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November 28, 2024

To
The Bombay Stock Exchange Limited (BSE)
Floor 25, Phiroze Jeejeebhoy Towers,
Dalal Street, Mumbai-400 001
Scrip Code: 520073

The National Stock Exchange of India Limited
Exchange Plaza, Bandra-Kurla Complex
Bandra (East), Mumbai- 400 051
Symbol: RACLGear

Subject: Investor Conference Call Transcripts

Dear Sir/ Madam,

Pursuant to Regulation 30 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, please find attached herewith the Investor Conference Call Transcripts that was held on 22nd November, 2024.

This is for your information and record please.

Thanking You,

For RACL Geartech Limited

Neha Bahal
Company Secretary & Compliance Officer

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RACL GEARTECH LIMITED

Q2 FY 2024-25 EARNINGS CONFERENCE CALL

22ND NOVEMBER, 2024

MANAGEMENT:

MR. GURSHARAN SINGH - CHAIRMAN & MANAGING DIRECTOR

MR. JITENDER JAIN- CHIEF FINANCIAL OFFICER

MR. PRABH MEHAR SINGH- VICE PRESIDENT, FINANCE & OPERATION

MS. NEHA BAHAL- COMPANY SECRETARY & COMPLIANCE OFFICER

<p>Ms. Neha Bahal</p>	<p>Good Afternoon everyone I am Neha Bahal, Company Secretary & Compliance Officer of RACL Geartech Limited, on behalf of the Company, I warmly welcome you all to the post results conference call of the Company for the 2nd quarter of 2024-25. I will be the moderator for this call.</p> <p>Before we begin I would like to inform all participants 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 may cause actual results to differ. 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 be advised 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, along with Mr. Jitender Jain, Chief Financial Officer and Mr. Prabh Mehar Singh, Vice President Finance & Business Excellence.</p> <p>I now invite Mr. Gursharan Singh for his opening remarks. Over to you Sir.</p>
<p>Mr. Gursharan Singh</p>	<p>Thanks Neha, Thanks All, first of all, I'm glad to introduce that we have around 16 shareholders who have physically spent all time and efforts to visit us at Gajraula factory. So technically in all we are around 35 persons present. So I welcome you all and I hope the persons who have joined physically had a good impression about the company and the people who are online. So definitely some people have already visited and will keep such more opportunities in the future so that. You also have an opportunity to visit us and we'll be really glad to receive you. And then sharing the experiences of you and us together. And while this Q-2 numbers are already with you, so I'll hand over the discussions to Prabh and Jitender to run through the presentation and after that Q & A.</p>
<p>Mr. Jitender Jain</p>	<p>Good afternoon, everyone. This is Jitendra Jain, CFO of the company. So first of all, thanks a lot to everyone who have joined us online and it's a pleasure. For the first time, we are having our shareholder friends physically also available with us at our Gajraula factory right now and it's an opportunity to interact with them in person in our investor call. So just to give you an overview of the company, we are close to 40 year young company right now.</p>

Our head office is at New Delhi. In FY24, we clock out close to \$50 million and permanent employees are close to 832. Our products basically gets applied to all the segments which we can talk about in the automotive sector, 2 Wheelers, 3 Wheelers passenger cars, commercial trucks, Atv's, agricultural equipments, etc. We have around 22 active customers and more than 900 SKU's right now. Our corporate office is headquartered in Noida. Uttar Pradesh, India. We have two manufacturing locations in India. One is at Noida and motherplant is at Gajraula. As I said, corporate office is based at Noida and we have around 3 warehouses in Europe. So as far as our product range is concerned, we basically supply transmission gear from, but now sub-assemblies, decision machine parts, chassis parts and industrial gear. I'm happy to share that our credit rating has been reaffirmed by CARE again this year. So we are rated A- right now by CARE. We have one subsidiary which is in Austria. As well as our competencies are concerned, we have entire bouquet of competencies which you can think of in an automotive sector under one group. I'm proud to share that whether it is gear cutting machine, RMD, concurrent engineering, aluminum machining, heat treatments of assembly, laser welding, laser cutting, whatever we can think of. And that's our strength to have the entire bouquet of all the processes under one group. We have all these certifications which are required which is ISO, ITF and all. Coming to the Financial performance for Q2, we have clocked the turnover of about 105.71 crores in Q2 of FY 24-25. The breakup of this is we're close to 75 crores of exports, about 20.76 crores of domestic turnover. Our other operating income was close to six crores and non-operating income was about four crores. Then totality about 105.71 crores of turnover. The breakup of the same, about 71 percent, is exports and 29 percent is domestic. But this mix is shifting a bit. Last quarter it was about 73 So now the exports is about 71 and domestic is around 29.

This is the YOY comparison. So we have achieved that turnover of about 105.71 crores in Q2 of FY 24-25 as compared to 103.14 same quarter last year, which is a modest growth of about 2.5%. However, we have clocked a turnover of 22.28 crores in Q2 this year as compared to 25.18 crores last year. Same quarter is a drop of about 11.5%. However, our PBT is 6.75 crores this quarter as compared to 13.62 crores last year. Which is a drop of about 50.4%. This is standalone Q1 versus Q2 comparison of sales and profitability. So we are almost flattish as compared to Q1, a 105.71 crores this quarter as compared to 105.8 crores. Last quarter almost similar EBITDA margins are also in absolute numbers almost same 22.28 crores as. Compared to 22.33 crores last quarter. However, there is a drop slight drop in PBT 6.75 crores as compared to 8.42 crores last quarter which is close to around 20%, which again it because of higher depreciation and slightly higher finance costs. This slide will give us a view of, you know, So this is basically budget versus actual. So what we have budgeted for Q2 and eventually what we have been able to achieve and we'll explain the reasons for the same headwinds, which I think we all are aware the automotive sector is facing right now. But this gap we had budgeted a turnover of about 113 in this quarter, but eventually we have been able to achieve a turnover of about 105.71. we Missed it by all around 8 crores and which eventually impacted our profitability. Accordingly, We have budget of 25 crores but we've been able to achieve about 22.28 crores and accordingly we had budgeted a PBT of about 12 .05 crores. But we have been able to clock about 6.75 crores as compared to budgeted number. This is 1/2 yearly comparison as compared to half year of last year versus half year of this year. For this half year we have about 211.5 crores as compared to 192.76 crores. Same period half year last Year, which is a growth of about 9.7%. However, our EBITDA is about 44.61 crores as compared to 48.37 crores last year, which is a little drop of about 7.7%. and PBT is 15.18 crores as compared to 25.27 crores same period last year, a drop of about close to 40%.

