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04th April, 2023

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Scrip Code: 520073

Subject: Investor Conference Call Transcripts

Dear Sir/ Madam,

Pursuant to Regulation 30 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, please find attached herewith the Investor Conference Call Transcripts that was held on 29th March, 2023

This is for your information and record please.

Thanking You,

For RACL Geartech Limited


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RACL GEARTECH LIMITED
Q- III 2022-23 INVESTORS CONFERENCE CALL
29TH MARCH, 2023

MANAGEMENT:

MR. GURSHARAN SINGH- CHAIRMAN & MANAGING DIRECTOR

MR. DEV RAJ ARYA- DIRECTOR & CHIEF FINANCIAL OFFICER

**MR. PRABH MEHAR SINGH- VICE PRESIDENT, FINANCE & BUSINESS
EXCELLENCE**

ORGANISED BY- MAS SERVICE LIMITED

<p>Chaniksha</p>	<p>Good afternoon everyone and welcome to RAACL Geartech Limited Quarter IIIrd Investor Concall. I am Chaniksha and I shall be the Moderator for this call.</p> <p>All the participants may please be informed that this Conference Call may 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. These statements are not guarantees of future performance and involve risks and uncertainties that are difficult to predict. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the Conference Call, you may post your concern/queries, if any; in the Question Answer box available or they may raise their hands as available in the right-hand corner of the screen, if you want to speak during the proceedings. Please note that this conference is being recorded.</p> <p>We have today with us the Management of RAACL Geartech Limited, represented by Mr. Gursharan Singh, Chairman & Managing Director, Mr. Dev Raj Arya, Director & CFO and Mr. Prabh Mehar Singh, Vice President Finance & Business Excellence.</p> <p>I now invite Mr. Gursharan Singh for his opening remarks. Sir.</p>
<p>Gursharan Singh</p>	<p>Hello, good afternoon. So, it's very nice meeting to all of you and I really look forward for interacting with you all. So, that is a good way to interact with you and definitely we will answer the queries and the questions in a systematic way. As usual, we will share with you a brief presentation about what we are doing, what we are presenting, where we started so it is a brief synopsis of background and our future roadmap. So, then subsequently we can take of questions which many of you friends have already sent us some queries.</p> <p>So, we'll definitely try to cover as much as possible.</p> <p>I would now like to handover the call to Mr. Prabh to take you to through the Company Presentation and general business scenario.</p>
<p>Prabh Mehar Singh</p>	<p>Good Evening everyone. I will be presenting the Presentation which will cover this time quarter numbers which ended 31st, December, 2022. Other than that in today's presentation, since, there were a lot of suggestions and questions regarding to the company how we operate, there are many people wanting to understand, other than the financial side, kind of an informative session in brief, if we can make people understand the complexities of running this business, wherein you have high variety complexities of running a high export oriented business, What challenges are there? and also there are certain questions regarding to the product. What exactly we do. As the names that suggests RAACL Geartech, so, what are we doing in terms of the manufacturing of? Are we doing just gears? what are the actual products? So, we thought of putting some more information about the company. So, this time maybe you will have less updates about the future projections or numbers, but in today's call is more on providing what the company is maybe on the past, the present and how we are running operations. We've tried to cover not everything, but most of the things, wherever we feel might be good for you to know.</p> <p>So, this plant, as you can see is spread across 26 acres of land, this is the vacant land, what we have. So, this entire plot is available so, this area is what is making right now.</p> <p>This area is the plant what we built in 2021, what we call Ojhas and this is the new plant We will tell you about what started in November this year. So, this has been added here. So, in</p>

total though, this is 1 plant, but we have 4 plants within. So, this is the legacy plant. We call it, Chetak, this is something which covers or produces parts for having, let's say, domestic applications, or parts of the quality norms 99, in terms of the grading of how we turnormalize in gears parameters. So, these are, let's say 3 wheelers parts, trucks parts or other industrial parts with precision or focus on cleanliness and other aspects is not too important. So, this is a plan, which is there since 83 this was the legacy building.

This land what we call is Tejas. This Plant started in 2011, and this covers many of our export customers primarily two-Wheeler business. So, we do a lot of assemblies there. We do a lot of loose components there.

This is our finished goods store. This was made in 2018. This is our forging plant and Forging is an input for a lot of raw materials for us. So, we buy steel and do the forging in house. So, around 50% of forging is done by us inside rest is to our approved suppliers.

This started in 2014 and this is what I just explained you. This is our main stores, canteen, other support function area.

And here, we have the entire plant, this is some residential complex for our key employees around 80 families live inside, we are working on renovating them as well.

So, this is our plant how it looks like. So, this is our main mother plant in Gajraula, 95% of revenue comes from here and then we have other plants, I don't have pictures right now, but maybe in the next presentation we tried to cover that.

So, I go to the overview slide so this is something which, in any case, we have covered in past also, so I will just run it.

We are an Indian company based out of Noida. We are since 87. We do primarily transmission gears in shafts, sub-assemblies, machine parts, industrial gears. All our plants are ISO certified. For occupation, health and safety, ISO 9000. For environment, which is ISO 4,000 and we have 2 manufacturing locations, 1, office and 3 warehouses in Europe. So, this is something which is known to you on.

Some recent recognition, so we are proud to share that, we were certified by the great places to work in 2023, March. So overall our satisfactory index what we receive was 91% which was pretty high in terms of what the average peers do and this is quite a good feedback for us in terms of how the people are satisfied motivated and eventually, that is the biggest asset we have. So, we considered our employees as the biggest asset, and work very diligently on making the workplace more satisfactory.

