



RACL Geartech Ltd.

Corporate Office

B-9, Sector-3, Noida, Uttar Pradesh-201301, INDIA

Phone: +91-120-4588500 Fax: +91-120-4588513

Web: www.raclgeartech.com E-mail: info@raclgeartech.com

29th August, 2024

The Manager- Listing Department
BSE limited
25th Floor, P. J. Towers
Dalal Street,
Mumbai- 400001

Scrip Code: 520073

Subject: Investor Conference Call Transcript

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 23rd August, 2024.

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

Thanking You,

For RACL Geartech Limited

Neha Bahal
Company Secretary and Compliance Officer

Registered Office

15th Floor, Eros Corporate Tower, Nehru Place, New Delhi-110019, INDIA

Phone: +91-11-66155129

CIN: L34300DL1983PLC016136

D-U-N-S Number: 65-013-7086



TS 16949 : 2009
TS 518901 - 000



RACL GEARTECH LIMITED

Q1 FY 2024-25 EARNINGS CONFERENCE CALL

23RD AUGUST, 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 ladies and gentlemen. I, Neha Bahal, Company Secretary & Compliance Officer of RACL Geartech Limited, welcome you all to the post results conference call of the Company for the 1st quarter of 2024-25. 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, 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>Hello gentlemen and ladies on call. So, it's good to interact with you almost every three months. Thanks to you guys for suggesting this Investor Conference Call couple of years back so it really gives us a good platform to interact with each other. So, there are good times there are not so good times. There are happy times there are challenging times. There's always better to share everything what's happening around the world and of course within four walls of RACL. So definitely you must be really awaiting our interactions with you subsequent to our Q1 of FY 24-25. Obviously, numbers are with you and all details regarding it, CFO and Prabh will give to you. But, I will only give the base for today.</p> <p>There are global challenges. This is not India's specific. This is not RACL specific. It is not any country specific. It is basically global challenges and since you are from the investing domain, so you must be knowing which way the world is going and how things are really fixed. Thankfully, the actions which we have taken in previous years, they are helping us. We are still maintaining the pace of growth.</p> |

Okay, that's a different thing that we will not grow this year as we do all this past 2-3 years, but still we will be better in the growth. But one very clear that I always say when going get stuff tough gets going, we are tough person, we are resilient person definitely. These challenges are temporary challenges and things will really take off in a right way.

Although, Prabh will share all the presentations on the present performance and the future forecast.

So definitely things may not be as we were seeing few months back or one year back, but you know market is always volatile and about 10-12 years back, McKinsey coined new buzzword Booker. Volatility, uncertainty, complexity and ambiguity, and it was somewhere in 2010- 2012. At that time, we were not really understanding how strong this will be there, but now it really reflects.

Yes, operating conditions business conditions are very volatile. Sometimes it really touches the roof, then it really doesn't make them that base and there's a lot of uncertainty what is happening today and nobody knows what will happen tomorrow and every day there are new challenges.

Sometimes, one geopolitical thing hits up after few months then goes down and some other geopolitical things happen. Crisis starts coming and all sorts of actions are happening and there are many suggestions, obviously during the discussions we'll be deliberating, but I will only say we are on a strong ground and we are really going to maintain our strengths and you know we always have maintained that keep expanding, not only in terms of revenues, in terms of technology, in terms of business diversity, in terms of diversity of customers. So, every time we add new customers, every time we add new product portfolios, every time we add new technologies that is really helping us now because these investments, all the decisions which we took couple of years back. So, those things are really helping us now.

Okay we are not growing at the pace, which we grew previous three years, but yes, we are still maintaining the growth path.

To what extent the effect will be there, although only time will tell. But yes, definitely we are going to always remain a growing organization and we're always going to remain an organization with full interest, so definitely these discussions will be taking it up further.

But yes, I will now really invite first of all Mr. Prabh to make the presentation so that it will answer that I know many of the friends have

| | |
|------------------------------|--|
| | <p>given some queries in advance, so this presentation will answer many of the queries, but subsequently in Q&A session, if there are any open topics, we'll still try to answer.</p> <p>So that's what's from my side and what do you know at least you can first you can start making the presentation, then we'll take it forward, yes over to you Prabh.</p> |
| Mr. Prabh Mehar Singh | <p>Good evening, everyone. Thanks for joining this call. Today we will be of course talking about the Q1 2024-25 numbers. Along with the numbers, we will also explain, I believe there are many questions and rightly hesitations regarding the Q1, especially on the profitability part, on the margins part, we'll explain the reasons for that. We will then of course cover the trend, which is now setting in in the automotive scope in the last three to four months, I and Sir have both been travelling extensively to the Europe. We of course have met our potential customers, our existing customers, trying to assess what the next 6 months- 1 year lies in front of all of us? and then we will of course cover what measures the company is taking to counter those headwinds, if we can call that and then in the end, we do of course discuss the future, since that is one thing which is always very promising with RACL that despite whatever challenges we keep facing, whether it was COVID or any other you know Red Sea or something, the future always is promising and we have certain news to share as well certain development.</p> <p>So, we'll try and cover all of these in this presentation and then we talk about the questions, if you have any, which I'm sure you would. So on the numbers, yeah, of course this is clear, we did a sale of 105 crores out of which export sale was around 68%, which is 71 crores and the remaining was domestic and the other income, what contributed to this quarter of 2024- 25. 32% was domestic, 68% was exports. The budgeted sales for this year for the quarter one, so our internal budget which we present to the board was around 125 crores. So, by our own budgets we did around 20 Crores less to what we had anticipated. On the margins and the numbers when you compare year on year, that is a standard pay of comparing the quarters. So of course, the sales grew by 18%. So, there is moderate decline in the EBIDTA and a sharp decline in the profit before tax for the year for the first quarter. Of course, we have written some of the reasons what we believe became part of it and these are not exhaustive, there are many more, but these are the core reasons why we believe this numbers could have been better. So this is something you all and we all have to understand RACL is a</p> |

growth company. So, in a growth company, there are many aspects which have to be taken into consideration looking at the long-term horizon. So, when I am hiring people, when I'm investing into the plant and machinery, it is with a vision for at least next three years. The investments what we did in 2019-20 is the reason what we are coping these benefits today. So, investments which I'm doing today are not the investments for tomorrow it is for next 3- 4 years and the benefit starts coming three years after that. Similarly, the manpower, the plant & machinery, I keep growing, it is of course for the short term, but from the long term also you keep that because you have to train the people, you have to keep people on the on roll activities, when the load comes, it should not be that because of lack of training or lack of resources in the employees that should not create a hurdle. So, there are many things which are planned invested keeping all those things in mind. Now when you don't grow as you anticipate it, things will hurt you in the short run and that is what you see in the quarter one for this year.

So of course, the first point as you say that because the turnover what I visited for the first quarter, we could not achieve the reason we will of course explain in the when I finish these slides. Second, the domestic sales in this quarter as compared to exports, the growth in the business, so that 18% growth, what you see it the exports has not grown, but the domestic business has grown this time.

So of course, the domestic business has a higher contribution of raw material because the margins are not too good. Here, you are competing with a lot of other Indian companies where the complexities might not be too high because in the Indian market we are working for the three-wheeler business or even in the two-wheeler we are, they are not sports or high expensive products. So, they are volume products and there the margins are not too great. Second, being again part of the company, which has 22 different customers across six different verticals of the industry that includes automotive, off- automotive, what we call is agricultural, then we have the commercial trucks. So, every three months or every six months, we do not have the same business with each customer. So, in some quarters might be my two- wheeler business is growing, but my agricultural business will be declining. In some quarters, my pass car business will be growing, but my commercial trucks will be declining, so when you compare the quarter of last year, which was 2023-24 first quarter there, when you see when you compare you see the consumption of the RM compared to both there is a 3% increase and that 3% increase is not because that suddenly my RM cost

has increased, it is of course there has been some inflation into the steel price, but it is also because the product mix. In our organization, product mix plays a very important role, because I am working as I just explained you for commercial trucks, maybe the products are heavy that gives a higher turnover. For example, MAN trucks is a business which is growing very much, but these are normal engine gears, not too complex, but they are heavy parts. So, the ratio of the steel in these parts is higher. The value addition might be lower, but if my pass car supposes my ZF business grows there, the margins are higher because the RM content is less the value addition is higher.

So, quarter on quarter, this does play the role and that is why in the EBITDA that this quarter we are seeing that despite growing by 18% in revenue, maybe the RM consumption also grew by 3% because the product mix was different. Heard and this is the reason why this will cover the first point, why there was a 20 Crore decline or what we budgeted could not be achieved. This was a worrisome factor for us as well. There were certain immediate inventory reductions, which we received from couple of customers wherein we had confirmed orders, the parts were under packaging actually and shipment and suddenly the customer said that there has been an inventory planning failure at they were end or maybe the inventory correction, what they would have gone through and then they decided not to pick many of our goods or maybe they suddenly reduced the schedules.

So, that has been the scenario in the European market, what we are seeing from, I would say May to June onwards, there were headwinds which we were always facing in the last six months and of course the reasons we'll explain the next slide. But that 20 crore anticipated sale, what we could not deliver or convert but that you know how complex our operations are. For a part from the steel to reach the final goods, it crosses through maybe 20 operations and the 21st is the parts being packed. If the 21st operation does not happen, I book all the expenses for the production but since I'm not invoicing so then immediately my P&L gets disturbed so because of that there was a lot of high tooling consumption.