I would like to spend some time on this slide. So this is the broad overview of the ratios. Comparison last half year versus this half year. So if you look at our current ratios, debt by equity. Fixed Asset turnover. Total asset turnover. These are almost, but because of the drop in profitability, it's been slightly deteriorated on the debt By EBITDA. like from a benchmarks perspective and all, I think they're still comfortable. On the debt exposure side, so basically we have done so as we had declared in last call also. So we had postponed a few investments for this year to next year in line with the situation in the market. So, in addition to FIXED Asset in half year this year is close to about 22.28. Which is just 22% as compared to almost close to 57 crores of investments, which we had done last year. And our overall debt So our short term debt has not increased much and in fact this will reduce further because the fresh debt of on the long term side is not much for this year and whatever increasing debt has come in that has come on the short term debt side. So our overall debt is about 305 crores as compared to 250 crores same period last year. Cash generations have been better this year, this half year for our cash from operations, which was about 10.81 gross no one before. 10.81 crores half year last year. This year we have been able to operations generated from operations above 19.8 crores, which is a growth of about 83%. Then this is overview of profitability. We clocked the gross profit of 151.75 crows. So gross profit 71.7% as compared to 72.38% almost similar, but EBITDA of 21.09% as compared to 25.09% and PBT of 7.18% as compared to 13.11%. Half year last year. So this is something which we have discussed in the last call also and we wanted to, you know continue with this thing. So as we had explained last time that we are a growth company, right. You know, as I explained in the earlier, earlier also that we are more than 900 SKU's right now and one of the challenges which we have growth which will come in, I mean the focus right now is to have more value add and the bigger products are not.

	<p>Rather than manufacturing small, small products and keep on increasing our stance as we had explained last time we have, we are now getting a lot of traction on the passenger vehicles. Earlier we used to be predominantly supply of products for two Wheelers. But now we are doing our share of passenger vehicles and commercial vehicles are increasing, which are bigger products which have a little more manufacturing period and all. But then you have to grow the same kind of if you need to grow and all. We have to grow in all the sectors, so that will have some impact and of course we have not been able to achieve our budget numbers but some investments which have been already been done and there's a fixed cost which was already incurred So if I look at the break up of impact on profitability as compared to Q2 of last year and then as compared to H1 of last year, that's what this slide is showcasing you, a breakup of PBT as I explained are PBT has reduced as. Compared to Q2 of last year by about 6.882% and difference of 5.93% from H1 of last year, whereas the EBITDA difference is about 3.35% and 4%. As compared to last year percentage, the breakup of the same. If you see from Q2 of last year. At the consumption of raw material was better because we have been able to pass on some steel prices and all, but from an H1 in Q2 of this year. But on H1, if you look at H1 comparison from last year, then still there is a drop of about 0.64%. Impact is there on the profitability. However, since we have been able to pass on the steel on a full year number, this will add to our this will help us in better margins in the on a full year basis. As we have said that keeping growth in mind, yes, our employee cost has increased. Get hired people and all. so there's an impact on employee cost Major heads which have impacted our PBT's. Obviously, the higher finance cost and the higher depreciation. But the investments which we had done last year and all so deposition of that have already started taking in and unfortunately that predicted growth hasn't come in and obviously the foreign software on the long-term side which have been taken for the same.</p>
<p>Mr. Prabh Mehar Singh</p>	<p>So finance costing what we're trying to say is for everyone. Had we achieved what we budgeted, which was bases, our customers projections and market dynamics, as you know, we revised our sales plan this year. We revised, I think, in mid of this year saying that we will not grow at 30</p>

	<p>to 35%. We'll grow at 16%.</p> <p>That we created the sales back so basis that the cost was allocated, but in regard to the revision, again when we have achieved this quarter, we were not able to achieve what we budgeted. Reasons we'll explain in the coming slides. So, because of that, high base effect because of the costs already invested, so depreciation and finance cost have to bear.</p> <p>So if you were able to convert that sales, that would have created more profits for that bottom cost to be taken care the operating side, you see cash unit for operations have improved.</p> <p>So we've seen I think 80% improvement. Operatability wise things were OK. But this bottom line because of you know the high component of investments is creating that.</p> <p>Big line and second, I think if you see the impact on the operating marginal is not too high.</p> <p>So if you see the depreciation impact and the employee benefit impact that again when I say employee benefit.</p> <p>We have to do increments.</p> <p>We have to do as per the talent for the future we can't create.</p> <p>The salary disparities because of short term issues, so we will not discontinue our commitments there. So these things play some role in these numbers having a not so good projection versus that.</p>
<p>Mr. Jitender Jain</p>	<p>So here we are trying to just what exactly I think the headwind which are automotive sector is facing right now and it is not nothing specific to RACL and I think you all are investors and you have been studying the. I'm sure you have.</p> <p>All have been studying the market right now.</p> <p>So the headwinds which are already there in the global scenario and we being predominantly in exporter although they have been some headwind in Indian automotive sector as well. But predominantly I'm talking of European market side right now, they have been facing these challenges for us I would say.</p> <p>Six to eight months now, one of the biggest challenge which European sector is facing is.</p> <p>A very high competition from China.</p> <p>Contact is China, as emerged are leading global auto exporter. More specifically on the electric vehicle side, the kind of costing and all the China and I'm hoping and someone asked me this question on the lunch</p>

