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Date: 1st March, 2024

**The Manager - Listing
BSE Limited
25th Floor, P. J. Towers,
Dalal Street,
Mumbai-400 001**

Scrip Code: 520073

Subject: Investor Conference Call Transcript

Dear Sir/Madam,

Pursuant to Regulation 30 of the Securities Exchange Board of India (Listing Obligation and Disclosure Requirements) Regulations 2015, please find attached herewith the Investor Conference Call Transcripts that was held on 26th February, 2024.

You are requested to take note of the above and oblige.

Thanking You,

Yours sincerely,
For RACL Geartech Limited

**Jitender Jain
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TS 16949 : 2009
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RACL GEARTECH LIMITED
Q3 FY 2023-24 EARNINGS CONFERENCE CALL
26TH FEBRUARY, 2024

MANAGEMENT:

MR. GURSHARAN SINGH - CHAIRMAN & MANAGING DIRECTOR
MR. JITENDER JAIN- CHIEF FINANCIAL OFFICER
MR. PRABH MEHAR SINGH- VICE PRESIDENT, FINANCE & OPERATION
MS. ROHIT KUMAR- PRINCIPLE EXECUTIVE- SECRETARIAL

ORGANISED BY- RACL GEARTECH LIMITED

<p>Mr. Rohit Kumar</p>	<p>Good Afternoon ladies and gentlemen. I, Rohit Kumar, Principle Executive-Secretarial of RACL Geartech Limited, welcome you all to the post results conference call of the Company for the 3rd quarter of 2023-24. I shall be the moderator for this call.</p> <p>Before we start the proceedings all the participants may please be informed that this Conference Call might contain forward-looking statements about the company which are based on the beliefs, opinions, and expectations of the company as on date of this call. However, these statements are not guarantees of future performance and involve risks and uncertainties that are difficult to predict. Further, you may please note that all participant lines will remain in listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes.</p> <p>Should you need any assistance during the Conference Call, you may post your concern/query, if any; in the Question Answer box available on the right-hand or you may raise your hand as available in the right-hand corner of the screen, if you want to speak during the call proceedings. Lastly, please note that this call is being recorded.</p> <p>We have today with us the Management of RACL Geartech Limited, represented by Mr. Gursharan Singh, Chairman & Managing Director of the Company, along with Mr. Jitender Jain, Chief Financial Officer of the Company and Mr. Prabh Mehar Singh, Vice President Finance & Business Excellence of the Company.</p> <p>I now invite Mr. Gursharan Singh for his opening remarks. Over to you Sir.</p>
<p>Mr. Gursharan Singh</p>	<p>Thank You Rohit, Hello Friends, although you are our investors but I can say now our Friends because we are discussing every three months for the last couple of years. Every time I find many participants who are very diligently attending all the conference calls and of course every time we find some new faces also which really shows animism and dynamics of our stock trading into the stock market. Thanks to you all, gentlemen and ladies, for your continued patronage and confidence and trust in our organization and have you might be witnessing the by our disclosures by our statements to the Stock Market and on the social media, so once you're finding a yes, when a dynamic organization, having lots of new things happening every month, every quarter, new energies, new plateau of situations are emerging. Of course, there are new challenges and new difficulties as well. So nevertheless, I always believe that the difficulties have to be converted into our strengths and strengths have to be converted into opportunities. This is the basic dynamic of management, the nevertheless I thank you once again for joining this Investor Conference call and as usual, our practice first CFO will run through our presentation and then followed by questions and answers by me and Prabh. If any thing remains un-attended definitely will be responded. Over to you Jitender Jain, you are going to run the presentation or Prabh will run?</p>
<p>Mr. Jitender Jain</p>	<p>I will run it, Good Evening everyone, My name is Jitender Jain and I am the CFO of Company, thanks a lot everyone for joining the call today. So, this is an important slide we presented every time, but still for if someone is new I want to focus on slide a bit, we started in 1983, You know, we are more than 3-decade old company. Our F.Y 23 revenue was close to 45 million dollars and our</p>

overall strength of employees as on role employees as on 31st December was 599. As far as the product applications are concerned, we have around 22 active customers and more than 900 plus SKU our product applications are in 2 Wheelers, 3 Wheelers passenger cars, commercial trucks, ATVs, agriculture equipment and industrial gears. Our corporate office is based at Noida, Delhi NCR. We have two manufacturing locations, one at Gajraula and one at Noida. We have one corporate office and we have 3 warehouses in Europe. Our product range, it spread across transmission gears and shafts sub-assemblies, precision machine parts, chassis parts and industrial gears. I take pride in sharing that our credit rating A- credit rating by Care, listed on Bombay Stock Exchange and we have one subsidiary 100% subsidiary which is based at Austria and our core competencies are precision machining, tier cutting process, RND, laser cutting, laser welding, some assembly heat treatment, we have all these processes are in housed under one single roof and we have all the ISO and other companies certifications which are required for running out of plant in India.

I'll come to the quarterly results for Q3 FY23-24, I'm happy to share that in Q3, we have achieved an overall turnover of 115.36 crores in Q3, out of which exports was about 85.82 crores and domestic turnover was close to 20 crores. our Sigma sales, if I talk about exports are almost now close to 75% of our overall turnover and domestic is about little more than 25%.

Now this this percentage if we see quarter on quarter, this percentage is slightly they've been driven through towards the export side, but that doesn't mean that we are not doing our domestic business.

Our domestic business is also growing, but I may say, the percentage of growth on the export segment is slightly higher as compared to the domestic side.

Comparison of YOY, we have achieved 115 crores of turnover as against close 100 crores of turnover in Q3 same quarter last year. Same quarter last year, so a growth of about 15%.

And if I talk about EBITDA, EBITDA margins we have achieved close to 29 crores of EBITDA in absolute numbers as compared to 26.56 crores same quarter last year, which is a growth of about 10%.

If I talk in percentage terms and all ranges between 23 to 24.5% range and all.