So, of course the biggest cost after RM & manpower is the tool cost and we have very imported complex complicated tooling's which are expensive. So, when you are consuming the tooling but not converting that goods into finished sales, that is something which also contributed to a certain decline in the operating margin and then, of course the

outside vendoring. So, I am having a lot of vendors who are working for me, for example, the forgings, I'm doing some blanking, some machining, which is outsourced. I have a heat treatment supplier who is doing many heat treatments for us. So, these are all processes which became part of the final product. Now again, if I am not selling what I budgeted, I'm consuming everything but that certain decline in sale is something which could not be converted and increases the percentage of the cost into my profitability and this is on the operating side, why this EBITDA could have been better?

Will this be short term or will this also spill over to the next quarter? We will cover that in the next slide.

On the profit before tax that main two contributors are of course the depreciation and finance cost. Depreciation as you know being a growth company you of course know we have invested a lot and that depreciation expense is something which will remain part of it and if again the sales would have been higher, this would have been taken care by that and the finance cost, working capital being an export oriented there the increase has happened and that is something is what contributes to decline in this profit before tax. Now we can go to the next slide.

Now this is what we have tried to cover some of the key expenses, what I have tried to give you now when you compare the performance from quarter 1 of last year, the EBITDA looks around 4% down, but when you compare the quarter 4. So, I would say we would have a stable quarter four versus quarter one and the reason is what I explained you can't hold a growth company having one-year old cost patterns for the new businesses or the new quarter or the year which is running because last year my costs were different. Now I am when I'm poised or when I'm planning to grow 37%. I have invested for that both for the short term and the long term. Now if that doesn't happen that the cost actually cannot be compared quarter on quarter maybe of a year along year old cost structures, right. For example, if you see consumption side actually quarter four versus quarter one, I have improved in my margins in terms of my gross profit, employee benefit wise, I have, yes, there was an increase and the reason is as I explained you last financial year when it started versus now I would have added more than 180 or maybe more employees both contractually and on my role maybe 200 plus people. So that's a fixed cost which has increased because of the business which I have planned for this year, now if you compare the last year's expenses, I had 200 less people. Now this is not a company which grows 6% and

| | |
|-------------------------------------|---|
| | <p>then OK, I have same employees. This is a growth company. So, these things will shift and that is why the management has to be very quickly adaptive and I'll explain you in the coming slides how these costs we are trying to navigate, but quarter four if you see the employee benefit expense has changed drastically. Finance costs have explained you. The manufacturing expenses this time even 18% growth happened year on year but if you compare the Q4 to Q1, I think, the number wise we did around 103 crores this time, we did 105 crores. We have tried to maintain that same balance. So, quarter over quarter it is not reduced that much.</p> |
| <p>Mr. Gursharan Singh</p> | <p>Prabh just a minute, I'd like to add one more thing over here. Like particularly employee benefit expense you see, although we increased our revenue as compared to Q1 of 23-24 by almost 18%, but our employee benefit expense has reduced by .09%. Why there is an increase of 1.55% from Q4 of 23-24?</p> <p>That we have been given the increments so it really shows that our Q1 performance of 2023-24 reflects higher efficiency or higher utilization of employees. So, because Q1 of previous year and Q1 of this year, last year also we gave the increment and this is all the further increment so that further increment we have absorbed apart from that we have grown almost 18% in revenue as compared to previous year, but we have been still able to maintain lower employee cost. So, this shows actually our operational efficiency and this is how because all the processes are not stabilized so, this really shows that our operations are getting more and more abstract, so this was just to highlight on them because one of the queries was on our operational efficiency and other sheet itself speaks of.</p> |
| <p>Mr. Prabh Mehar Singh</p> | <p>So, what I'm trying to give a message to a people or the investors is that there is a slide in the end which is a quote by someone that should explain the entire summary, but point is you need to have a very different mindset when you're dealing with growth companies.</p> <p>Sometimes the panic world is used very often, but one has to go deep dive when someone assesses growth companies so that so there has to be a different. Okay go to next slide, please. So, this is of course you guys are better than us in this, but we've tried to give certain, what I would say what we are feeling getting the feelers from our customers. We are witnessing that there has been sudden reduction in customer orders because there has been huge inventory at dealer site and this most of the inventory reduction, I won't name the customers but most of our customers who have huge operations in the United States because of course the plants might be in Europe but they're higher customer base is in US.</p> |

The top three of them are. I mean, the main customers who are declining for us, they are getting their decline because of the high interest rates in US. Most of them are not able to sell their products there because of the reasons the inflation has been really high and after COVID, I think one of my customers was in my office yesterday. He is one of our biggest customers, I asked him, I said I have an investor call tomorrow. I can understand on the pass car. I can understand in the Europe, but you are a two-wheeler manufacturer. Why are you not selling? and he gave a very good point, he said that in US in COVID he said I have sent fully made bikes into the air freight and I send around 61 motorcycles to US because my plant could not deliver through sea and we have sent people motorcycles actually via air, because that was the rush people had and after COVID, when I say after 22-23, a lot of inventory was built at the dealer level and now somehow because the interest rates because working Capital Management is something which everybody wants to improve.

Since there that inventory is actually the working capital cost now, they are wanting to reduce those levels because of the imminent you know the slowdown, what is happening in the Europe and the US so that is one reason why we are seeing the short term decline at the customer end. Second, as I said, you know the economic slowdown in China and US. So of course if the rate cut happens in US, maybe the short term demand should increase, but otherwise in general inflation rates in Germany have started to stabilize and this we also witnessed that even in US, the inflation numbers have come down so, so that ways we believe that should be something which we should be short term.

The next important aspect which is I don't know how other companies are reacting but for us we are facing or seeing this that the consumer is at least in the European context. I can't comment about China or the developing because we don't deal there are actually in the wait and watch mode. Most of them are deferring their purchases because they're not sure on the technology, E- mobility somehow is not getting that traction as it was anticipated. To give you an example, Mercedes has actually given a statement in the public forum that they will not invest on the E- Sports car platform anymore. The AMG versions of Electric they will not launch. Volkswagen the E-tron again, these are public numbers. They are not able to sell any of their cars, so they are now very in a quick fix.

| | |
|----------------------------|---|
| | <p>Most of their diesel engine technology they have sold to Skoda. So, Skoda is selling a lot of products, but VW itself invested heavily on ID3, ID4 models. Nothing is selling for them.</p> <p>Similarly, many other car companies are facing this heat wherein the consumers are not sure maybe should they go for hybrid, should they go for any other, the hydrogen is also being talked, so that is where I believe some of our projects did not pick up for which we have invested recently. One of our customers launched an electric scooter in India. The scooter is for 15,00,000. I don't know how much they're able to sell. So, such kind of electric platforms, the adaptation what the consumer is expected is not happening. So, of course a lot of questions three years ago were what are you doing in electric now we are actually doing very much in electric, which is we are facing certain kind of volatility in that demand because sometimes they ask us can you send via air and three months after that they immediately want to reduce because the planning at the customer end is something which they are not able to plan. I'll give you another example without naming the customer, they gave us a number for their product roughly around 90,000 for this year and now, by the eventual half year which has passed, they are now maybe saying only 40,000- 45,000 is what we can get and they actually invested themselves a lot in this and this was an electric, not electric but hybrid platform a pass-car was there but suddenly they could not really do it, so there are many things on the EV side because of which we believe that the automotive landscape is seeing certain headwinds and Yeah, I think remaining points, if Sir wants to add a point, then I'll go to the next slide, yeah.</p> |
| Mr. Gursharan Singh | <p>So, I will just like to add what Prabh just said there is the past couple of years, we are always saying that electric mobility has to actually be handled very carefully and that way we are very lucky and that our strategy worked because many times in previous calls people who are really pushing us that why can't you really go in electric mobility in a big way but we were maintaining a very cautious approach we invested in electric mobility, but generally on such platform or such product which can be adopted easily to the E- mobility or the hybrid segment also.</p> <p>But now there's a biggest one more challenge because as we've told that we've travelled to many European customers in past three months actually what happened all pass car vehicles focus in past couple of years only on E mobility and they do not have new product offering in Ice engine or hybrid segment. Now situation has come that EV is not selling</p> |