	<p>table as well that the Trump coming is good for us or. Not, but I think Trump coming. I mean the way he's looking at Chinese market right now and Chinese market is impacting China automotive sector, they are impacting. He's planning to put in hopefully some. But that is one of the because lot of vehicles from Europe and all but getting exported and all which are impacted heavily because of competition from China. Second reason, which we had explained last time also and this is a fact in the way European markets have expected the adoption of electric vehicle. That has not picked up the way they have been expected till there is I think the kind of infrastructure that they were supposed to create for which is a condition in India also. But Europe is much ahead of us right now but still that. Kind of infrastructure has not been created, but they have committed to convert the maximum of their motor vehicles to electric mobility and all so. There is a confusion in the eyes of the consumer, so people who have to spend on a vehicle and all they have been delaying their decision right now to have more clarity on the adoption of electric vehicles. Which is impacting European automotive sector significantly.</p>
<p>Mr. Gursharan Singh</p>	<p>We analyzed, you know, we are predominantly dependent on Europe. To be honest, We are exporting around 70% We analyzed that why this situation has suddenly. But if you remember, you know there are some of the investors who are interacting with us from the last 15 years, I was always maintaining that immobility. and Will never replace. I see it may coexist. Europeans actually did fundamental mistake or whatever. What happened like Tesla suddenly dominated in U.S. market in a big way. And then China, you know, they have their own unique style of online. They're dumped that is marketed. Europeans until 2022 They were technically not taking this decision and suddenly they all happened that we left behind mistake with this. They stop innovating new models on fuel, and they put all their resources. The idea was that they would be able to do fight against Tesla and all And fuel to the firewall, that European Union, also like India, also they</p>

said that, you know in 2020 Auto Expo Nitin Gadkari said 2012- 13
So I send it after six months, they realize that he made a mistake.
Is that the European union, unfortunately, after the Ukraine crisis, the
energy drive.
Goes very hard.
Energy price of Germany as of today.
Is three times.
The price which we are paying for electricity cost. So technically what our
electric car is selling though it's not that now, it's very, very economic to
them.
And of course, infrastructure eventually.
Comes Europeans don't have much few models cooperative.
An electric mobility is not selling and on top of it, China.
Dumping is creating this problem now they realize this. Is this has to quit
this that the reason your community has to end now change this 2030,
2035.
And many big companies, you know.
As Jitender Jain just said that.
Not specific to RACL, its entirely open industry.
Like forward to very honest its work from home culture.
Build that idea of sitting together and redefining the strategies.
Rather, they were calling like his plan OPS an. You know, you heard folks
arguing on 3/3 factories in Germany.
There's a big crisis because I know it happens or not. They say 130,000
people are at stake.
All of customers that have.
Line of plan to reduce 15,000 people.
Everybody was running like mad people.
How System has come and like explained it was worried he had like in
India where because 1000 people India thought that I think 15 or 20 as of
today.
Or this 550. So to be very honest, there is no market in US or in Europe for
new cars.
Or the new cars. There's only a replacement.
People buy new car and sell old car to everybody automatic.
America and British countries, not just laying off lobby author.
Technically, it's the replacement with for now, consumer says they're OK.
And other people have.
Due to make this but now all we have are logging extra time too.
When they define the hybrids eventually now people say they are

	<p>working very strongly and good for us.</p> <p>There are some challenges in short time but.</p> <p>In Long Term business has to go and electric mobility also will gradually build up.</p> <p>Now European manufacturers have understood.</p> <p>And they are to focus on the last 3-4 years. They were just starting. Them all then.</p> <p>Then something has not offered Chinese and Tesla captive, and that what they increase their focus already from almost number, telling that Audi has unsolved task.</p> <p>It's a huge.</p> <p>And now they are dumping at discounts so that they really. Get the money back and then they invest into the new model.</p> <p>This sounds really rated some ripples in our operation and I like whosoever is pending. Yes Jitender Jain</p> <p>You're going to continue because I just wanted to get this has actually. Macro issue has occurred in here.</p>
<p>Mr. Jitender Jain</p>	<p>So some of the points of high energy costs, that is one I just want to touch base on two points.</p> <p>Two more points which are there.</p> <p>One is disruption in key supply chains.</p> <p>So basically, if you were not at like the Red Sea crisis, which at and all that the overall shipment levels have gone up and it has persisted for a long period of time in order not that is something which has impacted because first of all ours.</p> <p>Shipment periods have also gone up.</p> <p>As high as by 40-45 days.</p> <p>So it has come down and then the European OEMs also they wanted to stock as much as possible because they didn't have the clarity how much time they will take to get the new material and all. But that is one thing which is now they are at a stage that they now have to clear the inventories and all this the high inventories they have created now that the situation is improving.</p> <p>And one more thing which is the Geo political risk which we all are aware of Russia, Ukraine, Israel, all these things somewhere creates you know confusion and.</p> <p>All these things put together have impacted.</p> <p>The automotive sector in Europe significant.</p> <p>So this is 1 slide which we are trying to put in AND try to capture as</p>

much data which we can just to show how the situation looks like. And we have tried to focus on the historical numbers and the signals which are coming from the historical numbers to.

Give a view of how do we see it? If we look at new EU car registrations? OK, talk in for the continuous decline for last 3-4 months and decline as. Is 12-13% also in the month of October, the new EU car registrations have. Have got a growth of modest growth of 1.1%, which in our opinion have started now signaling that the market should start picking up from there. Because last 3-4 months and all they have been continuous declines in new EU car registrations. Same month last year. That's a comparison that's on the passenger car side. If you look at the commercial vehicle, so new EU vans and buses registrations have shown growth as compared to H1 of last year and all but the new EU truck registrations are still need. To pick up they are.