And if I talk about PBT, we have achieved about 16.94 crores as compared to 16.23 crores same quarter last year, which is the growth of 4%.

It was predominantly because of higher depreciation, which has been there as compared to the same quarter last year.

Nine months comparison, nine months of this year as compared to the nine months of last year. In FY23-24, we have achieved an overall turnover of 308 crores in nine months of current financial year as compared close to 271 crores last year, which is a growth of about 14%. I'm happy to share that our EBITDA margins have grown. EBITDA has grown to 77.47 crores as compared to 67 crores in nine months last year, which is about 16% growth in percentage terms, it's slightly higher, last year it was about 24.75% and this year about 25.12% in nine months and PBT has grown to 42.21 crores as compared to 37.46 crores of nine months last year, which is a growth of about 13% this year.

This is basically current financial year quarter on quarter comparison. our Q1, Q2 and Q3 turnover we have grown from close to 90 crores, 203 crores to 115 crores, which is a growth of close to 12 to 15% quarter on quarter.

Growth of close to 12 to 15% quarter on quarter, if I talk about EBDITA margins, then it's from 23 crores to 25 crores to 29 crores, which is a growth of 9% and 16% respectively quarter on quarter and PBT has grown from 11.65 crores to

	<p>13.62 crores to almost close to 17 crores in current quarter which is a growth of about 17% and 24% respectively quarter on quarter.</p> <p>Now coming to the latest developments, latest business update this is a matter of pride for us. For the first time, we have been nominated as a Tier 1 supplier for the passenger car segment. I would request Mr Prabh Mehar Singh to just take us through this achievement, Over to you Prabh for this one.</p>
<p>Mr. Prabh Mehar Singh</p>	<p>Yes, am I audible? Hi, Good evening, everyone, please mind my bad throat, we are very pleased to inform and of course you already know through the disclosures what we said, we have been nominated for the tier-1 supplier, we are working for the pas-car through ZF and we are working as a Tier 2 working tier-1 as a company based out of India for any car manufacturer outside the India is a dream or maybe a way difficult aspect for many of the companies of our size this is the project which we have received from one of our new customer which we have added, the customer is going to launch an electric sports car, they do have the sports car in their variant, but it will be fully electric, which will be coming in 2027, this is a completely new platform which they are laundering and I'm very pleased to inform you that we have been nominated not for a sub-component.</p> <p>Usually we are a component manufacturer. We have been nominated for an entire subsystem, what this means is we have been we have to make this park lock mechanism. This park lock mechanism as you can see on the right pictorially is a locking mechanism.</p> <p>So if you have driven automatic car which has automatic gearbox, there is a sign for P so when you put your car on the P or if there any electric handbrakes the car doesn't move, this locking device or the mechanical device is placed in such automatic transmissions which prevent unintentional rollback of the vehicle when the vehicle is brought to a stop.</p> <p>So this mechanism the customer will not be by only the complete or not only the part, but the entire assembly.</p> <p>So this is having of course the gears, but there are a lot of new technologies like a pressure di-casting or aluminum parts which we have to assemble and the customer has to just mount it into its vehicle, the platform what you see on the left so right now this is confidential, the customer is launching a platform which have a different technology to run this drive which we can't disclose.</p> <p>But for us as a company, this is the first time we are going to work for a Tier 1 supplier as a tier-1 direct supplier to a pas- car company.</p> <p>We have been eyeing this business for a couple of years now. We have been working very hard to achieve this. There were certain requirements which in any case we are meeting, not for them, for other customers.</p> <p>The first was to be having a fully sustainable manufacturing, so we had to be green compliant.</p> <p>As you already know our Gajraula plant where this manufacturing will happen is 100% running on green electricity and then there was very rigorous audit on responsible business sourcing, they audited our HR systems, they audited our many aspects other than the costing and the quality pertaining to the human systems, the way of handling of work, the overtime management, the IT digital system, IT securities, there are many things.</p> <p>What many Indian companies that our size are not achieving but of for them to happen, we have done a lot of hard work there.</p> <p>The SOP will start in 26-27, so it means for next 1 and 1/2 year we would be working very actively on sample development. We would be doing 6 series of</p>

	<p>rounds of sample development before the part is assembled into the vehicle as a fully launched car.</p> <p>The total lifetime order value for the project life, which right now is 7 to 8 years from 26-27, please roughly around 38 million U.S. dollars, we would be working closely with the customer for next 1 and 1/2 years in active sample development of this activity of the project and this again would open doors for many further business opportunities from the similar customer and for other car manufacturers as well because working directly as tier-1 not many suppliers have that at least from India that privilege and also this company or this customer of ours which we call name due to confidentiality we are going to be the second supplier from India to work for such platform for electric platform and Of course, this is the start of the business and we are very confident that this would actually change the approach of the company from 500 to 1000 journeys. I would say the milestone, the foot, the foundation stone has been set through this project and looking forward that how we are able to grow this vertical and this segment into a fully bigger business opportunity.</p>
<p>Mr. Jitender Jain</p>	<p>So, friends, it's a auspicious day for us today, we have finally formally inaugurated our Plant 2. At Noida, we had we had declared during our last presentation that we'll be shifting to a bigger location within Noida from an existing plant to a bigger location. So today we have formally inaugurated the plant, this is the new plant which is there, which is already ready.</p> <p>And it was a matter of pride that one of our premium German buyer they were physically present today to this inauguration. So today we inaugurated our Unit 2 just to give you a glimpse of what Unit 2 is all about. this Noida, unit 2, this was a brownfield expansion for us.</p> <p>So it is almost 1 1/2 times of our existing plant which was there, so about the existing plant was about 11,000 square feet and this is a close to 26,000 square feet. this is in hub of Noida Sector 80, which is just 30 minutes away from the Drive Port, it is equipped with all clean room and it has and I take pride in sharing that we still have. You know we can space available for expansion. So this plant has been taken with the with the futuristic thing view.</p> <p>If I talk about the capital, so about almost close to \$1,000,000 of investment has been done. and as we are shared last time that from this new unit which we've this will be the first export order for the electric bicycle project which we will be executing from this particular plant. So this will be the first export order till now from our existing Noida unit we were catering to only domestic demand. But this new electric bicycle product will be exported from this new plant, if we talk about manpower. So we have almost doubled our manpower there from 120 people to close to 250 people who will be employed there.</p> <p>It's a highly skilled manpower which is required in the location is near to the special economic zone which is there, and it's a dedicated project. we have an NPT team to reduce queuing and ensuring the on-time sample development.</p> <p>We have deployed a highly skilled manpower there because as we will be catering to our first export project from there and if I talk about the certifications and all, we have to take the ISO 14,000 and other certifications which we will be taking in a span of next one year. and we have also planning to set up the barcode traceability system for the internal WIP movement there.</p>
<p>Mr. Prabh Mehar Singh</p>	<p>Just to add one point more JJ so on the man side, I think this is again one of the questions somebody asked maybe a year back. So of course, our right now what are the growth has come has come through our resources where I say resources people.</p>