| | |
|-------------------------------------|---|
| | <p>and in Ice engine they do not have many new platforms because you know technically speaking customers don't change the car that cars are run on. The car can do no even 1,000,000 kilometers and people change it some new features, some new designs, new styles and all that stuff, unfortunately in Ice engines really that thing was missing.</p> <p>Now all pass cars are working back on the drawing boards to enter into big way into ice engine and hybrid segment and I'll be really infact in coming slides, we have already covered also we are getting new RFQs again for Ice- engines, new gear ratios, new speeds and all sorts of stuff. So, you know this E mobility has actually really I will not say that E-mobility is not going to remain or E-mobility is going to replace ICE engines, but this has actually eaten out some of the demand from the market where people are delayed, their decision, they said. OK, we can change it at a later because you know, in US every thousand person, almost 562 cars are there. So, it's very clear that not many new customers are there in the US to purchase that car but replacement is a big business over there, same as in Europe, Europe also 400-500 per thousand is the passenger car penetration. So, the replacement actually has gone bit sluggish. First of all, wait and watch for EV and secondly not many new product platforms for the eyes and this, but now things are really going to shape up very, very fast because more than us, all the pass cars vehcles are also really concerned about this, how to maintain their own growth numbers and I'm pretty sure that very soon things will really bounce back to normal. Something similar is in there in the motorcycle business also because as we have written, also our business always remain for premium segment of pass cars or motorcycles. In motorcycles, it's very clear now that Ice- engine is going to stay and E mobility is not going to stay like one of our major customers, I can even name it's a public domain BMW motorrad was thinking to put up a motorcycle equal to 1000CC of ICE engineer, electric mobility but they scrapped this project. They say sorry, we have done the survey that high end motorcycles will not sell. So eventually ice engine now it is clear that in premium segment of motorcycles, Ice- engine is really going to maintain stay a lot but only thing is this period has really eaten up lot of demand from the market. Yeah. So yes, from now Prabh you can go to the next slide here.</p> |
| <p>Mr. Prabh Mehar Singh</p> | <p>Yeah just one point more, so basically right now whatever this inventory correction, as I told most of our customers suddenly asked us stop sending, the good or the bad part in Europe is that before they go to holidays, they don't think they just want to delay that decision making.</p> |

| | |
|---------------------------------|---|
| | <p>So right now, we do not have the extent of what these slow down or what these short-term corrections will be. But uh, slowly and steadily, now most of our customers are opening up just before the call. I got an e-mail from one of our biggest customer that one, one product which they deferred for six months now they have started asking that, OK, can you send this much quantity? We can we do slow ramp up so slowly things are coming back to shape because as Sir said maybe at their end customers they are you know tinkering a bit on the platforms, maybe planning some price cuts on the cards or something else on the motorcycles. Since this US elections also is now on the on the on almost, you know, it's clear who's gonna go with sway. So maybe people are able to comment on that. So right now, whatever that short term demand reduction it is, we are still also calculating the impact but in the next couple of months it should be clear how this looks like. H1, which will close in September, we believe that H2 should be at least 20 or 25% higher than the H1, what we will close. So that way the bad part of the six months is almost over the next six months which will come from October onwards because Diwali also we believe domestic should improve. So, the H2 should be I think 20% higher than the H1 and in total H1 plus H2 what that will be, it's still early for us to comment, but that anticipated growth of 37% that of course will not be there but what it will be? Maybe in a month around the AGM time, most of you are shareholders, maybe we will have more clarity by then. OK, so next slide. So now we have to manage, we can't sell the products for our customers, but we can of course improve internally. Maybe JJ you want to run this slide.</p> |
| <p>Mr. Jitender Jain</p> | <p>Thanks a lot. So, seeing the indications and also for last two 2-3 months, we have already started taking actions and as Prabh correctly said, that may be you know selling to the client may not be in our hands, but getting more efficient and work in a more better and more efficient manner is something which can be looked at and which can be which is the culture we are trying to reinstate basically. So, we have taken as we had explained that in last slides you know which would have impacted our profitability and all indirectly cash flows and all we have already taken steps to manage the same. So, first part is on the working Capital Management, now as we said that working Capital Management can consist of inventories and receivables and payables. Now receivables we are dealing with all the OEMs and all so and we turn the payment terms are already fixed and we are not seeing any delay in any payment from any clients. So receivable side, there is a limited scope of improvement, but on the inventory side and on the supply payable side, we have already started</p> |

| | |
|-------------------------------------|---|
| | <p>taking these steps. So, we have already set up a task force internally and we have started a close monitoring of our offer inventories and we have already taken steps. So as in in our inventory, we basically have inventory of steel which is raw material. We have inventory of blanks and we have some inventory which is with our job workers. We have set specific targets for all these three kind of inventories which we which we have and but we have already set the targets and we have discussed the scope and we have already started implementing the same to reduce our overall inventory levels we expect but yes, because since our prime raw material is still for and there are many, there are many specific grades of steel which we need to secure which are all which are ordered in advance. So, whatever is ordered and all that can't be changed but we have already put in checks and controls and all to bring in more efficiency on the inventory management. So, we are expecting this task force to start delivering alert results to us in next two to three months.</p> <p>Second thing is we have already started renegotiation with our suppliers to increase in our payment terms. Now we have been dealing with quite a few suppliers for long time and the way we have grown and all our volumes with them have also grown significantly. So, we have already started we re- negotiating our payment terms with our suppliers. We have also started shifting some of our suppliers towards LCs instead of advance payments. So those steps have also already also been taken but yes, one of the challenges which we are facing is that quite a few of our suppliers are MSME players and as per law, we cannot increase our payment terms beyond 45 days for all the for any MSME.</p> <p>So, that is one of the challenges which we are facing on that side, but yes, the efforts have already started in that direction, so that is on the working Capital Management side.</p> <p>Second is on the manpower and the overtime side. So, we have on the manpower side, we have our indirect manpower, which is basically the daily wage workers and all which we always plan as per the production planning and all. So, we have done a bit of some rationalization on that side in line with the lesser growth forecast we have been going, we were projecting 30-35%. Now we are going 18 to 20%. So, we have done a bit of rationalization on that side.</p> <p>Second is we have also put in second thing which we can bring in is the optimization of our equipment's, basically optimum utilization of our equipment's so we have put in more stringent checks and controls on our equipment's processing and everything to ensure that we are optimally utilizing which helps in reducing our manufacturing cost.</p> |
| <p>Mr. Prabh Mehar Singh</p> | <p>JJ, I will add one point. I'll give an example for everyone. So, when we say optimization on the manpower, so there are three kinds of manpower. What we have skilled, which is on the company role, then</p> |

there is semi-skilled which is on the third party which is also running our machine and then there is unskilled which is the daily material handling or there are many which is also a good number of manpower. So sometimes in COVID also this came as a blessing in disguise. So, when the push comes the good thing about our team is they're very responsive and again as a management where we know that okay in the coming months are going to be difficult. How we call it the funnel flow, wherein we tighten the tap so that the flow can be limited. So, we in actually three months from May, June, July, August, now we have reduced that third party manpower by 20% and though these June, July, August, our internal, I mean the sale value has been almost the same. So, same in the sense what we did the same in April, so April we were still lenient because these measures were still not there. So actually, as compared to April versus August, we have done a higher sale. I can't tell the August numbers, but we've done a higher sale, but at the same time July when I say August is still running, but we have reduced the third party, the unskilled manpower by 20% on the over time, we have reduced by 98% percent. So, what our overtime bill was. So, maybe you know the efficiency was something which was you know when you're growing then you don't see in these things but we were running Sundays maybe absenteeism was higher, so that was resulting in over time. There are many things, so again the flow was tightened, so we've improved that by 98% immediately. So apart from that, we also have efficiencies, what we call the per hour output on certain equipment's we have put a team to improve that.

We are working on the tooling consumption improvement wherein we reduce the you know we are as JJ explained we are you know negotiating last three years we have grown 30%- 20%. So we somehow have been liberal with our suppliers and now we are going back to them for better pricing, we are pushing our sourcing team to get cost reductions, what we call value engineering value proposals. So that push somehow which we as a management could not sometimes focus on now because of the customer demand that efficiency monitoring is something which is really I'm sitting at plant four days Sir goes to plant three days now because we know that this is the need of the hour and we have to keep this cost in check. Sales wise, whatever we'll grow, we'll grow but margin profitability wise, we have to at least be stable. So yeah, this on the operating side, these are the things of course, one of the things but remaining JJ you can explain.

| | |
|-------------------------------------|---|
| <p>Mr. Jitender Jain</p> | <p>Thanks, Prabh. So, and third thing is on the, as Sir always explained that we whenever we do investment, they start reaping results. You know, giving results and all with a time lag. So like we have been investing in our green energy initiatives and all and I'm happy to share that whatever green energy initiatives we have started around a year back now everything is operational and that is already starting giving results to us so.</p> <p>We have already this off site, 4 MW of captive solar plant which we had invested which we had partnered with an outside party which were started. So, they have started, they have already gone live from 20th of July of this year and we have already started receiving solar power supply from them close to 4 MW. This will help us end substantial saving on the power side, our In- house solar power plant of 1.3 MW that is also fully operational now and it is already started giving results to us. Recently, we have also registered on the Indian Energy Exchange platform where on a daily basis one of our partner who is registered on IEX, they bid for the lower power units for us on a daily basis under different Dod's that has also started from the first week of August, there is a decent saving of our power from this initiative, so all these three initiatives on the energy side power cost side, which we have started, I've already gone live and we are expecting, I mean I don't want to share a number right now, but we are expecting a significant amount of reduction in our overall power cost from all these three initiatives. Then 4th is on the Capex part. Yes, this is now as we said that slightly challenging times and all. So as Prabh has shared that Europe is now opening up from holidays and all and we have already started relooking at our budgeting exercise and maybe by the AGM we should be ready with our new budget and all but we are contemplating right now, we are doing each and every monitoring of the Capex which we have planned for this year and we may come with the reduction in our budgeted Capex plan for FY24-25 and which eventually will help in reduction in our overall finance cost.</p> |
| <p>Mr. Prabh Mehar Singh</p> | <p>Yes, thanks, JJ. So, go to next slide this we have already explained that but not explained fully, I would say this is something which we all should be proud of. I do not think many of the companies in the automotive scope of our size would be green energy certified. So, we can say proudly that whatever we produced there is a very minimal carbon footprint, though we are going to launch a very soon our sustainability vision wherein we will declare our targets for carbon neutrality. However, a company for our size and scope or in the Indian landscape, in the mindset our roll up land is now running on 100% green energy.</p> |