We were also recognized as 1 of the India's best brands by Economic Times. So, this was again a prestigious recognition which came in December 2022 and this felicitated to us in Mumbai and this is again talking about in the automotive space, how we are trying to establish ourselves as a brand towards serving to premium luxury niche.

Yeah, now we can do financial slide. So, in terms of sales. So, we did the highest sales ever. We did 100 crore. So, we touched that milestone figure what we were all working towards, at least for this quarter, and the growth was around 33%.

If you compare same quarter last year, and quarter on quarter was around 11%. So, it was a good quarter for us, in terms of revenue. In terms of profitability, the operating profit was 62% higher than last year to 26.56 cr. and the profit before tax was also higher by 80% year on year to 16.12 and quarter to quarter again better by 20%. The margins were good.

The operating margins were as high as 26.5% and net profit margin around 12% to the balance sheet.

It was the highest quarterly sale and a strong demand from existing customers remain.

The number utilization that are running a good healthy 70% level. So, on the number slides, since these numbers are already available with you. So, we won't spend much time. In any

	<p>case, if there are any questions you can ask in the chat window. Now, we talk about certain highlights and information about the organization in general.</p> <p>So, we wanted to today take you to the memory lane. So, basically some of you might have started understanding us or following us maybe a few years back only but the company has a history so we want it to run through it in terms of how the company has transformed over the years, so we started in 89, As Raunaq Automotive Components Limited and this company from 90 to 98 let's say around we're serving too many of the Indian OEMs which was set up at that time including escorts, Yamaha had a joint venture. They were making motorcycles, we had Escott tractors in 93. Maybe you can run the journey because you were more closing world. So, Mr. Singh.</p>
<p>Gursharan Singh</p>	<p>You know, this was a period when actually late 90s, because we started production in early 90s. The first 10 years of course in those days you know, our marketing business was the predominant business in Indian market, you know, there are not much OEM but aftermarket business was very flourishing in those days and, you know those days road conditions were bad and Motor Vehicles Act was not much followed.</p> <p>There were lot of demand. Eventually this company was predominantly doing auto market business. Yes, we had always focused on the business also. So, in 90s, the Escott Yamaha just was the joint venture, we started ramping up. So, we got it and producing parts of them and Escott tractors also and Piaggio, in fact, acquired this three-wheeler business from an Indian company called greaves, so we were doing something by greaves, but the was not able to sell, but when Piaggio acquired. So, this agreed business and the very first three-wheeler which Piaggio rolled out in India that was all geared from our company and eventually you know although those were kind of run of the mill gear with 9 quality.</p> <p>Yes, this was the preliminary business.</p> <p>Then in year 2002 as we are aware, we really started this business restructuring where this company ran to sickness and then management team changed and yes of course, then I was the core, what's been given jobs by already be a file to restructure the company.</p> <p>So, as part of business restructuring then we really decide to because, you know on one side, we are doing financial restructuring or the management restructuring but in parallel, we were doing business restructuring also because eventually, if we're to really restructure the company is to restructure the management restructure the finance but the important part is business where the money has to come. So, in 2002 we decided to look that we should actually reduce our exposure to aftermarket in a limited way and grow into exports business. So, this strategy was decided in 2002 and eventually you know, 2004 was the year when we got our first export order and I am really proud to share that on one side, we got this first export order from a company Kubota tractors Japan.</p> <p>I'm proud to say that we were the first Indian company who could ever got successful in export the year back to Japan. Japan was always been considered exporter of components.</p> <p>So, we were the first company for us, it was the first business opportunity. We really did a success and the first order got a direct export order from Japan in 2004.</p> <p>Then it went in 2005, we got a first export order but as tier 2 not as a tier 1.</p> <p>We are supplying gears to an Indian company who was actually assembling gearbox and those gears were producing, and eventually that gearbox was being supplied.</p> <p>So, this was the order which we got in 2005.</p> <p>So that was the first Indirect European, correct then subsequently these two businesses led us to many new things.</p>

Vespa wanted to come in India. So, of course, it is a casual company, but it started producing vehicles in 2008, 2009.

So, we actually got this business for vespa scooter and vehicles. Probably we can say that we are single source supplier for vespa.

From day one, as of today whatever we are producing in India, your company is the single source supplier for that.

We also achieve a landmark of U. S. dollar 10-Million-dollar turnover in 2008.

Then the next real milestone, we got a direct export order from Europe because as I told you, 2004 was the first Japanese export order.

2005 was actually indirect export order because we were working as a tier 2 but in the year 2009, we got first export order from BMW, because BMW acquired Husqvarna motorcycle Husqvarna motorcycles was a off road motorcycle manufacturing company in Italy which BMW acquired and since it was low volume business.

BMW, we were lucky enough. Our strategy work, so we got the first direct export order of BMW Husqvarna in 2009.

Then eventually BMW, we got a major export order BMW Germany plan because they were quite happy with our performance that low volume business then eventually they gave us the high-volume business from the Berlin plan and almost in the same year, we got first contract from KTM Austria, then eventually, you know, if we are supplying to Kubota Japan, BMW Germany and obviously, KTM also got attracted in starting this relationship with us.

When we started this business, you know whether it was KTM or BMW Husqvarna, they were predominantly not very high-volume business and they were niche market and of course premiums segment and you know India was a big producer of motorcycles in those years.

So, if we are talking about BMW was producing 60000-70000 motorcycles in 1 year.

Hero Motor car was producing probably 100000 motorcycles in 1 month and whole of India was producing maybe 10 Lakhs motorcycles per month.