	<p>We are a very highly skilled job-oriented company, so a lot of effort and time goes in project development in sample development, so of course there is then a bandwidth concept that if you're growing at one location, does it mean that then that becomes a bottleneck. So, this is again one of the deep bottling activities. So there is a very professional and a strong technical team which will take care of. Suppose this new electrical bicycle business, so this has come from one of our existing customers who has acquired this bicycle manufacturer, their first point was our existing business is also growing, do you have the appetite to get into something else and make that grow as well?</p> <p>Because this bicycle market, the competitor to our customer is doing maybe 2,000,000 bikes a year and they are doing only I believe they, I can't give that number, but they're doing a very small number and they have plans to grow. So then this of course, is one of that aspect or one of that strength that now there is a dedicated team which will not be which will be duly supported by Gajraula. But at least these people will have this as a full-time task, so this can always become a different profit center and then it will grow as a group turnover for us to be enabling more as they say, more arms to grow faster.</p> <p>So, this is how this new project team and the introduction of dedicated team for certain customers will help us grow parallelly, not at one location but multiple locations.</p>
<p>Mr. Jitender Jain</p>	<p>Thanks, Prabh So the 2nd update is, so we have, the company that we have as you all are aware of that we have 100% subsidiary based at Austria. So I'm happy to share that we have taken a new warehouse on rent in Austria in our 100% subsidiary and we have entered into an understanding with our existing customer KTM Austria where we will be providing additional value added services including warehousing to 100% subsidiary.</p> <p>Please note that currently we have been supplying to KTM Austria from India but there has been there has been a request from KTM side to provide a just in time supply to them. that was the reason for setting up a subsidiary in Austria. we have already taken our warehouse and a formal Billings have also started. So, the process is that Racl India will be supplying goods to what is RACL GmbH, which is my 100% subsidiary and who will in turn will be doing a small value-added service there I have of of of course we are housing and some small value-added services and then that will they will be supplying as a local invoicing to KTM Austria on a on a weekly demand basis. Through this we will be able to provide just in time supply to our customer and of course with the presence in Austria, it will also help us to get business from other clients as well, just to share that you know this, there is no compromise on the on the margins which have been done in this, the RACL, India will be supplying goods to RCL GmbH, almost at a similar rates which we were supplying to the KTM Austria.</p>
<p>Mr. Gursharan Singh</p>	<p>To add on this, first of all on this value- added service, of course, RACL GmbH, Austria will also gain some profit. So we got additional revenue opportunity that is one tangible benefit. There's one more intangible benefit. One way we have now killed competition from India for our product. export to KTM because you know not many Manufacturers of our size can our ready to ready-made solutions for warehousing that to in a land 7000 kilometers above.</p> <p>So you know, as a company, RACL always believes in putting first foot forward and do something with competition is not doing so that way. We have killed our competition, at least for I will never use the word forever.</p> <p>But yes, for very very long period, because you know overseas buyers don't take their decisions to change any alternate competition and all on any minor grounds and all this warehousing has really given us suggest strong upper</p>

	<p>hand the in this current business that will always be beneficially out of this business. This is also one intangible benefit we have got from this, now over to you JJ</p>
Mr. Jitender Jain	<p>Thanks, yes now another feather in our in our cap, I would say so. Our Gajraula plant, as we have disclosed, has achieved 100% green energy compliance. So if I if I talk about the breakup right now, so currently almost 94% of our of our requirement at Gajraula plant is being catered by through electricity from Electricity board which is 100% green energy which is being supplied by them and we have got a certification from them and about 4% of our current consumption is being is being generated through our renewable solar roof rooftops through which we are generating about 1.2 MW Watt of electricity. As of now, we are happy to share that we are at a location where there are hardly any power cuts and all., if there is some in emergency, there is some power cut and all so about 2%. As of now is through G sets and all, but going through from April, from the next financial year.</p>
Mr. Gursharan Singh	<p>Just to add on this back up will always remain because if power fails, so sun is not there in light so that small error. This 2% will always be 2% will always remain until Power Corporation stopped making power cuts in daytime you can still use partly your solar power., actually on this paper, we are a green electrical energy compliant. Because LPG also is that energy. OK, but that is not a green, so we are now as in today 100% green electrical select.</p>
Mr. Jitender Jain	<p>So my apologies for this correctly. Make this so as we are declared last time we had already taken a captive solar power. Captive solar power, which we will be taking from our solar power plant which supplies expected to start from March and or April onwards.</p> <p>So once that will start, then about 54% of our requirement will be served through the electricity from Electricity board and about close to 35% will be through this new solar power plant from which we have taken the captive, we will be the captive user for that plan and close to about 9 to 10% will be through our renewable solar rooftop generation which will be catering for our plant requirement.</p> <p>So we, I mean it's a matter of pride for us that you know we have won the first prize in the category of engineering and builders hardware for the highest export performance for the financial year 2022- 23 from the state of UP. And this award was conferred by Department of Micro, Small and Medium Enterprises and export promotion Uttar Pradesh Government of India. we had in financial year 2022 23 in the engineering and builder's hardware category.</p> <p>RACL was the company which has done highest exports in that financial year. So RACL Geartech limited, we take pride that we were one of the title sponsor and official partner for 2023 BMW GS Trophy India Qualifier. This event was in partnership with BMW Motorad.</p> <p>This event was exclusively for BMW AGS motorcycle owners, and this event has been started, has been going on since 2010 and it has been a lot of global recognition from the time it has started. This year, around 22 teams with a total rider of almost 60 around the world has participated in this in this competition, and RACL was one of the title, sponsored an official partner for this this event.</p>