They are decline as compared to the same period last year come down, but the growth have still

Need to start.

If you look at EV sales, electric vehicle sales numbers as compared to H1 of last year, different geographies.

So all the if I talk about China, if I talk about North America and all they have shown a significant growth in their EV vehicle sales, whereas Europe is the only place which has shown a modest growth right now.

But still it has shown that growth. So we still feel that now Europe will have a once this China thing is taken care of and all then Europe in our opinion is expected to then start picking because they have all the infrastructure, they have all the quality.

Vehicles.

You know, but the growth of the electric vehicle in Europe still need to pick up.

If, we spoke about the infrastructure in Europe for electric vehicles and all not total charging points which were installed across Europe now exceeds almost 630000 that again give take up numbers on some renewal reports and all and they have, they have a target.

Of having a goal of 1 million charging points by 2025 and 3 million charging points by 2030

So they have relied that this is one of the things which is most important right now to clear that confusion in the eyes of the customer and on and of course For the growth of the electric vehicles, which they have been.

In our opinion, right now, we feel that this current year is a transition year.

This year has been a slightly eye opener for Europe, where the kind of focus which they have been putting in only for electric mobility and all this year has been a transition year for them.

And somewhere we believe that now in the coming years and all they have, they have also laid that ICE engines, electric vehicles and other vehicles and all they will coexist.

But maybe electric mobility, growth of electric mobility may not be that big.

It will grow, but also so this year. Current year is a transition year. That's what we think.

So this is about the economy and all now coming to the good news coming to news for RACL would say so next slide.

So I take pride in sharing.

So we have got one more nomination from a from a big German player and it's BMW.

So we have bought a new nomination from supply of drive train parts project, Electric Sports car.

Right now, and this is a very big project which we have brought the nomination from BMW.

I'm happy to share and as you all must be aware, we had got one nomination from passenger car vehicle from a very big name in Germany in June. So this is the second nomination which we brought within spend less than six months from a passenger vehicle and.

There in Europe and which is indeed passenger cars, this is BMW and these are the parts.

For these are just representative pictures, which we can get it there, and the commercial production for this part is expected to commence from 2026.

But we got a very, very major boost that this is a premium assignment BMW, new level of assurance going to hit the market. It will definitely change the numbers. The Big wave part.

This will help us in segment diversification because this is passenger car and I mean a fair presence in a balanced, more balanced way and this is directly from where actually direct supplies to these are direct supplies from.

We have our expertise because they are actually the gears.

So this is the project update on.

This is a status update on Project Titan, which was the earlier nomination which we had got and those people who were joining us for The Who may have joined us for the first time. The project Titan. Basically, it relates

	to SOP as a serious series supplier
<p>Mr. Gursharan Singh</p>	<p>Some of our investor friends purchase many times that by RACL is not surprising.</p> <p>We are always there for 10-12% already going. This business is first of all. Trying to be a very, very core business in electric power.</p> <p>Because I have all the details of this particular project, but because of confidentiality I cannot share this electric car is going to be a unique car in itself. Whatever electric cars are there in the field today.</p> <p>This car is at a different level of performance. Different level of premiumness and.</p> <p>customer is of course BMW protecting very high numbers.</p> <p>And the number which they have shared with us is already.</p> <p>Much higher levels of performance and.</p> <p>Our exposure to e mobility increased substantially and this now synchronizes with our vision.</p> <p>You know, I am always building this vision for the last four years because E mobility alone will never survive this.</p> <p>There, at least for next five years with the current technology.</p> <p>Tomorrow some new technologies come.</p> <p>I can't really comment, but it's current technology emobility.</p> <p>It has to have a hand in hand, at least in passenger car and the segment where we are premium car, carbon mobility, local taxis and cabs, we can't really comment because of course.</p> <p>And we are saying that global perspective not as an Indian. perspective. Indian Perspective I personally deal e mobility passenger car will be further lower</p> <p>as compared to rest as in India e mobility It will still come, but we are 140 crore people and there are many.</p> <p>There is no electricity, but there are still the cars.</p> <p>So eventually those areas will remain I want to say that there is.</p> <p>e-mobility</p> <p>Geographical and even Africa South America, e-mobility will add in not.</p> <p>But we got a very major boost that this is a premium assignment BMW, new level of assurance going to hit the market. It will definitely change the numbers. The Big way apart.</p> <p>This will help us in segment diversification because this is passenger car and I mean a fair presence in a balanced, more balanced and this is directly from where actually direct supplies to these are direct supplies</p>

	<p>from. We have hardcore expertise because they are actually the gears.</p>
<p>Mr. Jitender Jain</p>	<p>So, this is the project update on. This is a status update on Project Titan, which was the earlier nomination which we had got and those people who were joining us for who may have joined us for the first time. The project Titan. Basically, it relates to SOP as a series supplier for Premium German car manufacture. But only thing is they were complex assembly. Yeah. So, then I wanted it before. And this was, of course, the small thing. Now next level thing is further filling the loading. So let's say I had shared last time. So last time we had allocated separate for that. Now that you show to all our friends and partners the shared for this project is already ready. The line completion of this we are expecting will be completed by January 2025. We had already ordered machines for this project. Total investment was not very high, but whatever machines we have already ordered and their arrival is scheduled on time. But this is one thing which I want to share. This is so our first sample phase has been completed successfully in less than six months. So basically, as we have said that the gestation period for these products is very high, takes about lot of cycling and lot of work prototypes and all which happens. So we have completed a supplier for sample and they have approved our samples already. In less than six months, which in our opinion is a very big achievement and which means the whatever the initial quality standards which was set by this product, we have been able to meet all those standards as per the first sample set. The second trial phase of the samples is schedule in Feb 2025 and everything goes well and all. We are expecting the mass production of this product from August 2026. So till now everything is on track for this this project. Excellent. Yes, one more good news. We have decided to get all our will be very happy to run. Many people are always saying that why you are not listing on NSE. So we have decided to get a stock listed on NSE. We have already bought approval from board of Directors. Our application is almost at final stages right now.</p>