So, eventually we were facing a lot of supply chain issues. We were not able to get forging and real pricing at the value for money cost and then eventually it really started hurting our deliveries issues, then we decided let's do some backward integration.

We always work with this strategy. So, we decided we should invest money on the backward integration so we invested 4-5 Million dollars in the forging plan.

Then in parallel, we decided that we should do little forward integration also to invest in the new technologies.

You know typically in India in those days people were knowing gearing hobbing or gear sharing that's it. Nobody was knowing gear honing or gear grinding. Of course, there were some companies doing it, but predominantly the OEMs themselves.

Gear manufacturers like us were not really doing gear honing or grinding. As we are always thought ahead of time, we thought we should invest money on gear honing as a technology.

So, eventually we upgraded our technology that from DIN parts.

We started backward integration and forward integration in terms of technology.

So, eventually this is some kind of plateau in our performance. Of course, in those days the growth was not really happening, but profitability was still being maintained or rather improved because then we did a backward integration.

We were able to have a good improvement on margins and when we started gear honing technology. So, with technologies, our value addition increase. So, this is how we were able to grow profitability.

And 2014 was the breakthrough here where we really again did a kind of forward integration that instance supplying only on lose components and we got the first order from KTM for supplying of assembled gears and checks.

In motorcycles, we call them gear boxes because in actually motorcycle typically, there is no separate gear box, the gears are put just below the engine housing but they're all assembled with all the bearings and all sorts of stuff and those two shafts are put into the engine housing.

So, KTM gave us the 1st order, while the top of the line, Duke 690.

So that was 1st contract we got in 2014 and then, of course, 2015, we really just making next steps, bringing our companies to name from the generic name of Raunaq Automotive Components Limited to short and crisp name but connecting with do our gear technology change the name though, RAACL Geartech Limited.

So, our focus on now, since we have a good market placement marketing position, but it was just a kind of blending exercise and eventually today those parts and actions are ready and taking shape and, you know, in 2017, we really broke the batch 1 of crossing 50% of our revenues coming from the exports business and this was a period around when we put contest to our market business.

2015, or probably 2016, by the last year when there was zero aftermarket business and then, we were only exports and the domestic audience and then, of course 2017, we crossed 50% of revenue of our business to OEM exports.

Now, we are a truly multinational company until 2019. we were just Indian company and selling product outside, but in 2019, We established in 100% Indian subsidiary in Austria.

So, that way, we are truly a multinational company. I mean, as well in Australia, 2019 landmark here.

And 2021, thanks to our major customer ZF, we made foray vehicle into passenger vehicles.

In discuss all the in between I forgot to add 1 thing, the first electric car was Reva and then eventually was taken by that first electric car was always been with our gears.

Until Mahindra Reva was running that company. E20 was the car produced by them with our gears so that way we connect with immobility also is there from a very implement system eventually after that when they go forward outputs.

They can get with and some of the store purchasing from us, but when Reva was there we were actually working for them, so this is a kind of brief.

Journey of past 30 years and have he was just as a kid but now has great potential.

But now I handover to him. Mr. Prabh.

Prabh Mehar Singh

Yes, yeah, thank you. So, we've tried to cover only the key milestones. Of course, we've added many more customers during these 30 years, but these are the ones which will game changer. These are the ones which help us begging more customers because of bigger brands, because of bigger complexities, what they offer. And overall, uh, we've tried to cover the idea behind this is to make you understand how the journey is and you know, there was always a dull phase between the companies 30 years, but the growth is coming only last 10-15 years. So maybe some of, you know, the background some of you didn't. So we wanted to just spread across their journey so that you are able to understand the company more closely.

Now we go to the next slide, so we wanted to also cover a certain part. So, you all know maybe what we need and what we want because we have shown many of the pictures in the past today. We wanted to cover that. You know, a lot of you feel gear is something which, uh, which goes, let's say, let's I assume that most of you would not be technical if you are there, that is great.

So, it is, what doesn't mean that what you put in a car, maybe when you are doing that's also gear, but that's a transmission part, right.

So, the gear does not only mean that what you're seeing a car, or maybe the bike that is just usually a gear, but the gear has application in the engine has the application in case anything even in your watch.

There is a gap in medical equipment's or in railways.

Okay, so we will just try to cover today. Basically, what exactly we do other than what goes into the chassis. So, you know, these are some parts who's going to change these. So, what you see a red launch this is something which go to the wheel of the motorcycle on this, the brake disc is mounted, this is a safety component we are giving to 1 of our customers on the left what you see a foot rest, even such kind of parts. This is the 1 new electric scooter for India manufacturer we are giving this foot rest and this is again, not just a gear. This is not mobility part. This is not in part which goes into the engine only maybe immobility comes in.

So, this is for immobility, but this can obviously go to engine scooter as well.

This steering tool you see, this is the central pivot on which the bike stating is mounted, this goes to 1 of our export customers and see, there is no gear on this. There is a precision machine. This is a medium part. So, there are many other complexities to this, but we are trying to what we're trying to maintain is that eventually this is not something which is just a gear.

You know, I just show you in this component, this is actually on which the break disc is mounted. So, again this is vehicle part.

So, it's a basically break more than it is.

This is some new projects you have started this is the steering shaft. This steering shaft is what we did right now as a new project we already talked about this this goes to Porsche as an end customer through one of our tier 1 set up.

This is a reverse steering mechanism. So, now you're saying many of the new cars will have a reverse steering calendar what that means is.

When you are, typically rotating the steering only the front wheels rotate but now in the newer generation or the, because the electric cars are longer usually, and that means that you need to have a higher turning radius.