<p>Mr. Gursharan Singh</p>	<p>The model has a lot of components also from RACL. It's not only we have structured it in, vehicles are running on our gear, on our games, OK.</p>
<p>Mr. Jitender Jain</p>	<p>As the future looking Company, we have been focusing on exports. We have been focusing on value addition. We have been focusing on being tier-1. We have been, we have focusing on sustainability and one more thing we have been focusing on digitization. I take pride in sharing one of the efforts which we have done now are HRMS application. It is completely online for all the employees across RACL, so we have our own apps which is available on both App Store and IOS and all our again, our two to contribute to the sustainability and all, so it will be a completely paperless mechanism. So we have launched our HRMS application and now so it is available on both laptop and in the app URL and app form. Secondly, we have also to ensure our paperless company. We have also started online production monitoring now.</p>
<p>Mr. Prabh Mehar Singh</p>	<p>If any manufacturing needs efficiency and a lot of data to be analyzed and reported, we do a lot of this activity manually wherein 8 and 1/2 hours is worth the operator comes to the shop. What has he done in that 8 hours? Like in IT you have timesheets, we have these job cards, so they write that if let's say part A requires 100 minutes to be made, so how much parts did you make in those hundred minutes? and if remaining there was any issues, let's say break down absolutism, quality issues So you report it and then base is that the question what you ask us in many of the calls, what you use utilization, what user efficiency? So all of that happens a lot. Manually there are errors of course. So now we are moving to digital wherein we have introduced tablets on the shop. So each operator has its own face mapped. So then they have to give that data on the tab earlier, which were they're filling manually and then what you see on the bottom right is the efficiency report. So as a shop manager or the production in charge is, then after every shift able to understand the losses, the areas where it's a, what do you call improvement is required and this at a management level when you are running the plants through professionals through virtual locations So these dashboards then also come to us in terms of plant efficiencies. We were doing this. From a year here and 1/2, but there was still an interface which was manual. Now we have eradicated for the newer plan, so the pas-car and the other plant, if you understand the nomenclature, all this and Shakti there. We have introduced this and we would then, do this vertically across the shops one second of course, as you all know, a lot of people are doing things on Internet so it is called Internet of Things or the smart factory or the IoT. What it's called so the machine has individual sensors which are attached to the PLC of the machine and then real time data we get on each clamp. Again, it is for better efficiency and report monitoring, so we are upgrading ourselves, not on the part family the sustainability, but on the technology on the efficiency monitoring and other lean management concepts as well. We've tried to put in to give you a broader idea of how the operations are being run.</p>
<p>Mr. Jitender Jain</p>	<p>Thanks that's from our side, over to you Rohit</p>

Mr. Rohit Kumar	If anyone has any questions, you can raise your hand
Mr. Prabh Mehar Singh	I will Moderate this Rohit, do we have some pre-registered questions? JJ maybe you can take that first, I will unmute Anirudh Please keep up to 2 questions
Mr. Anirudh Shetty	<p>Thanks for the opportunity. I'll speak two questions and I have a couple more, but I'll just join back in the queue if time permits. So just congratulations on the parking lot mechanism opportunity. I have gotten a sense of the size of the opportunity, but if you could elaborate on in terms of just the complexity of the product and how does the profitability of this product compare, you know to Visa V existing portfolio and now as we are winning new orders, the visibility improves So is there any change in the Capex plans at a company level because earlier we had alluded to 350 crores rolling for fire period.</p> <p>So is there any change in our Capex plans or due to this you know due to better visibility with our customers?</p>
Mr. Gursharan Singh	<p>First of all, you ask regarding complexity of parking lot mechanism. So although we should have not been showing this picture, but investors are our close family, so we really showed you the picture. It's a very, very complex product which involves really very high engineering and obviously the it's a challenging project and as far as value is concerned, since we are bound by confidentiality, so we are not really allowed to speak out the numbers and the value that the volumes, but you can just make it that if it is loopian car buyer. So it's not a nominal number, it will be high volume business. So of course, you can record its high value-added business.</p> <p>It's a complex business It's a high value-added business as well as Capex is there. Next year, we have already announced our Capex plans for 2024-2025.in earlier, disclosure, and we'll maintain that and while announcing that Capex where a lot already had kept in mind this particular business because Prabh already explained to you that this business we are discussing with the customer for last almost one year. So and we were seeing the when it's growing in our favor.</p> <p>So we already kept some cushion. And secondly, whatever investments of this project for mass production will happen, this will be in coming years because you know this electrical car business has a long gestation period because it's a total Greenfield project. Green field project means this total passenger car platform is totally new. So customer is not Greenfield, but the platform is totally new.</p> <p>So actual the mass production has to start somewhere in 2027, so the real capex will start happening in coming years. This year, our Capex plan which we have and also we are going to hold on those Capex plan on.</p> <p>I hope I've been able to clarify both of your questions.</p>
Mr. Anirudh Shetty	Yes. So, but I just wanted to clarify, so if we're spending 90 crores in 2024 and 60 crores in 2025, So the run rate that you are referring to beyond 2025 will be more like 60 crores, which is what we might incur in the next is my understanding right.
Mr. Gursharan Singh	<p>But well, actually we have.</p> <p>We have said about 24-25 and 60 crores and 90 crores but 80-85 crores for 23-24</p>