	<p>At NSE So hopefully we should be able to share the good news. So, our stock will be listed on both the Stock Exchange and of course it will help our Investor fraternity to access more capital and of course for us if we put a more on more challenges for us and all to be better transacting I think it will help us in more efficient and better transparency</p>
Mr. Gursharan Singh	<p>Let's take a little compliment. You Jitender Jain and your secretarial team for achieving this landmark because, you know, I think NSE has lots of compliances and really so I think now you guys invest more in NSE. Once we get the approval and we share, we are waiting for that.</p>
Mr. Jitender Jain	<p>In one more thing, as we have always maintained that we are operating in all, we focus a lot on that and being a leader, component supplier to Europe, we have a lot of focus on environment, social and government. So we are happy that we have gone through one of the bigger exercises of in redsea, which is our equipment lab which we have here, ESG, we think mechanical methodologies to create a company on global ESG standards And we run through that and all now we are officially registered ESG under Dun and Bradshaw as per the global standards which is followed. Basically, we want to be compliant with all the European standards.</p>
Mr. Gursharan Singh	<p>We are already registered under Dun and Bradshaw for the financial rating you can't do business in Europe until you are building energy compliant where, now that we do registration of ESG because although it's asked by our customers, you know, they already did the rating and very soon we started available or.</p>
Jitender Jain	<p>In view of, the idea is that we always for lunch we discussed think ahead of time. So, the more the customer asks that are we registered under ESG, now we can say that we are registered under ESG. So again, so one thing, this BMW project which we have got at home, one of the advantages which we had among all our competitors was that ESG audit will take conduct and all.</p>
Gursharan Singh	<p>We were the only company and there So yeah, this is all and somebody asked that why JJ not joined the CITI bank. Why you're in RACL? I see a Jitender. Jain is leading our compliance and our ESG to work. So, it would have never gotten to work on this project in the back. So, we have a full environment management department. who have a one gentleman who is M tech in environmental sciences</p>

	<p>He report to Jitender Jain , and this team is really focused a lot on getting, you know, CBAM registration and all such level carbon emissions calculated and also is building all. The way to start charging a premium like.</p>
Mr. Prabh Mehar Singh	<p>So, now we can move to question answer session. Neha can you read the question the chat box.</p>
Ms. Neha Bahal	<p>The question from Mr. Ashay Shah is can you give some color on the segment wise concentration? We appreciate that overall auto sector has headwinds. However, the highest concentration for the company is on EU 2 Wheelers and also the overall RB/ATV segment. How are those doing specifically? Are there more structural or long-term reasons behind the two-Wheeler issues?</p>
Mr. Gursharan Singh	<p>You know, as far as headwinds are there right now, I'll focus myself on EU because since our main presence in the EU. Right now, EU sector issues are in all segments. But one thing which we have observed by and by from all our OEMs that retail sales has not declined that much from the dealership level.</p> <p>Reason for this that when this Red sea and all issues came. They produced extra quantities and you know, Europe doesn't produce and sell vehicles early in Europe they sell PAN the globe. They sell to US, they sell to Canada, they sell to Australia, New Zealand, they say because the Red Sea crisis is there, they dumped extra inventory at the dealers and now they realize that inventory has not picked the pace because of course when I say the retail sale has not declined. Yes, it is almost consistent, but it does not increase. Then during COVID times, all the premium was really selling big numbers. They were actually producing at the same pace and extra pace to take care of inventories. This lead time of delivery. Now they are doing another stock collection.</p> <p>As a supplier, we hit double because on their side their dealership inventories are increased, So they are correcting there from input side to safeguard their lines for going right. They ordered extra materials from us in 2023. They are creating those inventory corrections and our and all eventually now we are also taking the same. There is no point in keep producing and selling.</p> <p>So we are also has started the controlling our production.. Technically, I'll say that whatever huge growth was showing visible in COVID times on this OEMs, that growth has undoubted, but there's not really decline at the retail level is good, but it is early across all the sectors, but today only I was having call with one of our customer. Selling those ATVs and all that stuff they say that our November forecast has really picked up, that they're making snow mobiles at this time.</p>

	<p>There is a big prediction that northern Hemisphere is going to have very, very hot spring time, very heavy snow and in fact today one of your seen in Canada your this lots of snow storm that started coming in even in North India in Gulmarg you got 4 feet of snow in October. Due to this, snowmobile business has started picking up. So now I'll say the green shoots has started coming. But of course, their idea is for us to liquidate those inventories and then. So let's really wait and watch, as JJ showed EU has increased. So this are like green signs where eventually things are really showing up. I think I've been able to clarify.</p>
Mr. Ashay Shah	Yes, thank you.
Mr. Gursharan Singh	Any other question?
Mr. Kotieswaram R	Am I audible?
Mr. Gursharan Singh	Yes, please ask.
Mr. Kotieswaram R	<p>Yeah, so, so most of the products you sell majorly by value added products, but now we are getting orders from Indian 2-Wheeler OEM's also. So just want to know, how would you be your margins be going forward? How much margin you target to achieve? You're getting orders from Indian 2-Wheeler. So basically, domestic customers won't give you good margins, right? So want to know how your margins will be going forward.</p>
Mr. Gursharan Singh	<p>You know, we always work on creating a balance. So when we, you know on one side, we really are finding that we had too much of exports to European Union and now you know when we face that where do I find the way? How do we take the corrective actions. Then we realize that okay immediate best thing is if we can develop some domestic business. Then in this, we're gonna have faster recovery of receivables because you know in export business, we get receivable is very high receivable time is very high because 60-70 days is a normal shipping time and thanks to geopolitical things is going on 75-80 days and then their credit period and also money comes under around 30 days. So now we said okay we should focus on domestic business maybe direct margin maybe slightly lower as compared to exports. You are right, domestic margins have been very competitive, but then you get better receivable management, you get money pretty fast. So somewhere it balances out all the stuff.</p>