So, this is a new revolutionary product, which has come in. So, we are working with ZF, on making these steering shots.

Basically, what this means is, it helps you to have a better turning radius and better stability, excel shafts again, these are going to one of our customers in Europe.
These are tough parts, and these parts are going basically, as an Excel shaft
And then these components will go to the also, because they are not related with the other engine does that actually related to that drive.

Balance of shafts. These are again going into the engine side of products. So basically, these are very complex. These are going to two wheelers four wheelers when I say formula basically alternate vehicles, so these are for petrol engines for sure. But here again, very complex and they're going to remain because, as, you know, most of our products are going to 690-790 those higher engines, which right now I'm not guaranteeing mobility and secondly, these are something which are in part and parcel, so, you see, again, obviously mounted there, but it is just not the gear, there's a lot of complexity in this forging, or in this way how we make it and then the complexity of the design.

So, this is to give you an idea that these balances are actually basically going into multi cylinder engine motorcycles.

Because typically, like, this is for Duke 990 motorcycle for KTM which is a 2 cylinder engine and 2 cylinder engine balancing of the time there is always advances shot.

So, this is very complex not only the part of gears but also weight balancing, even the angle of weights.

So, these are the kind of complexities where our validations are really very high, and we are doing very large number of balance and shafts. Like, this particular component, this is a 1.5-liter engine, off road vehicle applications and they're all again very complex, very complex.

These are some starter motor limiter, so these are going uh, so basically, when you are having the immediate starting of a motor, so then there is an immediate cluster technology.

So, these stock limiters help to explain what you call act as a catalyst to get that started motor, running the engine. So, these are again, not into the transmission, these are not, let's stay on the chases, but these are part and parcel to how engine is being run this again is been doing some good volume for some good customers and this again is something which even now these many applications, E-bikes.

If you if you're driving automatic car, there is, when you put the car in the park lock it doesn't go anywhere. So, basically this backlog mechanism is engaged. So, these are the parts which we are doing. This is a new part and this is for electric mobility.

The parts on the right on the left part for again end customer in Europe, some electric car is being launched that is the part for that and the right is for fuel car, but eventually, if it is fuel or electric, these parts remain and these are new product categories, which we're entering. These are also precision oriented. This typically is again, but eventually, this is not just a game.

So, this park log will be a good technology for new generations solutions also and this is a very, very complex component. Eventually there's safety monitoring breaks vehicle doesn't stop.

So, this is a kind of safety where we have actually bought very good, uh, business orders company because basically, ZF and for many more

E-mobility parts you see on the left is an output shaft or Super motor shaft. This is mounted to the motor of a scooter, and it gives drive to the exit and basically, we just out of the model, but this is a very common part many people across here sells, its kind of technology for the product.

Wheel & Axle Assembly what you see on the top bottom right. This is also very complex assembly, which we are doing. I have a video, I will show you how we make this. So, this is the aluminum housing, which is critically machine then this drive shaft is the, the, the shaft is assembled into it and you call a wheel of the scooter is mounted to the back wheel.

Everything is resting on this, and the only is then mounted on, this will be mounted on these 5 volts and what you've seen for chassis, new technology what you've got electronic controls so these are application in stabilizing if the car is going through any kind of an active role balancing and these are again for ZF and customers is that if we see that they are selling too many and this is how, companies going into the emobility side.

Now, it also works with the assembly capabilities, so we don't do just the loose parts. We play decision oriented in their assembly. This is our assembly line, what you can see from inside.

There is a video which should run if you go out of the presentation.

Fully automated line with all the safety and the district moving then, all the data logging for the various process. So, basically, what you're seeing right now is to be actually assembly of one of our customers.

This is how you make it.

Axel shaft is being pressed.

Yeah, so now what we have tried to show you is on the external side, how the products look like, uh, what we are making.

There are a lot of questions, which come our way that what is your not a USB, but what is your niche you say. Okay a lot of customers come to you basically because of many things, why can't we replicate it? Why there is a high learning curve?

So, in the coming slides, we cover 4 aspects.

First how much time is needed from a business RFQ or request for quotation, which comes from a customer to the actual if we have been given the business to the actual sample submission and then the product generation.

Why do we need a high lead time of equipment's to be deployed?

Maybe 6 months 1 year before the project starts.

Then we talk about a typical process flow. How do we make a part? You will understand the processes, which are involved, I will cover that and in the end.

Tell you now, when you are a 70% export company, it is so difficult to manage and control the customer assembly lines, because they run as per their weekly schedules and you can't make ask for their weekly requirements in India, because you need to have only 10, 3 months and then you, you have to send the pallet load.

So, why is too complex running and managing a company having 800 different part numbers of different volumes supplying globally everywhere. So, we try to cover all of that in the coming slides.

So, this is basically a business exit acquisition and development process. So, it starts with the, if you receive. Let's assume that the customer sends us a request for quotation.

That this is the drawing can you. Please let us know if you are make it and if you can make it, what's the price? So, it starts with the feasibility and study.

we first end the initial feasibility and then the cost after the cost, which is a preliminary cost, the technical discussion with the customer, It starts.

From this to technical discussion, it typically takes 3 weeks. That is the time we need maybe 15 to 20 days to prepare that quotation.

After the technical discussion, which is generally 3 to 4 rounds, because the customer wants to understand each and small integrity of the part. How you make it, what will your process? What are the other aspects if all of that let's assume is perfect because there is competition as well. We have to be competitive and therefore cost negotiation rounds. My customer sits with me as cost validation. They have their own cost team. They set those targets typically, that takes 6 to 7 weeks, which is best case scenario and you have to also understand you quote, maybe 100 projects, only 1 or 2 weeks this stage, the success ratio is maybe less than 5% of 1 RFQ reaching the technical discussion statement from technical discussion to order finalization between 3%.

