motors, Commercial vehicle
- › Initiated various cost reduction measures and projects to manage plant utilization optimally

Business Split (Q2 FY20)

By Market (%)

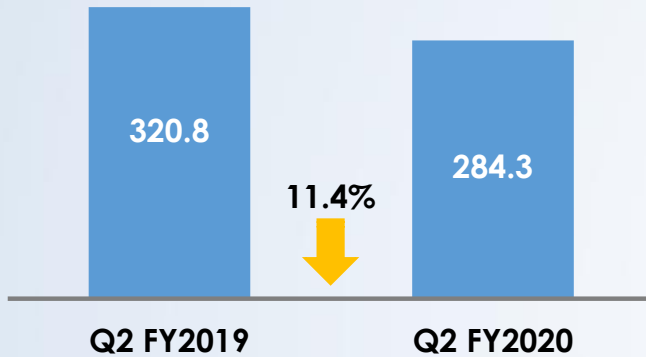


By Vehicle Segment (%)

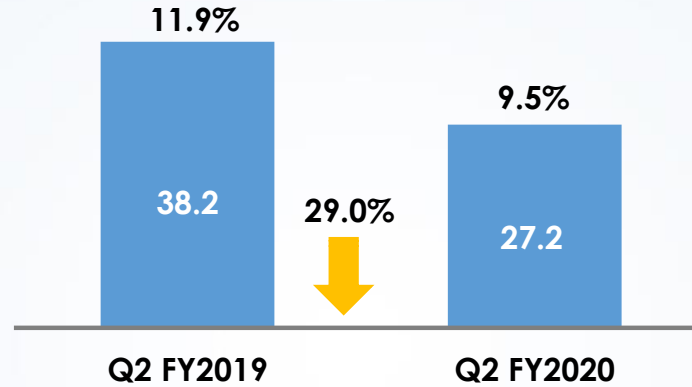


RTSS – Financial Performance Review

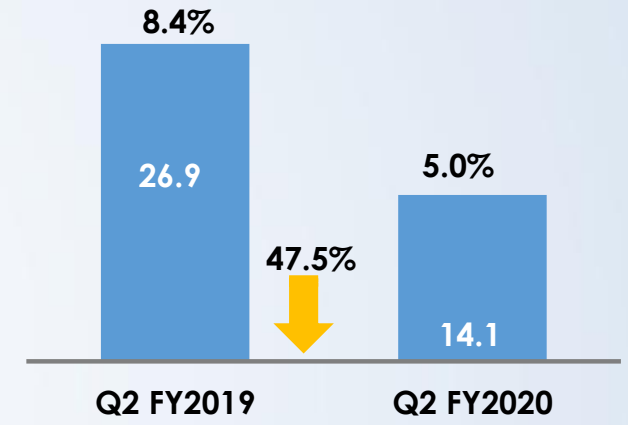
Total Net Revenue (Rs cr.)



EBITDA (Rs cr.)



PBT* (Rs cr.)



* PBT before exceptional items

- › **Total Net Revenue decreased by 11.4% from Rs. 320.8 Cr in Q2 FY19 to Rs. 284.3 Cr in Q2 FY20**
 - Revenue from steering gear products declined driven by significant volume drop in M&HCV segment
 - Revenue from occupant safety systems increased supported by higher volume from international customers
- › **EBITDA dropped by 29.0% from Rs. 38.2 Cr in Q2 FY19 to Rs. 27.2 Cr in Q2 FY20**
 - Adverse product mix and volume drop resulted in drop in profitability
- › **PBT declined by 47.5% from Rs. 26.9 Cr in Q2 FY19 to Rs. 14.1 Cr in Q2 FY20**

RTSS – Financials (YTD)

Rs Cr	6M FY19	6M FY20	Growth
Total Net Revenue	662.7	638.0	-3.7%
EBITDA	79.4	50.6	-36.3%
EBITDA Margin	12.0%	7.9%	-405 bps
PBT Before Exceptional Items	57.1	23.8	-58.4%
Exceptional (Expenses) / Income	-	-	
PBT	57.1	23.8	-58.4%
PBT Margin	8.6%	3.7%	-490 bps
PAT	38.1	17.6	-53.9%
PAT Margin	5.7%	2.8%	-300 bps
Total Comprehensive Income	39.1	15.3	-60.8%

Rane NSK Steering Systems Pvt. Ltd.