	<p>So our issue is that okay there are headwinds where to really ensure that how we sail through comfortably out of this crisis. So, this is how you know where a company was highly flexible and very dynamic in taking decisions. So this is all we are deciding this strategy to find some opportunities in domestic market and let me also say you that we are not focusing only on domestic two Wheelers. We are focusing on domestic passenger cars also because once we get nomination from European OEMs, message spreads very fast and we have been in very serious discussion with a couple of domestic passenger car makers also. This is huge opportunity for us to work and since we have created huge technology capacity available with us, if there is any unutilized capacity to do this European issue going on, we'll deploy this capacities immediately to ramp up domestic business. You know, domestic business advantage there because when you say margins, per piece margin will be slightly lesser margin, in domestic gas station period is not so high because domestic companies don't go so exhaustive validation testings and all like BMW will test the car for two years. Domestic company will not do for two years, they will do only for two months or three months because so these are this is how we are taking corrective measures. I hope, I've been able to clarify your query.</p>
<p>Mr. Kotieswaram R</p>	<p>Yes, it is. On average, can we get the margins that we can expect them domestic customers?</p>
<p>Mr. Gursharan Singh</p>	<p>Yeah. Look, I cannot give you generic answers because each product component has a different costing different it all depends on some factors. On a competitive scale, you are right, domestic margins are generally more competitive because there's a difference when we say competitive doesn't mean that because in domesticated advantage particularly, you are asking 2-Wheeler in domestic. Really if we get access to this here volumes are very high, So obviously you maybe you make what less money per component, but you get some high volumes. So we'll we are just counting for it and then when it really takes place, then we'll get more clarity on the numbers, but of course whatever business we do, we always do with a comfortable margin. We will never because we are not under any pressures to start selling the parts for a low price because we provide customer value for money domestic business. Low margin doesn't mean that customer doesn't want to pay when there is a question of premiumness, So then they come to us. Because there are many domestic companies, they will not give us their domain 100CC-150CC bike but moment it is 300CC, 400CC, 500CC. All people will come to our door, so no we'll not go with any other supplier</p>

	<p>for this premium bikes, they to come to us. So, it is a domestic market, but still premium. So, margins will okay not comparable to Europe, but obviously not comparable with 100CC bypass. So we'll definitely maintain our core strategy of remaining in premium.</p>
Mr. Kotieswaram R	<p>OK, Understood. Sir. One last question, just want to know do we supply any value-added products to Indian Premium 2 Wheelers and premium passenger vehicles?</p>
Mr. Gursharan Singh	<p>Answer to you. First of all, we are already supplying to Indian 2-Wheeler manufacture. Yamaha is our major customer who you all already know it, Piaggio has launched a RS 457 motor bike and I'm glad to we're proud to say that 100% gears are coming from our company. So we're already there in two-Wheeler Premium segment. It's not that we are not there. I think all of you know already that is has been launched in India and they are going to ramp up their production from January to big numbers and. Aprilia, we got India, they are launch 450CC now they are launching a new bike 660CC in Italy and in fact this recently concluded that AKAMA 2024 and Yamani they already launched that bike. It came with our product, 100% Gearbox in that 650 goes from here, of course, the export business, the customer is the same. So, we are there in two-Wheeler business already in premium cycle.</p>
Mr. Pratik Kothari	<p>So, 2-3 questions, one again on the Europe. So I mean, we did speak about a couple of challenges that we are seeing in Europe as a geography itself, but also one of the issue there is because of this heavy Chinese imports there in the European Union itself is talking about imposing some import duties, though we are not sure how effective this will be. So my question is that the end customer level the cars of the bikes might still sell, but it might not be whether European OEMs, possibly the Chinese OEMs said that and then I believe we don't have much latch presence in across this Chinese OEMs who kind of are exporting their way out across the world. So just one your thought about how do we solve this? I mean, are we incrementally are we putting our efforts to kind of crack the Chinese market or Chinese OEMs because even they are talking about setting up some plants in Europe?</p>
Mr. Gursharan Singh	<p>To be very honest with you, you know China has some geopolitical issues with our country because our import duties within China are very high because you know our product attract custom duty of 15% in China. So obviously you can understand to complete a Chinese supplier I have to at least 15% cheaper. So obviously in China it's not so simple to compete because of you know India and China, you all know it. Our relations are not, so neither we are most favored nation to China, not China is most favor nation to India. So, I really can't do much, but obviously when they go to Europe so they have to think that European way, then they will, they cannot think the Chinese way. European custom duties will attract that eventually will be able to compete once they are gone. But within China, yes, it seems little difficult because I told you our product</p>