Now, let's assume the order is finalized we have been nominating in 10 weeks after that we then design the process how that process will look like the control plans. There is a among us documentation which goes ahead.

Now the customer gives me a timeline that okay if today it is March I need the samples in July. Let's say this October. So, then I have to get finalize the capex and have to see whether I have the capacity or I need to deploy.

Let's assume I need to deploy because of the volumes, so then we release our capital purchase orders to our machine's suppliers, keeping in mind. There's a lead time typically 7 to 8 months for any higher equipment after that we've already costs, maybe 10 weeks, now we do the raw material, because if there is any steel supplier or any input we have to buy, we do finalizing with them. We do the cost destination and the initial stage but then, now, at this stage, we sit with them processes and aligning as for the customer timelines. Then we call documentation, which is the gateway where the customer is saying okay from now the sample solution will start.

Typically, the customer takes three rounds of sample, which is V. C. D. and V let's say near about the specification they want. C is for off tool capability in the sense it has to be exactly made on the same machine and the same tooling, which you will do the single production. Even if they're taking only 10 parts I'll have to deploy the entire capacity to run these samples. Because otherwise they don't accept the sample from any other shared capacity, if we have committed for a dedicated capacity.

So, I've submitted the samples and the measurement correlation happens because what I check here doesn't mean the same thing will be checked there because we are talking about microns, 1 micron, 2 microns. Maybe there is dust on the part and part is not okay, so the measurement correlation typically takes to 2 weeks.

Then everything is done, then we do PPAP, after that there is a validation process which the customer does from this, these samples to the PPAP, because they are doing the line testing

and whatever, which is about 3 months. Then we do the documentation and approval process and then, let's see, the civil production starts.

So, all in all, if I received the RFQ today, the business being starting, I need maybe a year to do that, and we have been telling you this, how it happened, but today we tried to pick properly present enough process flow chart. It is clear to you. Why do we have a long discussion period between the project being awarded to the project being starting? So, this is a cycle how it looks like.

Yeah, now I will run through this is something which is too deep, but I will just try to explain you. Typically, if I have to make a part, I've taken a part, which has a higher process. These are the operations, which usually go into it.

So, I procured the steel then I'm doing forging if it is outsourced, outsource it, then the outsourcing and has to be normalized as per the hardness requirements.

I will not bore you with the jargon, which are short blasting is for cleaning the surface, which is because of the part being heated at high temperature.

Then we do some rough turn, let's say machine processes then let's say this, these are usually outsourced for us. We have a supplier base, these are non-processes, and we don't spend much time and effort in this. So, we have a supplier base who does for us and then if you go next where it is, so, let's say these are the processes, we are doing in house. So, now for a part from a steel to fully finished, this is a typical gap. So, first I have to hop the part on a certain machine. Then I have to remove the buds or what we call is the access material, which is on the tip of the part. Then let's see if there are any machining holes, or is there any other way removal activities, which will do on the part is done through, let's say a vertical milling machine then we do send it for reequipment.

Reequipment is when we have to attain the hardness, there is a Furness where we are heating the part at let's say, 900-1,000 degrees.

Then, after that, we are doing tempering to normalize the part, then there are other processes which are attached to the treatment process, you have these all these processes, which are aligned to it.

So, what we're trying to explain is that typically, when you say that there are a lot of capacities being deployed a lot of Capex being happening because you have so many processes to make a finished part and then all of these processes have capacity somewhere. I might have everything, but I might not have washing machine. I have to install that washing machine because my customers say, how will you wash my part? Maybe I have some common capacity like heat treatment, I have Furness where I can put communized parts, but let's say this part has a higher weight. So, my loading is not okay. So, I maybe have to find a supplier. Hobbing, I say, okay I have 20 machines already operating, but this part let's say is bigger, I don't have that tooling so maybe I buy a machine.

So, every level we have to add capacities and that is where our business is highly capital incentive, because each process needs to have its own capacity and without any capacity, you cannot produce a fully finished part. So, this is how typical process flow of the part looks like. This was in terms of the part now, I talk about the criticality of export business. So, what you see in the top.

Please, let's say, I have 8 customers, the 8 customers send their sales plan as for their own schedule. So, the customer doesn't want my problems to be his problem. He tells me I need the part in the month of May and he sends me a schedule in April that this is my this month

schedule. Now I can't start making in that one. Because I have a lead time. So, what usually how the planning operations.

There is a sale plan, which will release every beginning of the month. We release sale plan, tentative on the 18th. Then the first release the sales team, which is confirmed, which we released to our plant

In that, there is a forecasting of 3 months, which talks about what my customer, might be wanting other coming areas.

I will show you a sale plan and how it looks like, but maybe, it has an all good.

So, we have around 800 types of parts. So, each customer part wants to be different. So, my sales team then plans that how much inventory is in my warehouses in Europe.

I'm talking about exports business then after that, what needs to be bought from the plan. So, my sales team is like, buyer for my plan. Then we send the sales plan to the plant.

Plant checks what is available in the store?

What needs to be ordered and what is the WIP?

Then the R&D team sends this schedule to the suppliers, job workers and now the steel, if I have to make a part, the still has to be casted 2 months ago, or maybe, 50 days ago.