	So what these two years we have announced this 80 + 6 for coming here says of course, once the 25-26 numbers will be there, we'll obviously share with you. But right now? we can't share those numbers yet.
Mr. Prabh Mehar Singh	But just to add Anirudh One more point I think we should have mentioned in the presentation. So this year's Capex budget, I think this is the first year wherein we are actually reducing the debt. So our repayments are going to be higher than the money what we raise, so maybe JJ we can also.
Mr. Jitender Jain	So I know just one more clarification here. The 60 crores of Capex budget If you would have read the 15 out of that 45 crores is the regular Capex 15 crores. We have taken as a contingent Capex budget subject to any prepayment of Capex of next year. Any new order which of course this this new one has already come in, but to what I can share with you is that the debt which will come on the books that long-term debt which will come on the books due to this Capex will be lesser than the total repayments which are due for next financial year philosophically.
Mr. Prabh Mehar Singh	So technically our debt will reduce for the first time
Mr. Jitender Jain	Yes, yes, the overall debt will reduce long term debt will reduce for the first time, uh, tentatively. That is the philosophy which we we want We would want to keep going forward, but yeah, this is the maximum command which I can make right now.
Mr. Gurusharan Singh	Prabh now you can unmute Siddharth Thakkar
Mr. Jitender Jain	Please unmute yourself Siddharth
Mr. Prabh Mehar Singh	I think he is not joining
Mr. Jitender Jain	Next is Mr. Pratik Kothari
Mr. Gursharan Singh	Hello Mr. Kothari, Unmute yourself
Mr. Prabh Mehar Singh	He has hand raised. Mr. Kothari please unmute yourself, I think some issue in his mic, so maybe we can come back to him later.
Mr. Gursharan Singh/ Mr. Prabh Mehar Singh	Hello Mr. Pranay Roop Chatterjee, I will connect with the Pranay Roop Chatterjee. Please unmute yourself
Mr. Pranay Roop Chatterjee	Good evening, Am I audible? thanks all for giving me this opportunity. I had a couple of questions firstly I think couple till about couple of quarters back we had maintained we are given a guidance of around 20 to 25% growth over the medium term. last quarter I think a couple of orders that slowed down and you had said that there was of some temporary issues and hence you know it's temporary in nature. So if I were to look at all these statements and also the growth of 20-25% was supposed to be driven by new segments like passenger vehicle, which is the ZF

	<p>business and your man trust business and your EV tubular business is scaling up.</p> <p>So my question is, do we still have a visibility of this 25% growth number if I were to speak about both FY25 and 26 and are you how is the progress with the scale up of the ZF Mantra X and your EV 2 Wheeler businesses?</p> <p>Is it as per your expectation?</p>
<p>Mr. Gursharan Singh</p>	<p>I think we should do that for 2024-2025. We have already announced a budget of 548 crores in our recently last concluded board meeting, February 7th, So that answers your question by itself that this year turnover, you can already make out. So you're actually there is a growth plan out 20-25% more than and when we are the targeting in this would have another investment 60 crores in this financial year.</p> <p>You know, our business model. Is that whatever investments we are making, this is always for future years.</p> <p>These 90 crores which we have invested this year, this will be catering to our and Production requirement of 24-25 and onwards, the investment of 60 growth which we have planned to do in 24-25, eventually it will be utilized for mass production 25-26. So you can say that then short term of two years, there is a real visibility. They in line with our project.</p> <p>So far business is going stable, business is going, uh smooth and you know one thing is very clear that no witness will always keep on growing. There will always be certain headwinds. One has to always face and there they can.</p> <p>Sometimes there can be seasonal issues, sometimes there can be geopolitical issues and all sorts of things.</p> <p>But you know, we are actually lucky one or our business strategies very well thought business strategy that we had 22 active customers and we are into literally every segment of mobility right from two-Wheeler of 100 Cc to a 49 Tonner truck right from the Off-road vehicle of ocean or. Off road vehicle for sand or off-road vehicle for snow, for agriculture Machine for tractors, we are there. So, you know, we have an omnipresent company, so all segments will never go into the recession mode.</p> <p>All segments will never go into decline mode. One session grows or 1 segment grows 1 section recognized. That's the reason we always maintain our growth plans and to answer to conclude your question and clarity then projections for 24-25, we have already announced, So it's the public document for 25-26.</p> <p>You can just draw the numbers if you're investing 60 crores.</p> <p>Obviously, those kind of growth plans will come in coming years also. I hope I'll be able to clarify you</p>
<p>Mr. Pranay Roop Chattarjee</p>	<p>Sure, Sir. That is clear, just one quick follow up before I move on to the next question.</p> <p>Since you mentioned that, but you said that you have already come out with the growth number for this year and hence the associated CapEx is 80 to 85 CR and then you're reducing your CapEx next year. So does that mean that the incremental growth is lesser next year?</p> <p>I'm just trying to clarify that part.</p>
<p>Mr. Gursharan Singh</p>	<p>You asked very intelligent question, you know and the past 3-4 years, including this year, we were investing only to the capacity expansion. We were doing lot of investments onto the infrastructural improvement and Also a replacement of legacy equipment, you know plant has also gone 35-year-old unit.</p> <p>So in past 3-4 years, we've done major investments in that area also. Technically, those requirements have now almost finished because our infrastructure improvement activity has finished totally like and we might</p>