	<p>attract 15% custom duty because their little irony. Our Indian I am really sorry I cannot make any political statement but we got one business opportunity from Vietnam and I was shocked, custom duty for Vietnam was 45% and the reason is that India is not a signatory, that those. Then they created that 10 countries region and unfortunately our external service is handling the also Jai Shankar always feels his political things. So eventually Vietnam and India are in crossroads. I do not know, how semiconductors are happening, but our product are attracting 45% duty that. You can't really sell the product cheaper and the competition was with the local Vietnamese company. So these are, you know, geopolitical things, you can't really control. But he has to answer you and if we were to go to China there, then definitely will hit BYD also. But then 15% duty will not come then only 3% duty will come and I'm glad India is almost at the final discussions of signing FTA agreement with the European Union. After that happens, our country will get advantage because we pay at least now 4% duty in EU, we don't pay our customer pay. What if we that FTA happens, our product gets advantage. So this is how things will work, but as and when I explained you, I think maybe but.</p>
Mr. Pratik Kothari	<p>Thank you, I have one more question, if you allow please. My second question is on other income. Its very high? I mean, it used to be pass throughs to one and half close this quarter is 4.2 crores.</p>
Mr. Gursharan Singh	<p>Is it a compliment or is it something else?</p>
Mr. Pratik Kothari	<p>Is there anything specific, anything one off? I mean how to read into this?</p>
Mr. Gursharan Singh	<p>Actually, you know, we do a lot of prototyping and all lot of you know since we get many nominations. So, we get some income out of those businesses and that is a kind of this advantage where we make some money out of this. So other I think other income as tooling income and then some foreign exchange rate fluctuations. OK.</p>
Mr. Jitender Jain	<p>I will read two questions which are already there on teams. So, Mr. Manish Gupta has asked such that the automotive end sector is very competitive with low margins. This will imply margin pressure on us always as our competencies is precision engineering, how would you think about proactively diversifying into industrial sector? That is first question and 2nd we aim to get some incentives from UP government for Capex, what revenue targets we need to meet to save 2029 where we will do CapEx to earn these?</p>
Mr. Gursharan Singh	<p>I'll answer you both this question on this UP-government incentive. I think we already announced in one of our investors call and we disclose on our public domain also that we have signed agreement with government of up wherein we are to invest total of 250 Crores from November 2022 until November 2026, they are given us a four years window. So, we have already signed 250 crores of investment into that</p>

	<p>Government of UP already approved our investment subsidy and they are giving us a letter of comfort also for that and cash hold limit on that is 200 crores. As in, when the 200 crore things get finished, we can even start claiming the subsidy. But otherwise within 26, we have to do it and I feel that we have already invested 150 odd crores by end of this. So once we touch this 200 crores numbers we will crack that treasure and then we will approach them and then there is no linkage with the revenue.</p> <p>It's only on the investment and employment generation, so those numbers we already fitted are we are going to maintain it.</p> <p>And I feel I have been able to clarify the second questions we are already doing some small numbers in domestic sector also. So, we are already doing some business in industrial sector and we are you know we are already working with public sector for some defense equipment and also, we are not disclosing those things but. We are discussing with some new customers for making access into this business also because we are discussing with our customer part product for medical equipment like your CT scanners and also, they have some products over in here over there. We are already producing some gears for circuit Breakers which is all electrical installations we are doing. We are discussing with some new customers also for heavy industrial segment.</p>
<p>Mr. Jitender Jain</p>	<p>So, one more question from Mr. Saaranish, Sir. I would like to discuss about the customer concentration. Currently we are 22 customers. A significant portion of our revenue comes from a limited number of large. Can you walk us through your strategy to diversify and expand our customer base?</p>
<p>Mr. Gursharan Singh</p>	<p>Give us another couple of calls you'll get more information on new customers. You know we have always said that every 2-3 years we add 1 customer and we are having 22 customers. When we say 22 customer doesn't mean that we discuss only 22 products, product will be 100 because like I'll give you example is 1 customer, so you may say ZF is 1 customer, but we don't work only with ZF as a customer part which we supplied to set up this applied to Mercedes. So technically some customer is Mercedes, then they supply those parts. some customers BMW, then they supply those parts for customer is portion they supply some numbers to Aston Martin, OK. And one of the top. So he's also one of our customer. As Rolls Royce. Technically speaking, this product has such a wide diversification. So technically, where captured all this big brand, look at these days. We say Volkswagen as a customer. Now we'd like to work with MAN Trucks, but it's not only MAN. The parts which you produce, they go in Skania and I am really surprised, we supply MAN, MAN makes that gearbox, that gearbox they supply to Damlor, but they say our product is so good, that Damlor gets from us, so technically I was not knowing it.</p> <p>It is not concentrated. It's maybe 2% to BMW, 2% to Mercedes, maybe 3% to portion something like that. So there's a huge diversification over there</p>

	<p>also and we always you know we are this very clear that. There are not hundreds of car manufactures involved. You can count on your fingertips upper limit they will be 5. Don't have the numbers on and all they will. will be 20 motorcycle makers or 30 motorcycers, so I can't really say I will have 200 customers, but I'll have a big customer. Then he will have some customer like for BMW. If we export to BMW, it's not that we supply to BMW for one particular motorcycle, they will be one liter motorcycle 500CC motorcycle 1.8 liter motorcycle again, there is a different product diversification. We walk a bike which is 800CC which walk a bike. Really 1.3 liters. We walk a bike 1.6 liters. We walk electric scooter electric motorcycles.</p> <p>So there are 7 products portfolios so each has because overall we'll be selling 20% in this maybe 2% error. I think some more people have questions, so you may ask.</p>
Mr. Harsh Shah	<p>At the AGM, we reduced our sales plan from something 520 crore to 460 crores, I'm looking at the current scenario looking at how the three regarding the H2, can you make your revised guidance of where this number is likely to end up with the top line as well as something on the margins front?</p>
Mr. Gursharan Singh	<p>To be very honest, we corrected our H2 performance based on some forecasted margins and numbers given by our customers. You are right even now we are finding that those forecasts are not really and our customers are also because it's their starts in January. So before they go for Christmas vacations, those people have to really give us the forecast. Right now, the real things are not come, but to very honest, we are already planning visit to Europe to have a face to face meeting and discussions to get a realistic numbers based upon that, we will definitely be able to give more crisp information. Today I'll say there is a mixed kind of situation because some segments we are finding they, yes growth is not showing visibility, but in some segments. We started feeling that you have some green shoots up there, but only thing is, until customers get their realistic forecast, I can't really work it out, but things are not as of today, not very tight, but they're not very gloomy out. We are just in wait and watch mode. Clarity will come before Christmas.</p>
Mr. Harsh Shah	<p>The second question is about debt, what we see in this quarter. We what are we doing? Are there any plans for additional funds, because their equity is now inching upwards 1.5? So, what are we doing to do this?</p>
Mr. Jitender Jain	<p>Now the fresh debt which we have in payments which we had shared last time. So our repayment this year around 15,000,000 more than 50 and additional which will come on the books will be close to 27- 28. We are working on few structures and all and obviously other business working capital outstanding will come down automatically. So that is one thing. Plus, we are also working on two three things right now, we can't share right now but we are working on that. We are focusing on that thing and all so but as of now, what we have shared that I think 2025 further the reduction will come by this year.</p>