(RNSS)

RNSS – Operational Performance Review

Market Environment

- › Significant drop in Passenger Vehicle volumes impacted EPS volumes
- › MSC volumes impacted by drop in Commercial Vehicle volumes

Operational Highlights

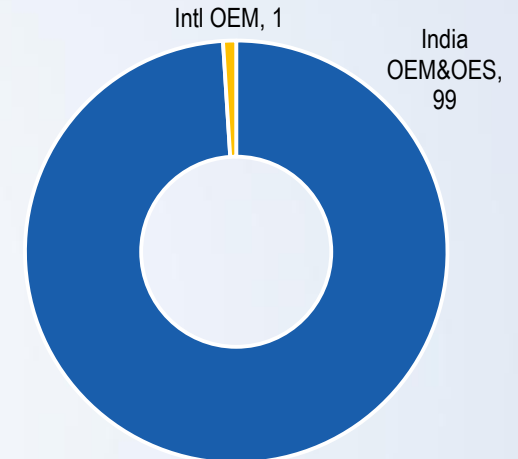
- › Continue to pursue various cost reduction measures and rationalized shift operations

Warranty Provision

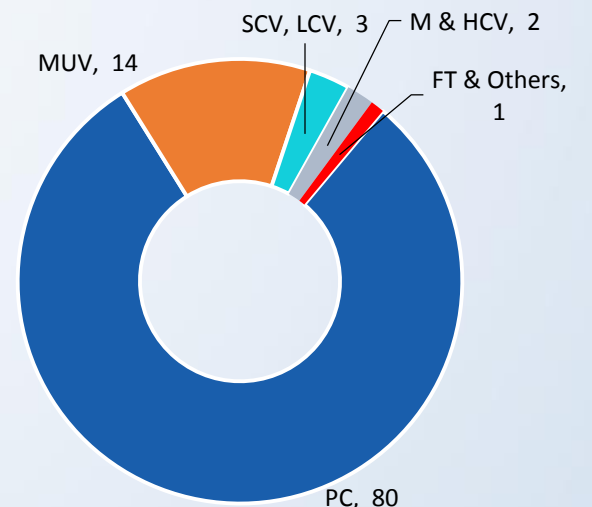
- › Certain specific lots of EPS product sold to the customer experienced field issues
- › Incremental provision made towards product warranty claim based on the quantity arrived as per the technical estimates

Business Split (Q2 FY20)

By Market (%)

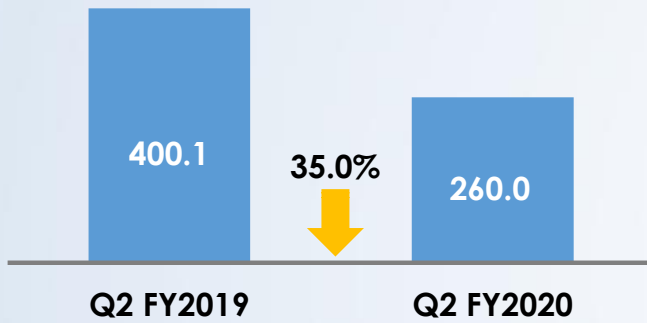


By Vehicle Segment (%)