	<p>have disclosed in earlier con-calls that we invested almost 25 crores rupees in two years, only for housing colony housing campus for our engineers and managers.</p> <p>Now that investment is done once and it will be now sufficing for ages that 10-20 years. So those investments are not required in future same way we are to invest about 4-5 crore rupees one hour electrical system upgradations you know five years back our company was using only well I think 1.5 is a lot of power now we're using 3.5 MW of power and we are extending our electrical infrastructure further by additional one MW. So we'll be 4.5 MW power consumer now.</p> <p>So technically in short span of six years, we have increased our capacity by 300%. Why eventually, once this installation is complete, now will be able to utilize this on the next couple of years. So these investments requirement has they come down now the real enhancement will happen only on plant and machinery.</p> <p>Thankfully, we have not to invest anything on land because we still have about 10 acres of land. So when you say that overall investment overall investment has gone down, it's not that our requirement for CapEx has reduced our requirement on investment, investment on infrastructure and replacement of legacy equipment as by and by finished. So this is the justification for that. I hope it is clear to you.</p>
Mr. Pranay Roop Chatterjee	<p>So that is absolutely clear, that makes sense, one last question</p>
Mr. Jitender Jain	<p>Pranay one last question, please.</p>
Mr. Pranay Roop Chatterjee	<p>My last question is essentially trying to understand your diversification strategy. So recently we have over the last 3-4 years we have added products beyond our traditional gears in shops. For example, the recent part order right? It is figured agnostic in nature.</p> <p>Then the ZF product that you have electromechanical role control, that also is essentially by function. It is feeling agnostic in nature, right?</p> <p>So, and I think the same thing could be said for probably the KTM or rear Axel order. incrementally, if I think about it strategically, are there enough parts or components within, let's say two-Wheeler or PV luxury or premium space which meets our high precision requirement because we have those equipment's we need likewise margins, right?</p> <p>So do we have enough of those search components beyond gears and shafts to continue to scale, which are at the time meet your margin and the fuel agnostic in nature?</p>
Mr. Gursharan Singh	<p>It is very brilliant question, You know in particularly complexity of machine component is increasing like anything. Because first of all, we're lucky that we're gear maker, so no EV without a gear.</p> <p>So our business will never go down. The three gear will always remain, barring some EVs up which are 100CC and below because they are direct driven.</p> <p>Events, but I don't really consider them as a real EV, but actually we are having lots and lots of gears. So first of all, gear within itself is there in baby, but in EV there's a huge scope for machining huge scope for machining, because when you say battery, Can you imagine the kind of machining is required for creating an electrical battery but.</p>

	<p>And solo, it's a huge machining because then EV, the weight reduction is becoming a very, very big challenge and people are now because all the vehicle manufacturers are shifting to nonferrous to aluminum to titanium and even the magnesium and so on and so forth, And when you use die casting, then forging so eventually the way weights are always higher, so precision machining has a lot of scope.</p> <p>Just to give you a small example, it's not influencing any numbers there is a typical foot rest on one of our customers Two-Wheeler foot rests.</p> <p>Typically, when a PI sets, particularly for the girls, they have to put their leg or their feet onto the food dress. Typically, those foot rest for normally well, they cost are molded foot rests where some rubbers and red one-hour customer had a design which requires 5 axis simultaneous interpolation which is actually I'll say that technology required for producing a turbine blade of aircraft.</p> <p>So this is like although it's a low value components small component but it's adding complexities because of weight reductions and futuristic technology is etherizing aesthetics.</p> <p>So a lot of new areas are coming, That's the reason we have very strategically shifting towards precision machining in EV because you know in every you can't really make the battery or the electric controller inverter because it's a hardcore electronic component.</p> <p>But there is a lot of space for the and we're getting all machining and precision machining components and where there's a technology, yes, there has a lot of.</p>
<p>Mr. Jitender Jain</p>	<p>Can you please unmute Mr. Pratik Kothari</p>
<p>Mr. Pratik Kothari</p>	<p>Yes, I am I audible. hi. Good evening, sorry for that earlier, So my first question, I mean, first of all, congratulations on winning this Tier 1 supplier order, I believe we have been trying this for a long time, so just a couple of things on that. One is this the same one that you are trying a year back and we didn't get the order because of cost? and 2nd Sir, when we shift from a Tier 2 supplier to a tier-1.</p> <p>So one, what is it that a customer looks for? I mean, we talked about we're going from a component manufacturer to some assembly.</p> <p>what is it that they look for in terms of technical competence?</p> <p>What is it that we are able to bring to the table and how does our responsibility change versus supplying to a ZF to now directly to a customer?</p>
<p>Mr. Gursharan Singh</p>	<p>I will say, you know, if I say customers perspective customer biggest perspective is can he trust us, the gods we if we don't deliver. So we maybe deliver a component versus \$1.00 or \$10 or 20 dollar. And if he loses the car, which maybe \$100,000, or maybe the \$200,000, so that is the biggest thing. Customer really sees takes a holistic view. When say deliver, deliver doesn't mean that only delivering the quantities, delivering the quantity, and delivering the right quality and right quantity and the right time.</p> <p>No, that is one these days the biggest challenge or the biggest opportunities come how sustainable is the business in terms of environment. But these days, particularly the European OEM, they have become very, very conscious about choosing a supplier who is sustainable in the short term, mid-term and long run, And when this is sustainable, they don't see only a sustainability of operations as prabh explained during the explanation, by presentation.</p> <p>That customer also says how strong we are into the human resource management, all strong. The environment management all strong we are towards.</p>