| | |
|-------------------------------------|---|
| | <p>Of course it is helping us save cost, but our most of the customers are in export market and they're the sustainability consciousness is very important. Actually, we are we can now charge a premium to many of our customers for being the green energy producer because that is something which helps us differentiate from our competition. We do have a 4 MW DC operational solar power generation through a third party which we have invested in and there was a press release also for the same last week.</p> |
| <p>Mr. Gursharan Singh</p> | <p>Sorry Prabh, I'll add one more point to that you know, this picture is actually from the actual site which is in district Mahaba, Uttar Pradesh, and I'm proud to share with all the investors that since as per this renewable energy policy, so all these offset generation can be done only as a captive power generation. Technically, RACL has a 6% stake in this SPV. This particular facility is actually 15 MW capacity, out of 15 MW capacity, 4 MW is for us, so technically is a captive power plant and as per guidelines, we are actually equity partnered in this company, so technically 6%, around 6% of the equity of this particular SPV is owned by RACL and now since, as JJ already explained that from 20th July this plant has gone live, they already started injecting the solar power into the system and we have started withdrawing the power in our factory and in coming time, we'll start getting the returns also and this is a long term investment for almost for next 25 years. So, and this return will always be there with us. Yes, Prabh if you can add. This right-side picture, you all of you know the actual plant an entire roof is now fully generating rooftops solar power.</p> |
| <p>Mr. Prabh Mehar Singh</p> | <p>Yeah and of course, what is on the rooftop in our plant, this all is again, from CapEx. So, we have not invested, we have a third party who is then managing and then we are billing to them. So that way this helps us without any Capex, the internal 1.3 MW to reduce cost immediately. OK, next slide. So, as JJ did mention that, despite whatever we are witnessing, there is still a CapEx which has to happen though we will contemplate that what is that CapEx number will be, we are contemplating to reduce but CapEx will remain part of a growth company and the reason is of course these are some of the updates what we have, we are in advanced discussion where with a European pas car manufacturer for their new business for an opportunity in their existing new generation. Platform which is coming, which will be all in the sense right now we have the business for only the electric sports car platform, but this would be the traditional eyes hybrid and electric all. So they are going to launch a car in all variants in all models. And this if we get this order.</p> |

This will be a very big ticket for us and they should really be clear by end of this year. We are in a very advanced discussion. As you know, we are investing a lot in the electric bicycle market. We recently participated in a exhibition in Frankfurt called Hero Bike. We were amazed to see that you know, at least in Europe, children from the age of 15 to a person till 80 years of age was in that exhibition. Around 200 companies were displaying these electric cycles and it's a huge market and the cycle actually is roughly 3 to €4000, so these are expensive products. So we are working with a tier one who is launching a pedal assist E cargo vehicles. So you have these delivery companies who are delivering goods. So these are electric pedal assisted which has a battery and then there is a drive by wire system. They are launching a revolutionary new Chainless Drive system on a rickshaw actually. And this is something which will be used or should be used for intercity goods transportation. At least in the Europe mindset, and it's a huge volume, what they're projecting. So this is almost in the finalizing discussion. We recently also received a new business order from a German customer for the E bicycle. As you know, the Noida plant Capability or capacity, what we aligned was for electric bicycle manufacturer and we also disclosed the name called Pinion. So we'll be received one more order from them in the domestic again we are working with the two Wheeler OEM. So we still work with them but we are working for their sub 400CC so they are launching our gearbox in a smaller engine motorcycle. Of course the active discussion is going on but if that happens this will be again a good volume business for us. And we will be expanding the Noida plant for this not expanding in the sense using the capacity what we have deployed and we also received orders from FCC India, FCC if you know is one of the largest clutch manufacturer. So we are going to make clutch gears for them and Adler, Adler is again an Italian Clutch supplier who works with most of Italian, US and Indian motorcycle makers. So we've received orders from them also and the commercial supplies have already started. I mean the sample development, so all of this in totality is a slide which explains that in the long run, we are still one of the preferred supplier. We are also you know Eyeing the agricultural market once again, since we know that the Pas car or the two-Wheeler market will be in the short run, you know if the growth might be a questionable thing, we are not investing, but we are hunting very actively in the industrial segment. Sir and I are also going to US end of next month. There is a huge convention happening for one of our customer potential customer

| | |
|------------------------------|---|
| | <p>maybe if that business comes that can come immediately because that technology we have agricultural business is simple business and they are simple gear shaft and we already had a preliminary meeting. So there are many actions being taken to take care of the future and the short term demand and in the end I think this is an important quote. I want to leave you with. That if you want to enjoy the rainbow, you have to be prepared to endure the storm. So the last 3-4 years, if you talk about the stock valuations before COVID versus now in the company, growth has been phenomenal, exponential and it will still remain. But yes, one has to keep enduring the storm if we have to enjoy the rainbow, which comes sometimes and yeah. So I think that is it.</p> |
| Mr. Gursharan Singh | <p>You have to put this you know earlier COVID was that storm and we got these three years of gross yearly as a rainbow. Now European and American inflation is a strong and we are waiting for the rainbow now to show again.</p> |
| Mr. Prabh Mehar Singh | <p>So, then I think we can start with the pre-registered questions, and then we already have three people wanting to ask questions. So yeah, maybe in JJ.</p> |
| Ms. Neha Bahal | <p>Can I invite Mr Ayush?</p> |
| Mr. Prabh Mehar Singh | <p>Ayush is there? Yeah. Ayush, can you unmute yourself and ask the question. OK, maybe he's not there. What is next, Neha? I mean, who is next? Kiran. Yeah, he's also raising.</p> |
| Mr. Ayush | <p>Hello , Am I Audible?</p> |
| Mr. Gursharan Singh | <p>Good. See you a long time when you return. You are not there. You didn't ask questions previous.</p> |
| Mr. Ayush | <p>So I was there. I just I keep listening most of the time.</p> |
| Mr. Prabh Mehar Singh | <p>He is the rainbow in the storm.</p> |
| Mr. Ayush | <p>I prefer that way. I think businesses are hard to build, the kind of business you guys have created, the kind of customers and everything and all of us will go through those phases from time to time. So that's totally understandable. What is more important is that we are taking actions. So that's the important thing. So, a few things that I worry about and I'd send over e-mail earlier. Prabh Would you like to take them up or how? How do you want to do it?</p> |
| Mr. Prabh Mehar Singh | <p>No, that's the point Ayush. Your pre-registered question, you can ask again and we will answer. So, if because you've sent a long list of questions maybe. Two Important Questions.</p> |

| | |
|------------------------------|---|
| Mr. Ayush | <p>Sure, Ok. So one thing which we have been seeing for some time now and which you explained is now the headwind you're facing because of the unpredictability in demand, but this has been happening not this quarter. This has been happening for last few quarters. I would say that we had been aiming for bigger things, but some of those things have not been playing out and, like you've explained now that there's more different and that the same thing was there last quarter also and last to last, so. Now that you are in July, August, are you seeing any meaningful recovery or is it still pretty dull as of now?</p> |
| Mr. Gursharan Singh | <p>Actually, you know Q2 unfortunately there is incidence. You know, this is actually vacation time in Europe because like all of Italy is closed for August. Europe or Germany was closed from middle of July, so technically Q2 is always generally very sluggish or remain stable. And since it was this time, there were a lot of declining trends.</p> <p>So as Prabh explained earlier, also that when Europeans go on holidays or they will not take any decision, they will only come back after holidays and then they will give the real picture. So, to answer your question, you weren't, you do generally have the same trends because you know what we are producing in Q2, although forecast was given many months back. But for Q3 and Q4, you know actually now Europe will be fully operational from this Monday. So eventually next two weeks will really give us a clear picture. Which way that the remaining months of the year have to go? You know, you know, all these customers are big brands.</p> <p>So when they come back after holiday, they also find that their balance sheets are underline. So then they will really definitely start pushing all the sales.</p> |
| Mr. Prabh Mehar Singh | <p>But to add another point, Ayush, which you asked that you know this sluggishness maybe we were facing I don't think that will be the correct assessment you know six months back three months back we were struggling to meet the demands because of capacity shortfalls and that is how the vulnerability in the projection from our customers have been until December, November. If you remember the gear grinding capacity was something which we were really banking on and it came late and many of the orders then shifted to January, February.</p> <p>So the customers were actually building a lot of inventory and then eventually sudden something happened at many of our major customer ends. When I say something we just received emails or you know, OK, this has to be declined if they revise the schedules and then they went on holidays, we actually the what's struggling I was in Europe for at least 10 days sitting at my customer's desk that this is the confirmed e-mail you know one week ago I will not name the customer in I think 11th of June.</p> |