So, for that, we need to have a forecasting mechanism, which involves that what my marketing is asking today still should always be pipeline so I have to keep some inventory there at the supplier and then I have to plan my inventory at the job work level and typically this is how the cycle is when we are procurement has been planned then it goes to the in house land and the process happens and then I am delivering the groups. There's a 2 months C time and then it goes to the warehouse.

Typically, what the customer asks is already picked from my warehouse, because I supply from there, but then I have to refill my warehouse. We have to refill my customer lines. Some of the customers have F.O.B requirements where they pick it from my gate, but they don't pick up with the same month but they pickup for a schedule of 3 months later.

This is how the complexity is of planning these sales.

Okay, go next. Okay. So, this was about the learning how the company is. We've already taken a lot of time.

I think a lot of you asked to what is happening with the 470-crore figure what we gave. So, we've tried to give you a number that this is how this year should close. Like, this is budgeted around 365 and next year, 470, this is how the revenue will come from and this is the confirmed business order we have and this is the customer advancement and some peaks, which were highly, not anticipated earlier have now come. So, this is basically that.

You see our strategy how it's walking.

We always say that we always think ahead of time. So, we planned maybe 3 years back with three-wheeler business is going down and this really that how the business is going down.

Last year was 7% and this year 6% and next year only 4%, and who is picking this business passenger cars, here it was not in 9% who is picking up electric scooters and it goes to 4% Heavy Vehicles it was 2% or 8%.

So, this is how the dying business, we are really taking care that there should be no shops which are set back at a later stage.

The way our fuel vehicles fuel since we had a very high dependence on the two-wheeler vehicles. So, that way it is coming down from 49% to 43.

So, this is always we work with long term strategy. Its really works

So, this is a kind of futuristic thought process.

We told you, we were building the plant in November now the shape has taken up. This is the recent pictures of the plant. So, we have called it SHAKTI Plant.

So, all our plants are now in the Sanskrit language.

So, Chetak, Ojhas, Tejas, Shakti. So, these are the 5 plans we have inside and these plants are catering as I told you, the different segments, this new plan we have kept in anticipating the new volumes. Now, some of you might have question that this for 470 crore what something was generated from this plant on the 470-crore value, Yes, Right now, we are sharing much of the capacity from the Ojhas plant since some new projects that are coming there. A customer insists that you make it keep it for us. So, we are shifting some capacities to this plant but out of 470, the immediate ramp from this plant will not be that high because typically, if this plant wouldn't have also been there, we would have still achieved this revenue what we have, but this is in anticipation of the future projects, which we're having the volumes of the revenue increase on this plant will be more applicable in the years after 24, which is our next road map towards reaching a high target more than 500. yeah.

This is recent pictures. This is well, just what you see in front, uh, this is one new development. We've also, uh, put in solar roof. Yeah, so this plant is, let's say, a green plant concept.

We are working on that and the shed, which you see after that, the White is an extension of that. So, in total, this plant is around maybe 60,000 square feet. and this white building is SHAKTI.

This is already now generating solar power also. So technically, what daytime, it is almost 15% of our, our requirement is directly, but overall in 24 hours, period about 5 to 6% and on the left what you say is about that in land, which is available we usually use it for an agricultural output.

And maybe in the early years, this was the good source for operating profits and even now even now, if you see we're not produce only gears yes, we produce wheats also.

Sustainability this is also very important aspect for us. We are a climate conscious organization we are working towards monitoring our SEO 2 emissions. Maybe next year, we will also start giving SEO 2 numbers to present to the investor and the stakeholders.

So, as of now, our plants have already 5% of our total electricity is now through green energy through rooftop, solar and our plan is to raise it to 50% next 5 years maybe 3 year we are wanting to do some agreement with the state government of electricity and there are other ideas we've already invested in water treatment plan this you might know into our annual reports that we built in our we are treating not only the affluent, but also our water, which is being treated is not wasted into the soil or gardening.

We are using it for our installations, like chiller and other things for urinals. So, we are saving around 50,000, liters of water every day because of this, otherwise, which we would have been wasted.

This is now in plan action for 2 years. We also do as the CSR activities, we're running a small school of around 200 children. Now obviously, our profitability is increasing. So is our commitment to environment.