	<p>And maintaining that legal trajectory and regulatory compliances.</p> <p>So you know these days in one of the discussion our Gladstone that these days discussion about the product time spent on discussion of products, the 20% time is only the cost 80% time is the other peripherals which is mainly on sustainability. This is how when customers choose us as a tier-1, so he really evaluates us, but you can also make out that these kinds of OEMs, if they choose us or any other such manufacturers in tier-1.</p> <p>So they see all the inherent strengths of the company towards the financial strength, technological strength, and the members strength.</p> <p>You know, no customer will award you business only if he sees the technology because technology money can buy.</p> <p>Unfortunately, brains cannot be bought by money, so they really see how strong we are going to managing our human resources.</p> <p>Now, once technology is there, one human resources there, 3rd important thing is the managerial, professional ethics managerial professional code of conduct</p> <p>So you know, these bigger organizations evaluate all and we can really say that yes, if we have been nominated by Pas-car manufacturer as a tier one. So definitely we rate the much fairer in their list of requirements or list of their acceptance criteria. And yes, this is a big pride for us to be associated as tier one because of course we are working as Tier 2 with ZF.</p> <p>But I will say ZF.</p> <p>Technically it is tier-2, but I'll say that it is rather more stringent as tier one as compared to major of other tier one. So even ZF also will consider them as tier one only because ZF as such, once they as a company I think they are much bigger than many many OEM in the world. So that way technically we are tier one. Now do Pas car manufacturer.</p> <p>But if we really add ZF, so we are almost four years now as a tier one. So company has really attained this level, not overnight. It has been a long, drawn effort and long run team efforts by our all the people working they endured with their account.</p> <p>I hope I have been able to clarify.</p>
Mr. Pratik Kothari	Yeah, because this one uh in any but more for this, I mean, how our responsibility is different versus supplying to ZF versus yours.
Mr. Gursharan Singh	<p>This possibility remains the same, only thing is there is an umbrella which as we know there's no umbrella, So we have to always responsibility is the same, you know end of the day If we really don't deliver with ZF, so the same issues are there at ZF also, but between ZF as a Tier 1.</p> <p>I mean the directly working in the TTL, so there is always some sort of safety stock at our end, some sort of safety stock at ZF end so eventually and customer has at least two tiers of safety when we work directly with tier one to technically now there is only one tier of safety, So we have to be extra cautious and maintaining the quality and the delivery and all other criterias.</p>
Mr. Pratik Kothari	Right.
Mr. Gursharan Singh	So we are do be more cautious what planning our activities more strongly.

<p>Mr. Pratik Kothari</p>	<p>Correct, Correct answer my second question, we recently went into this liability where we changed the liability from RACL Austria to RACL India. This was with KTM, so is this a normal agreement that we do with everyone? Why this shift of liabilities from there to the Indian?</p>
<p>Mr. Gursharan Singh</p>	<p>But I will let you know there's all you know with all our customers liabilities Why this was in case of now GmbH, you know, GmbH is a private limited company in Austria, European laws are little different, So privately, because when you say RACL GmbH, which means it's a limited liability company. So eventually KTM has a safeguard that they, if they buy product directly from them. So Austrian company is a limited liability company. So why would you have there? Your European regulations, all the European limitations, they have asked the parent company, which is RACL in India, because RACL GmbH, which is 100% subsidiary of us. So eventually, whatever liabilities over there the same liability gets transferred to India also where anything goes wrong. As such, we are liable, but KTM wanted a more transfer it, Document that OK legally because you know, you know, means always take a very, very say it's sort of action they are saying if something goes wrong at the Austria. So tomorrow Austria should not wash their hands together. OK, the parent company from India has to take out the liability and these liabilities are already when we were selling directly to KTM, these liabilities were already on us. So technically, it's nothing is just a kind of extension of that liability from India to Austria.</p>
<p>Mr. Pratik Kothari</p>	<p>Say in the last call in December or November we spoke about certain delay in ramp ups. With that I mean the two new customers which you added the man and the letter F so any light, if you can throw on that mean are things aligning well toward the earlier plans?</p>
<p>Mr. Gursharan Singh</p>	<p>Yeah, they're doing very well, they are doing exactly as per plan. Prabh If you can add any anything to this, with XF you deal directly? But I feel everything's going as per plan or I think prabh you were mentioning that some model then someone increased demand also. Prabh, if you can clarify your better.</p>
<p>Mr. Prabh Mehar Singh</p>	<p>Sorry, can you repeat the question?</p>
<p>Mr. Gursharan Singh</p>	<p>Then you would have seen that ZF how the business is progressing.</p>
<p>Mr. Prabh Mehar Singh</p>	<p>Yeah, business is doing fine. Doing well. The customer is doing OK some of the customers are showing increase. I mean some of the end customers for our customer as you know it has multiple application in different, car companies. So some models are doing well, some are not, So at a balance, it is not affecting us. so that is doing well</p>
<p>Mr. Pratik Kothari</p>	<p>That so those th ramp of delays which we spoke about in the last call, those were all temporary and transit training Those seems to be behind us.</p>

Mr. Gursharan Singh	Yeah, those problems are all. Yes, all technology, every machine has coming down factory now, now we are having a backup capacity also.
Mr. Pratik Kothari	That, OK, great. Thank you so much, Sir. And all the best
Mr. Gursharan Singh	I think there are no more listed questions, so maybe you you can take one or two questions from the public.
Mr. Jitender Jain	So if anybody is interested, they can raise hands.
Mr. Prabh Mehar Singh	I'm un-muting Piyush Jain.
Mr. Piyush Jain	<p>Hello. Just wanted to hit two, one or two things. Just first thing, if you can give that number or something, how much business we are doing from ZF or maybe in a one- or two-years' time we will be able to do second since we becoming a tier-1 supplier.</p> <p>So does this affect any relationship with ZF? I believe earlier we will be doing this business through ZF or something and if we are becoming a peer with supplier for this, this German car manufacturer or maybe some other so other companies in future when this affect their relationship with Jeff or not because I'm not able to understand this.</p>
Mr. Gursharan Singh	<p>It will affect positively.</p> <p>You know that if you know we are never a threat to ZF, ZF is \$42 billion company and we have many school business.</p> <p>So we are never a threat to them. More precisely, more better than there are other supplies because you know, particularly from Indian perspective to be very honest, not many auto component companies are.</p> <p>We are particularly companies who are not working with European manufacturers. Not many auto component manufacturers will have that kind of understanding of the requirements of the tier-1 companies of Europe, so rather than have kind of companies will take it in a positive.</p>
Mr. Piyush Jain	And any number on that or how much business we are doing in a maybe FY25 or something years or two years' time with Zf or something?
Mr. Gursharan Singh	<p>Do you know that these things are little confidential?</p> <p>So definitely one doesn't. Yeah, but otherwise then the well performance gets closed We always share the number, so eventually previous years I everything is there for future years you know customer wise segment wise little difficult to discuss.</p> <p>for us also to maintain our quality and delivery always on.</p>
Mr. Piyush Jain	Thank You
Mr. Jitender Jain	Maybe we can take rudresh.
Mr. Rudresh	Hello I'm audible. With respect to parking lot, my mechanism is it fuel agnostic or what?