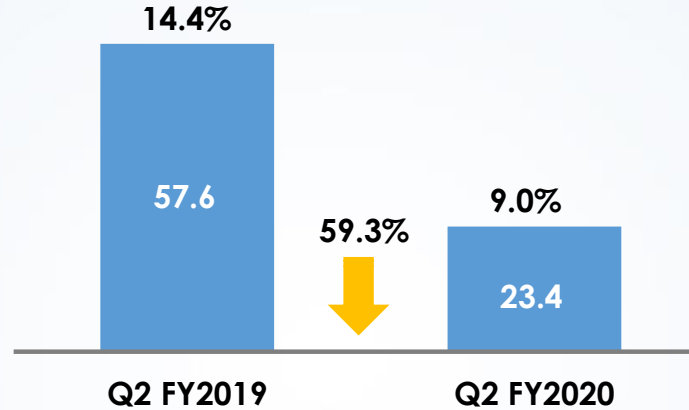


RNSS – Financial Performance Review

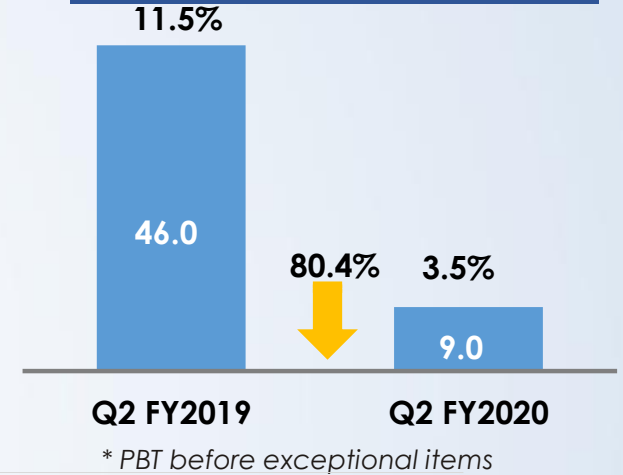
Total Net Revenue (Rs cr.)



EBITDA (Rs cr.)



PBT* (Rs cr.)



- › **Total Net Revenue decreased by 35.0% from Rs. 400.1 Cr in Q2 FY19 to Rs. 260.0 Cr in Q2 FY20**
 - Significant drop in volume across served models resulted in steep sales decline
- › **EBITDA decreased by 59.3% from Rs. 57.6 Cr in Q2 FY19 to Rs. 23.4 Cr in Q2 FY20**
 - Adverse material cost, lower volume resulted in drop in EBITDA
- › **PBT dropped from Rs. 46.0 Cr in Q2 FY19 to Rs. 9.0 Cr in Q2 FY20**

RNSS – Financials (YTD)

Rs Cr	6M FY19	6M FY20	Growth
Total Net Revenue	756.7	584.9	-22.7%
EBITDA	107.7	58.6	-45.6%
EBITDA Margin	14.2%	10.0%	-422 bps
PBT Before Exceptional Items	84.6	31.3	-63.0%
Exceptional (Expenses) / Income *	(2.9)	(51.8)	
PBT	81.7	(20.6)	-125.1%
PBT Margin	10.8%	-3.5%	-1431 bps
PAT	52.8	(13.5)	-125.7%
PAT Margin	7.0%	-2.3%	-929 bps
Total Comprehensive Income	52.9	(13.5)	-125.6%

* Exceptional expenses represents incremental provision made towards product warranty claim



Thank You



Rane Corporate Centre

"Maithri" 132, Cathedral Road,
Chennai - 600 086, India

www.ranegroup.com

For further information, please contact:

investorservices@ranegroup.com or dpingle@christensenir.com

Glossary of Abbreviations

Abbreviation	Expansion
bps	Basis point, 100 bps equal to 1%
CII	Confederation of Indian Industry
EBITDA	Earnings Before Interest, Tax and Depreciation & Amortization
EPS	Electric Power Steering
FT	Farm Tractors
FY	Financial Year
Intl	International
LCV	Light Commercial Vehicles
MPV	Multi Purpose Vehicles
MUV	Multi Utility Vehicles
M&HCV	Medium & Heavy Commercial Vehicles
MSC	Manual Steering Column

Abbreviation	Expansion
OE	Original Equipment
OEM	Original Equipment Manufacturer
OES	Original Equipment Supplier
PBT	Profit Before Tax
PAT	Profit After Tax
PC	Passenger Car
RHL	Rane Holdings Limited
R&M	Repairs & Maintenance
SCV	Small Commercial Vehicles
SIAM	Society of Indian Automobile Manufacturers
YoY	Year-on-Year
2W/3W	Two Wheeler/Three Wheeler

This presentation may contain certain forward looking statements concerning Rane's future business prospects and business profitability, which are subject to a number of risks and uncertainties and the actual results could materially differ from those in such forward looking statements. The risks and uncertainties relating to these statements include, but not limited to risks and uncertainties regarding fluctuations in earnings, our ability to manage growth, competition (both domestic and international), economic growth in India and the target countries for exports, ability to attract and retain highly skilled professionals, government policies and action with respect to investments, fiscal deficits, regulations etc., interest and other fiscal costs generally prevailing in the economy. The company does not undertake to make any announcement in case any of these forward looking statement become materially incorrect in future or update any forward looking statements made from time to time by or on behalf of the Company.