| | |
|-----------------------------------|---|
| | <p>They said I need this via material via air and can you send me via air and the twenty fifth of June? They said cancelling all orders for next four months and that is the kind of hustle we immediate. I mean the worry we immediately had. But then we went there, we understood the issue. They said there has been inventory correction. The deals are not picking up sometimes the projections calculation somehow. But eventually as I just said one of the customers the same customer opened up what he wanted to defer for six months now he says OK I will pick start picking from next month maybe not at that volume but at a reduced volume.</p> <p>We were facing these signals in January, February, but we were not sure that it will happen so immediately, so not with everyone, but some of the customers, for example, one of our customers was going to be flat. This customer has grown three-year year on year 2019-2021 one and we were banking for him to grow when we released our projections for this year, that customer we took as stable still we projected 30% to grow. But actually, that customer now is declining, right. So that is also one thing which we have to discount in that. When we have very high growth plans, even the stable customer is hurt. Even the declining customers, of course, hurt. So such things combination of again, we are not saying that it will be 50% decline, but that 15 or 20% which growth is not coming 10% decline. So that becomes a 40% decline right when you're a growth company, if you don't grow even stable looks like a decline. So, that is something which we have to manage, but it's not a red alert Again, people, as Sir said, they are big companies. They have investments, they have huge corrections which they need to do. So, in the short term maybe this will something which we have to take care, but as I said the first half of the year till September vs the second-half, I think the second-half should be ten 20% better than that.</p> |
| <p>Mr. Gursharan Singh</p> | <p>Actually, like there are more example providers. This thing because we'll not name the customer one of the customers got order from urban military for 35,000 vehicles and then suddenly the customer is producing maybe hundred 120,000 per year. So, 35,000 single order is about 40% of his annual demand and they were to meet this demand within three months and they were sending the material shipped by air.</p> <p>Sometimes the material cost was more than our component cost, but they're still getting it. But later on, military cancelled their order or not cancelled rather put on their hold.</p> <p>No, they can't really. But keep on producing trucks because they do not have this much space. So technically they shut down that shop for 30-40 days, let the military take a decision. So, these are the kind of volatility even these big giants are also facing. Suddenly these geopolitical things are really troubling. A lot of volatility. But I personally feel as vacation time is over, people are coming back, then they will be giving us a real stable demand for next one year at least because now until December,</p> |

| | |
|----------------------------|--|
| | <p>those people are to work rigorously. Then there's only vacation time of one week or so.</p> <p>For Christmas, eventually now over the next 2-3 weeks, the real picture will come. As of today, things are going at the same pace what we are, witnessing now, or we witnessed previous quarter.</p> |
| Mr. Ayush | <p>OK, So the other, I think the business what we have seen in past also is that cycles come and we do stabilize after some time. But I think the bigger worry this time is a bit due to the balance sheet position like FEC, our debt has been increasing quite a lot. If you see the interest coverage ratio, it is low now and also the other thing I've been talking about, I've written past also is the inventory position and if we look at our inventory days, they have really gone up in last several years and now. Like you're seeing this mismatch, it could have gone further up. So this is one worry that we have as investors and what do you think or about it.</p> |
| Mr. Gursharan Singh | <p>No, actually JJ was able to answer more with the numbers, but generally I will tell you this inventory is actually not increasing, you know as well Ind AS revised norms of India's everything until it is received at the customers and it has to be strong in transit. You know when our export grows, our transit stock grows, we'll start transit stock grows, inventory grows. So, this is beyond our limit because if we are growing like if we grew 30% last year. Or 20% last year and auto 20% the entire growth was actually in exports business only.</p> <p>Eventually, our inventory days will increase, so inventory is not something which is only our raw material Inventory or finished goods inventory. The real is coming on the transistor inventory. What that cost of the transistor inventory is built up into the costing. It's not disturbing our cash flow. OK, number of days what you're saying is right as a financial person, you will be only saying he has 20 days. Al right. But you have to really see that for any export shipment. My inventory. And one more thing.</p> <p>Which really? higher impact elementary because of the Red Sea crisis, the shipping time in Q4 was almost 100 days and although now it has come down to 70-75 days, that also is because we were actually pre-shipment the stocks, otherwise their line stops which would have occurred customers raised their demands probably that is also one of the reasons for slightly leaner demands now because when. The Red Sea crisis, a little bit slowed down, so almost one month of extra inventory has been now piling up at customers end. So then making inventory corrections. But in our book's Annual accounts as well as Q1 of this year. Because of higher exports, this numbers are correct, so that is also one of the contributing factors. But now thankfully this Red Sea crisis has really. Little bit improved and although it is still lagging but 10-15 days but it was not which was 40-45 days. So now you will really see the beneficial numbers will come.</p> |

| | |
|-------------------------------------|--|
| <p>Mr. Jitender Jain</p> | <p>I guess you have some numbers but are you correctly said so it's majorly because of material in transit. The higher the export component and the and the and the Red Sea and all but yes so that is that is Ayush expected to get a normalized update and of course as I have shared with you yes on the on the inventory of.</p> <p>Steel and another thing and all we have already set up a task force and all. basically, look at the any gaps and all which can be placed. So, we are already working on that. But having said that the I mean the spike in the inventory days and all which you are seeing it is predominantly because of material return</p> |
| <p>Mr. Prabh Mehar Singh</p> | <p>But Ayush to answer that it is not that we are saying we are comfortable, we are already working on that. We have already identified that from we don't want to name but from steel and the RM side what actions have to be taken and inventory reduction there is one more reason many of these steels are special steel grades. So maybe if I need some small volume, the steel mill says OK, I have to cast a special.</p> <p>I have to do a special casting for you, so you need to pick up maybe the 60 tonnes together 60 tonnes might be 3 or the inventory, but since this is a special steel I take the inventory carrying cost. Now even that we are renegotiating with steel supplier that held with it, we need if 5,10 give us 5 tonnes and we are pushing state mill now that seems it is a bad time for us. We need to support us. So such things which we might be earlier negating because we already had that cost built in. We are now also improving that. So it is not a status quo.</p> <p>Because when you are growing, these things hurt. But they don't hurt that much now, since the growth is not there. We are working on these things and this material in transit. Also when you see now the domestic business to grow.</p> <p>So that should really help us improve inventories. I don't know, this is still not a public information, but we are also we are also working with one of our. Manufacturer who might be now changing the terms to domestic wherein they will be now picking goods from India and the payment terms will be maybe reduced to very soon 30 days. So that company we are in active discussion. So they will then take care of the inventory in the Sea and the logistics. So such things we are doing to reduce the inventory and the working capital as well.</p> <p>I mean improve the working capital. OK. Thanks ayush. I think we answered couple of your questions. Neha or Kisika have preregistered. Then we go to these.</p> |
| <p>Ms. Neha Bahal</p> | <p>Yes, Mr. Kiran, can you please unmute yourself? Kiran is saying sorry I can't unmute.</p> |
| <p>Mr. Ayush</p> | <p>Just one follow up question on the balance sheet, you also want to keep pursuing new projects, clients. How do you think about that part? Yeah.</p> |

| | |
|------------------------------|---|
| | <p>My follow-up question is that the date on the balance sheet is a bit high now it's almost more than one point.</p> <p>Pursuing new clients, new opportunities, we have to every time invest a lot into the projects. So how do you think about?</p> <p>Being able to do all that, given the situation of the day today on the balance sheet.</p> |
| Mr. Jitender Jain | <p>He's saying that any new customer we need to add, so we have to do, it's a capex. Yeah, that is already here. So the name is on the higher side. So, for new customer, we may have to raise further.</p> <p>Yes, we're super anxious. OK, maybe.</p> <p>Mr Kiran, Disconnect and connect again.</p> |
| Mr. Gursharan Singh | <p>No. Yeah. You know, first of all the customers which we are actually looking for, as Prabh explained to you, we are discussing with some US customers, but that is going to many of our existing capacity will be utilized because you know we invested a lot in previous years. So, we are now have lot of capacity available.</p> <p>So eventually we are hunting for those businesses where our first interest will be to utilise our available free capacities of course of balancing of equipment and balancing of capacity will always be required, but it will be only linked with the growth trajectory, but by and by we have spare capacity available also. And one more thing, since we are a fully integrated unit. So even if we get any order today.</p> <p>It's not that it is going to start turning out business tomorrow. It will be for the coming years. So obviously by this time our existing customer will also report back then again will be on a growth path. But yes, you're right, we invested a lot. So now our additional debt may be there but not at that same pace. We are like earlier what we were doing, what we are investing. We are making only one 1 1/2 times or two times. Our own focus is that to revenue ratio should be more than two.</p> |
| Mr. Jitender Jain | <p>And so one more thing on the long term debt side, our target is that every year our repayments would be, yeah more than the more than the additional debt So that is also that those plans are already in place.</p> |
| Mr. Gursharan Singh | <p>So now we'll be really focusing towards that as we already explained, we are reviewing this year's CapEx requirement also forward this year our target will be to substantially reduce our long-term debt carried to the balance sheet at FY 24-25. These are actions that are in place. Mr. Kiran Paranjape Disconnect and connect again.</p> |
| Mr. Prabh Mehar Singh | <p>No, I think his question he's written in the chat, he's saying that.</p> <p>We should strengthen our balance sheet by issuing preference shares or QIP. Our interest cost are skyrocketing, so maybe it's more of a comment than a question.</p> |
| Mr. Gursharan Singh | <p>Yes his question is more on the strategy part. We got to know, let this investor call be more focused towards our performance. These are all strategic surprise. Thanks for your message. But definitely these are our</p> |

