Rane Engine Valve Ltd.

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132, Cathedral Road,
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India.
CIN : L74999TN1972PLC006127

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//Online Submission//

REVL / SE / 13 / 2018-19

June 19, 2018

BSE Limited Listing Centre Scrip Code: **532988**	**National Stock Exchange of India Ltd.** NEAPS Symbol: **RANEENGINE**

Dear Sir / Madam,

Sub: Company update to Shareholders – Reg 30 of SEBI LODR

We enclose herewith a copy of **'Company Update'** sent to Shareholders of the Company on June 18, 2018. The same is also available in the 'Investor' section on the website of the Company, viz., www.ranegroup.com.

We request you to take the above on record as compliance with relevant regulations of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (SEBI LODR) and disseminate to the stakeholders.

Thanking you.

Yours faithfully,

For **Rane Engine Valve Limited**

S. Kalidoss

RANE ENGINE VALVE LIMITED "MAITHRI" 132 CATHEDRAL ROAD CHENNAI-600 086

Kalidoss S
Secretary

Encl: a/a

Rane Engine Valve Limited

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Company Update

Dear Shareholders,

On behalf of Rane Engine Valve Limited (REVL), I would like to share with you the details regarding the issues impacting the financial performance, measures taken and outlook for your company.

BACKGROUND

The company has experienced challenges for the past few years inhibiting the performance. We have listed below the challenges that impacted the operational and financial performance of the company.

The Company faced prolonged period of revenue stagnation/decline primarily attributed to loss of business with one of its major export customer in Europe. In addition, the company faced a structural decline in the Indian aftermarket business and also loss of a profitable export aftermarket customer. The unanticipated loss of business significantly hurt the financials of the company. Significant investments had been made for the export customer. While in the meantime, the company managed to acquire another new export customer, the company suffered major under absorption of fixed costs for a period of two years till the ramp up of new customer.

The company initiated a restructuring exercise with the objective to reduce high cost of labour, consolidate plant locations and improve productivity to achieve cost efficiency. The initiative included shutting down of the company's oldest plant in Alandur, Chennai and merger of erstwhile Kar Mobiles Ltd (KML). During the plant shutdown, we intended to distribute its capacity to other plants, the company faced far more challenges in execution than anticipated. There was loss of skilled manpower and machine availability resulting in unanticipated capex and increased costs.

As part of merger of KML, it was decided to shutdown its oldest plant in Peenya, Bengaluru and relocate the capacity to its other plant in Tumakuru. The consolidation of the plants and the integration of the KML business into the company had its own set of challenges.

The operational challenges such as high rejections and lower output due to machine breakdown led to higher material cost and premium freight. This coupled with a lot of key management attrition further impacted the performance of the company.

KEY POSITIVES

Despite the challenges, your company has significant positives which will help us to manage the turnaround situation and deliver strong performance :

- Good relationship with customers and vast experience in global key account management
- Good performance on external quality with customer line rejection level less than 10 parts per million for automotive OEM customers
- Ramp up in volume with major export customer which should negate the earlier loss of volumes
- Ability to co-create technology solutions through pro-active customer engagement
- Excellent R&D capabilities enabling launch of new product technologies

MEASURES TAKEN

The company management have taken many steps such as VRS and sale of unused land to bring down costs and debt. But the measures are taking longer than we had anticipated. Currently, we are pursuing series of initiatives to stabilize operations across all locations particularly at Trichy, Ponneri and Tumakuru plants. Some of the key initiatives are:

- Skilling of operators and key technical resources in the shopfloor
- Strengthening plant management teams across the 3 locations
- Refurbishing old equipment making them highly process capable regardless of skill levels of the operator
- Targeting aggressive new business growth from domestic customers as well as overseas
- Tapping new market segments such as Industrial and Marine engines

While the company has remained EBITDA positive throughout this period, the management is focused on getting back to profitability as soon as possible. With all these initiatives, we are confident of returning back to profitability in 18 to 24 months.

OUTLOOK

We expect positive demand environment in Indian automotive industry in FY19 due to revival in economy, improved consumer sentiment, rural demand and normal monsoon. Further the demand indications from the global customers are also optimistic. However, we face challenge on escalating material cost driven by global commodity prices. We are focused on operational performance improvement in FY19 despite these challenges.

From a longer term perspective, the company's growth will get impacted as penetration of electric vehicles increases. While we do not believe the impact will be significant from a 5 to 7 year perspective, the Board will address this for the long term.

An excellent, dedicated and professional team of employees continue to drive forward your company's efforts on improving the operational performance with a focus on enhancing capacity utilisation and productivity, and lowering operational cost. I thank you for reposing your faith in the Company and look forward to reporting good results in the coming years.

Thanking you,
Sincerely,

L Ganesh
Chairman

June 5, 2018

If you have any questions or require further information, please feel free to contact us at **investorservices@ranegroup.com**

Certain statements in this document that are not historical facts are forward-looking statements. Such forward-looking statements are subject to certain risks and uncertainties like government actions, local, political or economic developments, technological hazards, and many other factors that could cause actual results to differ materially from those contemplated by the relevant forward-looking statements. The Company will not be in any way responsible for any action taken based on such statements and undertakes no obligation to publicly update these forward-looking statements to reflect subsequent events or circumstances.