Mr. Gursharan Singh	Actually, I'll answer you. You know, important is long term debt, we are reducing at least this year by 20 crores. It will reduce net debt this year. And some more things as JJ said, let the time come, we will announce.
Mr. Amit Dubey	I have listened from somewhere that they are putting tariffs on EU? Are we ready for the situation right from here?
Mr. Gursharan Singh	Yeah, it's not that simple. So I just wanted to know, yeah, you know, the political speeches cannot be the base for deciding the strategies. Because he's saying that he will put tariffs on EU, he says he'll put a wall on Mexico, he will put 25% duty on NAFTA. It's not that simple. Because if he threatens you with additional tariffs. These are all political speeches which our politics also do. Business strategies work in a different it's not that simple and I personally feel OK if that kind of situation happens. We are too small for mitigate ourselves and whole off EU will come to a crash, whole off supply then will get disturbed. These are not those simple. Discussions coming on business forums is good, but political speech is so much bigger.
Mr. Rahul Agrawal	Hello. so, this is the second nomination which you just received any project actually and do you expect that to get into mass production?
Mr. Gursharan Singh	Somewhere in the middle of year 2027.
Mr. Rahul Agrawal	Revenue prediction is possible. Like, what's the revenue that will pull you guys so you could reach your current facility.
Mr. Gursharan Singh	Difficult to answer. It all depends what customer base we get it because you know, as I told you, revenue comes basically what because I believe if suddenly I get very big order from a two-Wheeler business revenue increase will be different, but margin increase will be different. What if I get from say truck bigger where parts are very big robot will content is very high so revenue will be much higher. But value addition will be much lower, so it all depends what it gets too difficult to. Give you an answer like this. I say hypothetical thing, what business we get because you know one thing which you have already seen our factory. We have tried to create a manufacturing center which is very flexible. OK, so because buying few equipment which are dedicated equipment for a dedicated product for a dedicated product profile, but by and by this equipment are flexible motorcycle, something like that. So, it depends which customer goes, but you know as we already explained. In our initial number was 550 crore. Obviously that much capacity was there. So you would have you can really make out there around 550. Well, if we were, well, if we were achieving 550, then of course our utilisation will be about 70-75 but our benchmark is about 75-80 because we are a batch type industry, we can't cannot go beyond 80 because we are to we are to do small batch production, we are to change many setups and also. If we were doing 550, we would have achieved our optimal. I'll say this is a very unique USB of our business, what our product we supply to any of our customer that particular part we are the only supply and our agreements are always till that product sustain.

	<p>Because our agreements are for the platform specific a larger product. So whatever number that produces. We have to supply to them and we cannot say no also. 'Cause when they give the business, they always take from us a commitment plus -20%. Some customer this customer which ordered this BMW project this time since this electric car they are also not knowing which way wind will go. They are taking commitment from US plus 40%. And of course, -40 also, they say we do not know where this number, it may go plus 40, it may go -40, you have to commit. So this is USB of our product, so we do not have any threat that tomorrow this business will get there until we perform. If we don't perform then they'll let us know. So here is a little bit of you know risk and opportunities both, when you are having so good you have no risk of losing business, but there is a kind of flip side also, or a threat also that you invest and if that OEM doesn't pick up because he's not selling, then you are already losing your and the situation which has ended up today. Imagine if there were two suppliers for each product why we need to invest so much. So this is a this risk of adversities.</p>
Mr. Vedant Bhasin	<p>I just have two questions, one with regards to shift in manufacturing towards India. How much could you say has already happened and how much sort of we have the more to move towards India or China?</p>
Mr. Gursharan Singh	<p>It's going to market is so great, you can't really substantiate because too big a market, you know and you know, like we went to this US customer. In past 20 years they are acquired aggregate hinder business. Different different tractor manufacturers. So one company, Germany one is US1 is in Italy, one is in India and then they were all fragmented suppliers. No. there are private equity has acquired that entire company. Now there's a let's reinvent the supply chain. Let there be a global supply chain. The whole of world is together, so if I have invited other then I'll invite it so you know this is a continue churning tape, this you can't really substantiate. But in one line I can say there's a huge opportunity. Only thing is you should have like technological capabilities. You should have money and you should have manpower.</p>
Mr. Vedant Bhasin	<p>Second question is a more IG question. I noticed that there are about. 45 to 50 crores of tools, tools and like inventory. Sitting on the bench, I know which I think is about two years.</p>
Mr. Gursharan Singh	<p>first of all, these loose tools are very high cost tools and lead times are anything between 6:00 to 8:00 months. So, you have to always keep the inventories for a consumption. Then as a safety also something breaks, something fails, then you're gone. So that is the reason and secondly, like we have seen everything is cutting, so it's one tool is working. It doesn't mean that it will now keep on working until its life. After few components we have to remove it recapitates and outside for some treatments. So, we need one set on the machine, one set transport again between the boarding company. One side always has a standby one side always. In the main stores, if something fails, some transportation site happens. So this is how to maintain those things. So, now we can end the call.</p>
Ms. Neha Bahal	<p>On behalf of the management, I would like to thank all the participants for joining in participating today.</p>

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