| | |
|------------------------------|---|
| | <p>strategic decisions and yes, at the right time, the right decision will be on a take. Then Mr Anirudh Shetty.</p> |
| Mr. Prabh Mehar Singh | <p>Who else? Neha preregistered. Anirudh, can you unmute and ask the question?</p> |
| Mr. Anirudh Shetty | <p>Yeah, Hi, I'm audible. No, thank you for a very detailed presentation. This, you know, really explains the situation and know how you guys are looking at things. My most of my questions were answered actually, but just on the domestic side, you know, I think the last six years this has been a bit muted for us, it's grown and I think you know four, 5% CAGAR. But things seem to be picking up now. So what's your outlook on the domestic side, how at what pace do you think this business should grow at and?</p> <p>I believe it's lower margin than export. So typically, what's the margin difference and if this business really takes off, do you feel that the EBITDA margin aspiration that we have of 20 to 23% could that, could that get impacted or will we still be able to kind of get to that?</p> |
| Mr. Gursharan Singh | <p>I will answer I will answer you. Yes, domestic market.</p> <p>For our company is we are getting additional business opportunities for domestic market and give us maybe another one quarter, maybe Q2 end of Q2 or maybe end of Q3. There's we are under advanced discussion with a domestic player for a big business opportunity and when I say under discussion at a business opportunity, it's not we are.</p> <p>Negotiating the business, business is already awarded to us. We're only discussing when to start and it is a very substantial business and good thing is that.</p> <p>This business is not very low margin business. This is actually a product which we are already producing for overseas, European customer, same product almost is going to adopted in the Indian motorcycle and right now. Because business is already available with us, it's not that our we are already got the contract. The startup production timelines are not there, but moving that those and those timelines is added final niche because their testing is going to be finished maybe within this one time or earliest next month. And then the real dates will come and then when it comes, we'll really give you the exact numbers and if really starts it will positively impact our current year's performance also.</p> <p>And definitely that business will come, it will not be really.</p> <p>Of course, it will not be as good as any overseas business models, but it will not be as low as our Indian domestics generally because in Indian contexts, margins are not even 1516%. So obviously it is a kind of somewhere in between. So that will come shortly, yeah.</p> <p>And in the domestic market, as we explained in our presentation, also we already started supplying to this FCC India. This is also FCC You know world's biggest 2-Wheeler Clutch maker. So we already started supplying to them. Mass production has started and use of those clutches is again some American customers, some Italian customers, some Indian customers as well. So that also will in the coming times this will add more and more revenue to our domestic business also. And I said domestic business is going more resilient as compared to today. European and U.S. business here, Indian economy is really very stable. It's not having too many peaks and too many valleys.</p> |

| | |
|-----------------------------------|---|
| <p>Mr. Anirudh Shetty</p> | <p>Got it, got it. My second question is more on, you know historically like as Prabh mentioned, we invest ahead of time in CapEx. We take a 3 of you and we generally invest when we have strong customer visibility. So this is a you're wearing probably there has been some deferment but historically has this happened before and in such instances what has our experience been? Has it been that you know the customers typically you know come back and honour their agreements, means with some delay or have there been instances wherein we've actually missed out on orders because they they did not honour their agreements.</p> |
| <p>Mr. Gursharan Singh</p> | <p>Well, I will answer you the very, very crisp way. You know one thing, although I'm in this business for almost last 30-35 years and we are in export business almost 20 years until now, it was never happening. That all segments are going down together. This is obviously happening for the first time that all cycles are going down together because you know we always maintained that we're a diverse company.</p> <p>Something goes down, something goes up, but this time it has happened and all segments are going down so, but this has a positive side also because everything goes down, then eventually world will collapse. So this very clearly reflects that is it very, very temporary measure. And my temporary event and this will immediately rebound back. But once and to your second question was that so far it has never happened that people have.</p> <p>Outrightly scrapped the project.</p> <p>At least this we have never faced and even in our current situation.</p> <p>These declines or reductions have happened anything is being scrapped. No, no customer has said. OK. Sorry. We are scrapping this project so that way there is not incident even now. And of course this earlier also was not there. And one more important thing is you know all our customers are very, very robust and big brands and you also know all these brands even if they decline they decline for one quarter, two quarter, next year they will come back with flying numbers again.</p> <p>Because you know.</p> <p>If they really keep declining like this, they will vanish off the competition, so that way we are in a very, very safe betting ground and. We are not having any such real scare. Yes, this decline has happened and this is really going to.</p> <p>Be a long lasting or it will really going hurt our top and bottom line very badly, so this is very clear and one more thing That it's not that we're declining. Only thing is we are going to grow at is lesser pace. We're gonna tell you.</p> <p>The concluding thing should be that RACL is not going to decline the business. No, RACL will still grow, but maybe not at the same pace where we were growing past three years and you know, pace of growth may change for growth will happen. But of course you know if pace of</p> |

| | |
|-------------------------------------|---|
| | <p>growth goes little down, software, some fixed costs, advertising and all definitely pinches the bottom line.</p> <p>But you know that always keeps your because.</p> <p>If we are having 25% of EBIDTA even now we had a EBIDTA margin of 22%. It's not that we have.</p> <p>Gone upside down, we our beta margins are gone 3% if you see better in industry in India every time margin or not even 15%. So that way we're still way ahead than the others, but rather this is a question with us that OK if something goes wrong even the spiders.</p> <p>We're at a very robust and very high numbers is for some time we are.</p> <p>Little on the lesser numbers. Not a worry factor. You know, companies never work on 1/4 to quarter basis. OK, as an investor, you have to really see quarter to quarter or daily basis because you have to really see which other stock market is going. But industry or industries will never think quarter on quarter. Industrial will always draw a 5 year vision. Then what I'm going to be five years and we are maintaining the same vision.</p> <p>So if we when we are.</p> <p>Not growing 35%.</p> <p>This this year, it doesn't mean that we will lower our bar. Our bar will still remain the same. We know we're going to rebound by the same numbers in the coming years because we're now at that time we'll be having advantage. We're always already will be having the capacity. So this was my point to say Prabh you wanted to add something to this.</p> |
| <p>Mr. Prabh Mehar Singh</p> | <p>I just wanted to say that of course, if we say the decline in the growth is there, but the percentage of growth is less, maybe the 50% of that reason is because of slow adaptation to electric vehicle platforms. Some of our investments, when you say fixed asset turnover issues are not generating higher returns because the platform, the customer is not picking up the sales is not picking up for those platforms. But you know Electric is going to stay if not this year maybe in six months, one year the product will sell, customers will push money, pump money into marketing advertising.</p> <p>Maybe reduce cost to improve the sales of this and the remaining 50 as we said, the Red Sea crisis customers out of panic were picking a lot of inventory out of inventory or dealership level. That is a short term in correction at the supplier at the dealer end which is happening and this is something which will improve as the inventories start to liquidate and when the interest cost decline of course then even if the inventory at the supplier is there you know in Europe or in US half a percent one a percent.</p> <p>Interest rates don't hurt companies, even if the inventory is lying at the dealer end, it says that a lot of economic things geopolitical when they, of course, after US election, we believe all of these should tame down.</p> |

| | |
|------------------------------|--|
| | So in the long run, nothing is problem, only this picking up from certain platforms is something which is creating this ripple. That's it. |
| Mr. Anirudh Shetty | Got it. No, thank you for that very elaborate answer. I'll join back. |
| Mr. Prabh Mehar Singh | Yeah. Thanks anirudh. So next I think we still have three more hands, Ankush, Can you unmute yourself? |
| Mr. Ankush Agrawal | Yeah, I am audible, Just a quick question. So earlier when our growth expectations were higher, there was also an expectation that would be some of the long term take this year. So given that the growth expectation for this year has changed, does that change the long term debt reduction expectation as well for it, it will flow eventually? |
| Mr. Jitender Jain | Yeah. So Ankush, thanks for the question. But we as we have explained in our in our presentation as well, the this year CapEx was out which we had shared earlier and which was approved by the board. We are in process of revisiting that CapEx budget. Since the as we have explained that European players are now opening up from the holidays, we are targeting to put up the revised CapEx budget contemplating to revive put up the revised CapEx budget by the AGM which we are planning next. |
| Mr. Gursharan Singh | And there will be long term long term, we are forcing a long term debt reduction also because this year how much debt we are going to be 60 Cr. Mr. JJ replied that 48 Cr., could we are paying an hour long term debt this time will be much lesser. So our long term debt reduction will come now. Yes it will be it will be down here. |
| Mr. Prabh Mehar Singh | Yeah. It it will reduce net debt will reduce this year. |
| Mr. Ankush Agrawal | OK,But Sir, why are we reducing our Capex |
| Mr. Gursharan Singh | You think we're we are reviewing we are we are we are reviewing only thing is any non critical expenditure which are not required for this year can be done for them. We are not cancelling anything we made there for them but that all depends when we get the real forecast from the customers once they come back from vacation we are reviewing it definitely but we are not cancelling anything we'll just be deferring it because if we can really optimise our processes and as we said that OK. Our pace of growth. May not be same 35% or 30% which we contemplate it. Obviously it will be less little lesser. So obviously for if we can really manage with the existing equipment, why do we need extra. So this is how we are going to refill it. |
| Mr. Prabh Mehar Singh | We are contemplating. |
| Mr. Ankush Agrawal | Thanks |
| Mr. Prabh Mehar Singh | Krishna Agarwal, I have unmuted you. |