	<p>So, we will be increasing and we have a target to increase the 1000 students in the next 2 years.</p> <p>To make sure that they're providing back to the society, which is giving us this resource. So, this was a very extensive but crisp presentation, which we wanted to provide. And now, maybe you can stop sharing screen and we can go to questions. I think there will be a lot of questions.</p> <p>Yes, so what we will do is we do have Pre-registered set of questions. I will tell the question and then unmute that person. Sonal Ji, please unmute Mr. Ankush Agarwal.</p>
Ankush Agarwal	<p>Thank You for taking my question. Sir, you have announced you are planning to invest around 250 crores in next 4 years and also guidance of 500 crores revenues in FY 25 to FY 24. So, what is giving you the confidence for this? Has there been some major positive developments on the business development side?</p>
Gursharan Singh	<p>Yes, Mr. Ankush. At the end of the day, it is the customer who strategies his business plan and then eventually take the messages from them and then take it to forward. You know, ZF has drown out a very ambitious plan to source their components from India. Right now, ZF is sourcing products worth rupees 300 Million Dollars from India. Their target by 2030 is 3 Billion Dollars from India, in next 7-8 years. And you know we were the first company in India to do with the ZF for purchasing fully finished components for European applications for passenger cars. So, our relationship that started only three years back that too in covid time, but our deliverances in terms of timely delivery of samples, or mass production or capacity build up or the quality performance was so good that there is a huge flood of RFQ and business opportunities with us. We already explained you in the presentation, just in three years we have started so much business lines. So, we are really very confident to explore ramp up this particular in a big way.</p> <p>All our existing customers whether its BMW, KTM or others, have very ambitious plans, and you know we are working with our customers for more than 5 years, 7 years. So, which shows a very sustainable business and based of this we are optimistic you have already seen. For next year we have already given plans with our shareholders and based on certain assumptions. As we have already explained you as we are capital intensive company, as if we have to add every year, 50 to 100 crores for growth.</p> <p>Government of Uttar Pradesh has announced certain schemes and we are taking part in that also. So, that way we are so confident but there are always certain forecast and certain assumptions.</p>
Ankush Agarwal	<p>The last quarter Concall you were talking about this game changer project, whether that is materialized that?</p>
Gursharan Singh	<p>Yes, that is taking little more time because we are at the end of the year but yes, we are on it, we will share things when they are really materialized.</p>
Ankush Agarwal	<p>Secondly, we are looking at large capex, how are we looking for funding because when we look at the balance sheet, it is already leveraged in terms of P&L and debt to EBITDA is about now 3 and 3.5 times.</p>
Gursharan Singh	<p>Since, we are sufficient operating profits and liquidity and our reserves are there. For any of the capex, we are spending 25-30% from our reserves.</p> <p>And one more thing if we are borrowing funds, we are repaying also so net borrowings remains unaffected.</p> <p>It is just banking norms that it should be 1:1.5 or other terms and our ratio is just a little more than 1, So I don't think there is an alarm for that.</p> <p>I hope I was able to answer your query, now we can have questions from Ms. Komal Ladha. Sonal Ji, can you unmute Ms. Komal.</p>

Komal Ladha	I have 3 questions, first one is that, the management mentioned that in Europe, 70% production is done in four months and rest in eight months, then there should be some kind of seasonality seen in your numbers, so why is that not the case here?
Gursharan Singh	<p>Since, we are into many business models, we are doing off road and on road, lucky to us is when there is off road season, on road is off season and vice versa, so we are able to balance like this.</p> <p>Off road vehicles, they always produce in winter time and summer time they sell, so that's reason we have high demand in those 8 months. We are able to balance out. Historically, it happens our third quarter sales is very high, first is normal and second is ramping up and variations are not that much, we are generally able to balance and we use our lean time for producing components for the peak season.</p> <p>So, I think I have been able to answer if there is other question, please ask.</p>
Komal Ladha	Second one is that, why is company starting cash flow with PAT from 2018 & not PBT and why is tax being added instead of subtracted?
Gursharan Singh	<p>There are two methods of Accounting Standard, Direct and Indirect and both are equally good but your point is valid, we will definitely change it to as you suggested because both are okay but PBT seems more logical. We will definitely change it.</p> <p>Thank You Komal Ji, so Sonal can you unmute Mr. Nirvana Laha.</p>
Nirvana Laha	Now, trajectory to 500 crores remains fairly clear because of what you just shared. I wanted to know the next leg of growth for the company from 500 to 1000 crores or whatever you are planning. What is your current niche playing with luxury segment whether that is sufficient you have enough runway to double even from the 500-crore level. Do you think you need to get into other areas?
Prabh Mehar Singh	<p>I will answer that in 2 parts so, when we say 500, that is still to be achieved, but then there is a plan already there. So, for 1st task is to achieve this 500 because as you know our task was, our plan was to achieve in a year later but we have Pre-pulled, it is not because that, you know, it is happening because it's showered on us, but there are plans might happen.</p> <p>Beyond 500 crores is definitely the next milestone on which we are working. There are 2 aspects to it the existing customer, existing businesses, these projects, whatever we have, these are all in their initial infancy stages in the sense that the volumes are still not what they've committed in the peak.</p> <p>So those projects will also ramp up by 26-27.</p> <p>What was organic volumes on this existing project are will be quite encouraging in this overall 500+ journey.</p> <p>Apart from that, there are also other Investigations what we are doing, because how the world will be 2030 onwards, it depends a lot on the inability of the hybrid technologies and other product segments, which can be there. So, we are evaluating many aspects also, we are evaluating aerospace and defense as a sector as well. If there are other single deviation is picking up anything. So, we are evaluating that as well. So, in the automotive side this growth, or the strategy will go on without much effort because we have established that niche For example, if you talk about the two wheelers motorcycles, so if it's a luxury motorcycle more than 350,400. I think we are 9 or maybe 8 of 10 motorcycles. We are doing the gearboxes are, we are doing the part so that initial luxury uh, there was one company sitting in our plan. Maybe a month back. They are a legacy British motorcycle manufacturer. So, they just came to us because they didn't know they didn't want to go anywhere else because they know their customer is luxury oriented. So, they want to have guests from us. So, that's the kind of initially command.</p> <p>But, yes, from 500-,1000 organic growth will be there on these existing products and these existing projects. We are getting many new projects in the automotive side I'm sure we will keep growing, but we're investigating many other synergies activities onto the scheme ability other than the core manufacturing.</p>