Mr. Gursharan Singh	So even king lock mechanism is it fuel agnostic Because this is particularly for electric vehicle
Mr. Rudresh	So you you meant to say that we can't you we can't leverage that mechanism and use it in the IC engines, right?
Mr. Gursharan Singh	That they'll have to ask the customer, but in any case, the nomination, you know Any product when the customer designs for a particular brand of vehicle in an IC engine parking lot, management will of course will be different because I see engine has a very full-fledged hit speed, 10 speed, 9 speed gearbox log mechanism will be inside this We'll do some power clock mechanism for parking log wheels for IC engines, but of course this is this desire is for electric vehicle only.
Mr. Rudresh	Ok Thank You, and one more thing on the geopolitical tensions which we're seeing in the Middle East, so does it affect us in any ways?
Mr. Gursharan Singh	It's increasing the lead times, so obviously disruptions some extra materials to be rushed in the the short run, it is an advantage that we have to rush extra material, So definitely, we'll get some benefits and some stay geopolitical tensions will get resolved. So then maybe because you know about two weeks of transit time has increased, so these two weeks have excessive materials on customers are demanding some safety stocks are reducing. So where do replenish the safety stock? So these kind of disruptions are there. So I'm not saying it will affect business in a big way, but yes, some temporary local disruptions will happen and this we are taking care.
Mr. Rudresh	So does it affect our group guidance which we are giving? See, you said that we are giving two weeks heads up, So what I meant is the does the tension in the Middle East affect our growth guidance or is it?
Mr. Gursharan Singh	No growth guidance will always remain the same, only thing is, you know we always have in Europe safety stocks of four to six weeks, So technically, those two weeks delay will reduce the safety stocks by from 4 weeks to two week two weeks or six weeks to four weeks. Then eventually we would replenish the stocks Growth will keep on doing it, but you know, sometimes, you know, beans are buying too many things from China do from Asia and if anything gets delayed and the line stops eventually, yeah, everybody will get suffer. But eventually, you know, big OEM's, they know how to manage their difficulties so.
Mr. Prabh Mehar Singh	Some of them, just to add, are also picking up material via Air and still they are not saying no to put material in the sea. So of course what they're doing is they're doing contingency if the ships are delayed, then at least they're picking on air. So as Sir said, sometimes it is helpful that no, maybe we are sending more because of this crisis, but in the long run, of course, when the sea shipment start reaching, there are some correction might happen, but there is nothing which is major going to affect.

Mr. Rudresh	So coming to the last question, coming back on the parking lot mechanism, so are we the only better or how many competitors were there and can you throw some light on the competition? .
Mr. Gursharan Singh	It was a global bidding, Not only RACL, the global building we're in China, India and many European companies and from China. It's a global building, so obviously those numbers are not known to us, but it's not that we are the only bidder. But yes, now I can say with pride that we are the only supplier for this migration.
Mr. Rudresh	OK, so you it's an exclusive agreement with your people.
Mr. Gursharan Singh	yes, it's very clear because I have you attended the our calls earlier also or it's your first time you're attending this call
Mr. Rudresh	No, I didn't even in the past as well
Mr. Gursharan Singh	Ok So just to explain you, our business model is such that whatever product we supply to our overseas buyers, this is what our product, I say it's not a product category. What our product, it is always as its sole supplier and the agreements are always long-term agreements. They are linked with the project shelf life. Project is for two years. It will be for two years if projects for 10 years it will be for 10 years, So this is our the business, the style of business.
Mr. Rudresh	Ok, Thank You
Mr. Gursharan Singh	So there are no more hands?
Mr. Prabh Mehar Singh	I think there is one more hand and then we'll finish this
Mr. Jitender Jain	Mr Aditya Pal, can you unmute yourself please?
Mr. Aditya Pal Singh	Hello. So just just one small question on on the, on the parking lot lock product, so this design will be owned by RACL and this can be scaled up to other customers as well, right other manufacturers?
Mr. Gursharan Singh	No, Ours is only build to print design It's a concurrent engineering for the exclusive specific customer because we have added that not not now we'll we can.
Mr. Aditya Pal Singh	But but we can do it for other customers as well
Mr. Gursharan Singh	No, the basic design is owned by the customer who have worked with them as a concurrent engineering, You know, these days they concert has come, what we call it concurrent engineering, The basic design will be developed by the customer and then we have to add value to make it manufacturable and to make it cost competitive.

	So that inputs we are given, but that is the. USP for getting nominated this project in a global bidding project, but eventually this ownership other than the means that the customer not with us.
Mr. Aditya Pal Singh	But say for example, then there will be other manufacturers who will be having parking lot design designs. They can come to you and do concurrent manufacturing with you as well, or you have a non-compete sign signed with this customer.
Mr. Gursharan Singh	no, that that were free to work with anybody, Yes, there's no such noncompete agreement.
Mr. Aditya Pal Singh	Understood, So that was it for my side
Mr. Gursharan Singh	Thanks to all.
Mr. Jitender Jain	Yes, if anyone else has any other query your requested to send us an email and we will definitely reply back to you on the same. So thanks a lot everyone, It was a very heartening response from everyone as, as always in our investors call and we will keep on updating any further developments as we keep on doing and thanks a lot and stay safe.
Mr. Rohit Kumar	Thank You all.

Notes:

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