| | |
|------------------------------|--|
| Mr. Krishna Agrawal | Hello. Am I audible? Yeah. So one quick question just on that tooling expense that we said. So that comes under other expenses or it's GP line item. |
| Mr. Prabh Mehar Singh | Other other |
| Mr. Krishna Agrawal | OK, that's explain. I think majority of the fall in gross margin, right, OK and two broad operations that I have. So in on the previous calls we have state that ZF, one of our key clients that we are planning, they are planning to have a good amount of sourcing from India. So what's your view on that because of the China plus one strategy or you Europe plus one strategy. So how are things on the data side?. |
| Mr. Prabh Mehar Singh | Yes. And see that if is, see ZF is a tier one, so their end customers is what they will bank on end customers as we just explained you know I can't comment of China because we don't work with that. If China out there China volumes, but we work very much with the European volumes and US volumes and that of course the end customer in some platforms I and ZF will be selling to the same customer. So whatever heat we are facing, they're also facing. So of course I do not know what their plans for. |
| Mr. Krishna Agrawal | OK. No. So my question is more towards India sourcing plan there. If there, let's say declining on the customer side that that's a industry trend, but on the sourcing, if they're planning to increase from India? |
| Mr. Prabh Mehar Singh | Yeah, yeah, of, of course they don't have much of bigger operations in India they of course work with. Let's say commercial vehicles or the windmill. So in India plants that have has only couple of plants there. In any case don't complete or work. But for the India sourcing they will use those parts for their end customer. So ofcourse if the end customer is selling, they will keep sourcing higher from their preferred countries and India still remains their preferred country. Is why we are very actively growing with them. But in general what their growth plans because of this decline, if we are facing similarly, of course, ZF is also down for us because their customers are down. So that is a ripple which will move to N tier. So they are sourcing whatever Were keeping in mind what their customers were selling, so if there is a short term correction at their customer end, it will also have correction at their sourcing end. But India still remains their favourite country for sourcing. They have a big office, they're expanding their team and all that. |
| Mr. Krishna Agrawal | OK, so that is intact. The plan to increase sourcing? |
| Mr. Prabh Mehar Singh | Yes Yes |
| Mr. Gursharan Singh | Yeah, that is in ZF has a very clear policy to source from India. You know, eventually the and leave aside ZF. It this is our general perception whether automotive components India has a big upper edge in coming times for exports to Europe at least because FTA of the Europe also because Europe is contemplating. Seriously, FTA with India and I tell you. |

| | |
|-------------------------------------|--|
| | <p>Europe is willing to sign the FTA tomorrow with India rather than this time. India is dictating their terms and this FTA happens, believe me, we are really very enthusiastic that Indian government market will get a big business boost for European markets and the US of course, let's wait for US elections. I particularly feel after election, the US economy also has to grow and India always have been. A preferred destination for the US buyers so that way India has a good future as a country.</p> <p>And Automotive segment, India's strategy is going to happen very, very strongly because China factor is literally.</p> <p>Creating big opportunities for us because to be very honest, Europeans and Americans are not going to stay only with China. China plus one has to remain, who happens plus one. There is all our political leaderships have to play the real game.</p> |
| <p>Mr. Prabh Mehar Singh</p> | <p>No, even even there was a even there was a news last week that the imports from China for electric vehicles within Europe, the duty is higher. And also since Tesla has a plant in Beijing, when they're not able to sell for China and they're exporting out of China to Europe. So the Tesla, which is imported from US will have a lower duty Tesla, which is imported from China, we'll have a higher duty, but that duty will still be lesser than a BYD being imported into China So of course, all of these things become favour for India because then they want to derisk.</p> |
| <p>Mr. Gursharan Singh</p> | <p>And like and gab and the gap is 28% don't as long of using 9% and from 10 and 37 percent 28% you take gap and in the same news but there was more more item there's a leaves under duty part all the Chinese.</p> <p>Mobility things will be into a serious scrutiny. You know, Europeans are also very, very particular now that one producing the electric car, how much carbon or how much green resources you have used It's not that you produce the electric car and we're producing electric car and green. How much green should we have taken? And China has a very, very poor track record for this, you know, just for the investors. Information. We bagged this content from a German passenger car maker. Their first requisite was you will get only the business if you are 100% green electrical energy compliance. And I'm proud to say that in up we were the first company who got that.</p> <p>Up government for getting energy compliant. Now Chinese companies have a very poor track record on this and Europeans are now digging these wells so eventually.</p> <p>China is going to face very serious headwinds in coming time in Europe and of course opportunities are there for other countries and how strong we are as a country were able to do it. Yes, only time will tell, but yes, we are quite optimistic.</p> |
| <p>Mr. Krishna Agrawal</p> | <p>OK. So yeah, so that help us in understanding that even though there might be slow down in international market, but if India is sourcing increase, so we will have a good growth expectation and yeah to answer one question. So from long that I had that we had been for Kubota, we had supplier in Japan, we have we were the first one to supply to Japan In the initial years of our.</p> |

| | |
|------------------------------------|--|
| | <p>Turn. Turn around story and then now Kavota has joined hands with escort. So how are we looking at it? Or how like what plans do we have there? Are we in the plan?</p> |
| <p>Mr. Gursharan Singh</p> | <p>I will tell you there is a further side to it. First of all, we are already supplying a lot of that's the reason our domestic market is growing and Scott's Kubota actually is our existing customer already. We are already supplying to escorts. There's a further. News item in the market. In fact, I had put on personally on my Twitter account also as as Scott's Kubota has now signed up MOU with government of UP to put up a Greenfield investment in UP and they have announced an investment of 4500 crores for their own tractor plant or the engine plant. So you can understand that if we are working with them for the last 21 years.</p> <p>And now we have base in UP. So obviously first-hand advantage will come to us, although it will be coming for future. They signed only MOU now. So creating a new factory and all. So that relationship which started from Kubota for the last 21 years. So in India we already started for Kubota India and this new plant when it comes in up, it will create new domains for us because we will be getting out yet they are not announced our location but internally I know it the know the location also.</p> <p>And eventually we'll get some advantage out of that business also. But these are all the futuristic things</p> |
| <p>Mr. Krishna Agrawal</p> | <p>OK. And on the margin front, we would be similar for this product or it would be quite different?</p> |
| <p>Mr. Gursharan Singh</p> | <p>That that your question for comparing with Punjab Tractors Obviously. One has to be on the margins. But you know, one thing is very clear, which we will have a upper hand advantage. These Japanese companies are overseas companies for them cost is not the only point for them. Quality is much more important where we have an upper edge. Because they say, you know, in our engineering terminology, it is a QCD is always.</p> <p>The norm, the quality, constant delivery, and now they are add Co QCDMM. So technically now cost is one of the criteria but biggest criteria is quality then delivery then how you are managing the project, how your response time and then sustainability is also one of the issue and Indian companies have because since we were exporting historically so we have already crossed these bridges. So one Kubota Divergently is growing India.</p> <p>So they have to, of course compete against the Indian makers.</p> <p>But still they will not leave their own basic core ideology of equality suppliers. So definitely.</p> <p>They will always look for a quality supplier and we have an upper end, but yes, it's very true that we have to compete against all Indian makers. So obviously there will be some pressures, but yes, we have an approach.</p> |
| <p>Mr. Krishna Agrawal</p> | <p>OK. OK. Thank you so much for answering in detail.</p> |
| <p>Mr.Prabh Mehar Singh</p> | <p>OK, Prateek, last question, Pratik, I've unmuted you, can you ask your question? I mean, can you unmute yourself?</p> |

| | |
|------------------------------|--|
| Mr. Pratik Kothari | <p>Hey, hi. Thanks for the opportunity.</p> <p>Hello. Am I audible? Yeah, yeah. So my question is more on the 40 crores below where we had last year because of the shortage on the capacity, right, the delay in the arrival of the machine.</p> <p>Are we seeing the slowdown impact even on those sales, the 40 crore sales?</p> |
| Mr. Gursharan Singh | <p>You are right that that is also one of the customer. I already told you that they got orders from military for 35,000 trucks and they were really pushing the material by air and exactly that order is on hold down. But this is subject to review. Once they open after after the holidays as of today, yes your question is right.</p> |
| Mr. Pratik Kothari | <p>OK. Got it. So and so do you in your initial comments you highlighted that you know you are seeing some opportunities in US and you are at the you know advanced talks with them. Can you just briefly summarise where are we in our you know journey with the OEMs in US because largely today we are based Europe based, right? So can you help us understand?</p> |
| Mr. Gursharan Singh | <p>You you are right, you are. You are not as probably we are just going for the first time, but what they have called up again one thing is clear that they selected only four suppliers from India for that convention.</p> <p>So and you know that is also one of the I think.</p> <p>1st or the 2nd largest spectrum manufacturer in the world. Now they have done a great they might have done a great in depth market study. We never had any prior interaction with them, but it was a by name invitation to our company and then only four suppliers from India were selected. And of course it is a global convention. So we are not saying that we go there and we'll get business on platter. But yes, you can understand that if they are calling all the way. From, other side of the globe to just come and meet at US. You can also imagine that they are just not called us for a cup of coffee. Obviously they also might have done there.</p> <p>And I'm not home, so quite optimistic for the outcome of that visit. And yes, it will be substantial business. It will not be a small business because they are a big player.</p> |
| Mr. Pratik Kothari | <p>Got it, got it. Thanks. Just if I may squeeze my last question, what's our current capacity utilisation?</p> |
| Mr. Gursharan Singh | <p>I think Prabh should answer this. He's spending now four days.</p> |
| Mr. Prabh Mehar Singh | <p>I think we've answered in past also capacity utilisation is different for all processes, but in general we are right now operating with of course the reduced volumes we have around 65 to 70%.</p> |
| Mr. Pratik Kothari | <p>Thanks and now peak capacity utilisation will be anywhere around 85 to 90% right?</p> |
| Mr. Prabh Mehar Singh | <p>If you if you add Sunday, there'll be 110.</p> <p>But with the given number of weeks, Yes, 80 to 85, yeah.</p> |
| Mr. Gursharan Singh | <p>The 80% is the norm.</p> |
| Mr. Pratik Kothari | <p>Got it. Thank you.</p> |

| | |
|------------------------------|---|
| Mr. Prabh Mehar Singh | OK. I think we still have 10 minutes. So Prateek is done. Yeah. I have one question from Randeep Kapoor. Randeep, can you unmute and ask? |
| Mr. Randeep Kapoor | Yeah. Hi. So thanks for the opportunity. I'm new to your company. So kindly bear with me. Sir, we supply automobile components for the entire life cycle of the vehicle. So what you do? What provision is there in the agreement with the customers which takes care of price rises here periodically so that that takes care of inflation as well as we maintain EBITDA margins |
| Mr. Gursharan Singh | No, this is very, very tough question to answer. You don't know. Customer gives us like gives any contract and it's not only with the RACL, this is a global policy of the customers That once they give the order the life cycle of the volumes is committed, the life cycle of the price is also committed, but Raw Material Indexation is always there if raw material cost goes up, customer will pay, if raw material cost goes down. We have to pass back the advantage , but we always have some advantage in the foreign exchange indexation also. So sometimes there's a foreign exchange indexation mechanism. Also if we get the benefit, sometimes we are to shave the benefit 100% somewhere to some percent somewhere. Customer says you don't disturb me, gain is yours. Your second loss is yours. But this is a global phenomenon and normally. But one thing is very clear, these customers are again big brands for them. Continuity of supplier is more important than. Passing saving few bucks in between if there are any unprecedented inflation's, they always take it like in COVID time. There was a huge inflation. On account of raw materials on account of logistic costs and every customer compensated to us, once The thing is down, then we do those conversations. So you know they are very, very ethical. Systems and very, very strong Contractual obligations are always there, but there are no such inflation at this front mechanism. But you know there is a silver lining also once you Start the production. Mechanical manufacturing, such a thing. There is always scope and room for improvements. You can keep on improving the productivity. New tooling solutions keep on coming, so cost keeps on coming down. And here comes the role of engineering also. Where we have a very, very strong base, we keep on optimising our processes by all means, by adopting better tooling, by adopting better technology, by adopting better utilisation of resources. This is how we tackle the inflation and of course our volumes is always the advantage. |
| Mr. Randeep Kapoor | Ok, Thank you so much. |
| Mr. Gursharan Singh | Thank you. Thank you so much. There are no questions, but I think there are no more people now we can today. It really crossed almost half hours. Almost cross. Yeah, I know. |
| Mr. Prabh Mehar Singh | To I think there are two questions what we can finish also if |
| Mr. Gursharan Singh | OK, OK. There are any. Is there any specific question other than what we answer is fine. Otherwise we can close, Any other Member I want to have ask any new question if there repetition then we can really. |

| | |
|------------------------------|--|
| | But probably they have. |
| Mr. Prabh Mehar Singh | Let's take last question Saket Saket, can you unmute? |
| Mr. Saket Kapoor | Namaskar Sir And thank you. First of all, for a very detailed conversation, Sir, kafi vistrit roop se apne sbhi prashno k uttar diye hain and it is, it is good that we are recognising the not only the situation, but also working hard to improve on the same. Prabh Sir jaise aapne btaya ki power and fuel efficiency and reduction laa rhe hai. So what is our annual power and fuel cost currently. |
| Mr. Prabh Mehar Singh | Sir Abbi, we just released the annual report last week. There is a balance sheet, there is a notes to accounts. Everything is explained there. I don't have the number handy as of now, but it is mentioned separately the fuel and power expense is there. |
| Mr. Saket Kapoor | Abbi jo aap structuring kr rhe hai in terms of the solar and agreement with the developer in percentage terms, Kis prakar Ki Saving ham expect karte hain going ahead. |
| Mr. Prabh Mehar Singh | I think annually it should reduce by a lump sum of 1 to 2 crores, right? |
| Mr. Gursharan Singh | I think its 1 Crore, because this this year we started only in July. We are 20th July, our captive power offsite generation started. So this year it will be lesser, but otherwise one crore will be the actual saving minimum at least. |
| Mr. Saket Kapoor | And what is the investment we have gone through for this one crore annual saving? |
| Mr. Gursharan Singh | For outside generation, we actually as I told you, we invested as a equity. It's not a, it's a 1.4 gross way invested. So technically our ROI is will be hardly one 1 1/2 years. And this money is our equity participation. So after 15 years, this money has to come back to us. |
| Mr. Saket Kapoor | As you mentioned that because of some cancellation and rather the deferment going ahead, what was what would be the amount lying in transit or inventory the amount in the inventory as on June. |
| Mr. Prabh Mehar Singh | There will not be. Yeah, there will be no reduction on that. So whatever inventory that goes to our warehouses, customers usually keep six weeks of safety stock. Maybe that's if stock will now be extending to 8 weeks, 9 weeks, that's it. But the new production, the fresh production, that is something which is facing the decline, what is already shipped, what is already in transit that the customer will honour and accept because most of the cases got. |
| Ms. Gursharan Singh | No problem. We are actually very tough with the customers. One of the customer we got with them, they're contactually where our system that we have to keep the safety stock off over there of nine weeks. So we wrote the very strong e-mail there nine weeks in your contract and anything beyond 90 days which is our lying warehouse kindly you pick up and put in your own store and pay us so and they are more or less agreeing to it. So technically those customers we're also tough with them and they also mean business. So they will also not Budg from their contractual day, you know, working with Europeans is their advantage. They always follow the rule book. |

| | |
|--|--|
| | So if anything is beyond the inventory times, there will obviously pick up the stock. So the eventually will not be at the loss that they have. Longer period inventory also will be going to come back in the same pace. Like before. |
| Mr. Saket Kapoor | And last point, Jain Sahab, Yeah, that's it. That's it. That's all from my side, but Jain Sahab You mentioned this year. The current maturities is 40 crore. That is what is repayable, what is. |
| Mr. Jitender Jain | Its 48 Crore |
| Mr. Saket Kapoor | and that would be paying through our cash accruals that we'll generate for the year And by that amount, my CapEx will be planned will you revisit karence after that number only we can net, we will be knowing what the net debt number would likely be. |
| Mr. Prabh Mehar Singh | But in any case, but in any case, with the increased CapEx also jo humne saal k suru m project kiya tha or vo vaise reduce krenge to 100% reduce hoga. |
| Mr. Jitender Jain | Humne jo debt project kiya tha wo 45 crore tha and repayment 49 crores thi anyway humne 4 crores ka reduct project kiya tha. |
| Mr. Prabh Mehar Singh and Mr. Gursharan Singh | Maybe reduction can be higher |
| Mr. Saket Kapoor | Bht Bht dhanyavad shaeb vistrit jankari dene k liye. |
| Mr. Gursharan Singh | Thank You |
| Ms. Neha Bahal | On behalf of the management, I would like to thank all the participants for joining and participating today. |
| Mr. Gursharan Singh | Thanks for bearing with us on almost these two hours and keep your confidence and trust regularly in us and your investments and your company is in safe hands and we are working 24 into 7. But again I will not say that bring back the time to normalcy to bring back our growth trajectory. So let there be message be very clear that RAEL will still be growing against all the headwinds, only we'll be reducing the pace of growth. So that is a message which we want to give and please stay confident. Stay trust with us. Thank you. |

Notes:

1. This transcript has been edited for readability and does not purport to be a verbatim record of the proceedings
2. Figures have been rounded off for convenience and ease of reference.
3. No part of this publication may be reproduced or transmitted in any form or by any means without the prior written consent of RAEL Geartech Limited