	<p>What is what we can look at some inorganic growth or maybe other things that aspect but as of now very fancy, I don't want to give any what you call big stories, because honestly, we are beyond 500 also working towards carving out that strategy, because this 500-crore strategy was put up in 2019 and 2020, the Covid came in. So eventually, we were also at that time a bit on the shaky ground, but we've, we have achieved it. So, similarly, right now we are spending a lot of time. We still have a couple of years and then eventually how this 500 is 1000 We will have a roadmap very soon, which is other than the automotive and any growth what we are looking at.</p> <p>Sure, just to add whoever said that okay look this for 470 since we've already shared these numbers to our investors obviously, it is in the public domain.</p> <p>So, it's obviously very clear that this for 470 figure is already off desktop myself. So, eventually we are working now 500 next levels obviously, we still have complete one year to write all the things that are realistic business and things are pretty much in the past.</p> <p>Thing really will take him. Okay, thank you. Thank you know, we can unmute Mr. Krishna Agarwal.</p>
Krishna Agarwal	<p>Previously, you have mentioned for the additional capex, you tend to enter the capex only after receiving the order. Do we have orders in the pipeline?</p> <p>Also, what benefits are expected from the UP Government for the announced capital expenditure?</p>
Gursharan Singh	<p>This feature of up government has already announced a subsidy investment scheme in a global investment summit, you know, So, that is already on the Internet. If you want, I can send that in by email. Otherwise you can just download, uh, from the you can go, but in a nutshell, it is since we have a lot, we have given these 250 growth investments. This window is for 4 years and that window is started from 2022. So, technically it's not the for the entire investors who have any plans to invest money in the on the front end, which in the land or building or anything equipment, which are required for the production. So, once this window is over, but next 12 years basically, 20% of this investment will be divided by 12 equal installments every year there will be kind of subsidy given back to the investors. It's a concept. So, technically if I say if I put 250 crores, it means 20% on 250 crores, if I finish this investment in 2026 November.</p> <p>So, these 50 crores mean from 2026 till 2038 our 4 crores per year will be the cash.</p> <p>You can get all the details on the website. Everything is the available to all the investors What is your 2nd question?</p> <p>So, generally you tend to announce capex after receiving an order from the client. Yes, that is absolutely clear we have always said that we never invest any money until there is a clear order from customer except this new building, SHAKTI block, which we have shown today. Of course, this has little futuristic thing because we kept almost 50% area free in this building next expansion So, obviously you can't really great building like this. So that's the reason building the plant, we have done with the futuristic projections, but otherwise, all equipment, we order strictly only when there is a confirm order, or from nominations from the customer, as brothers told many times We are to invest money for producing in the 1st part that production is starting 1 after 1 year 1 and a half years and many times we are to invest, but yes, we'll invest only when the formula.</p>
Krishna Agarwal	<p>Does Q3FY23 the increase in the topline and margin has a factor of additional prototyping we did for clients. As was the case in Q3FY21. Please elaborate.</p>
Prabh Mehar Singh	<p>Yeah, you don't see the company quarter to quarter because it is if you're a long-term investor, quarter should not be the basis of that. These were always some different, you know, provision in certain aspects overall the margins for the year will be healthy and we always try to maintain basis, whatever business projections we have, and it will be helping us.</p> <p>Cool. Yeah, thank you. Mr. Agarwal. Can you unmute Mr. Sahil Sharma</p>
Sahil Sharma	<p>Given that our ROE is around 20-22% and our current growth rates are around 25-30%.</p>

	<p>How will we fund the deficit capital? Will be debt or equity or mixture of both? Is there any scope for optimizing our inventory levels so as to increase our ROE & avoid equity dilution?</p>
Gursharan Singh	<p>Sahil I will be very honest with you. Right now, we are not planning to raise our equity because our debt figures are healthy. We really want to follow this only. Debt is not bad until it is a confirm business, when there is speculation or anticipation then debt is bad. Anticipation got wrong then you are in problem. I have already stated that our business doesn't work with anticipation. We work on confirm projects. Now, our business advantage is all our customers are big brands, so they make projections. Those projections are very realistic. So, our risk perception is very low in terms of failure of those projections. They really know that this supplier has investment and will not be able to recover, they are very kind and professional to ensure that they counter sell at one form or other. Our registered questions are done. We can take question from the audience. Can we unmute Mr. Kaushal Kedia.</p>
Kaushal Kedia	<p>Thank you for taking my questions. My first question is what is your current order book?</p>
Prabh Mehar Singh	<p>Yeah, so, you know what companies usually release I don't feel that that is fair and that is kind of not our practice. Maybe people multiply the next 10 years and tell us this my business we have, we don't do that. We don't encourage it what we can give you is the next 2 years projection this year, we already know what we have achieved next year is the guidance of 470 crores and organically in past, since we have already grown around 20-25, so that should be a benchmark growth what we should consider because. Growth rates should be similar, that is what we can give as a guidance so that as an idea. But actual order books, we don't, we don't give that way then we don't feel that's really the correct way of portraying a very frankly speaking. We don't really feel this order book is that leading to any realistic benefits, because I think these normally private equity players work on this. This actually it should be brand on the year to year basis only and that's all going to be the forecast.</p>
Kaushal Kedia	<p>Okay now, can I ask you my next question? Yeah, since you're already working with Kubota after it acquired Escort's, they plan to be very aggressive on their manufacturing in India and they plan to source a lot of the global sales to India. Are you seeing any improved traction on that front?</p>
Gursharan Singh	<p>So, we're always aligned to Escorts Kubota India so that we have a relationship is already, multiplied over there. And, in fact, uh, our numbers are increasing and, of course there is one thing very clear, if we were supplying to Kubota Japan, so there was a kind of exclusivity. So now, if we have the Escorts Kubota India, so obviously that exclusivity little bit dilute because now obviously Escorts have their own vendor way. So, obviously the vendor, the number of vendors will increase Yes, since we have a legacy 15 years of relationship with definitely we have a kind of upper hand but yes, but just to update you, we are already nominated for many, not nominated because he was already started for many projects, whether Escorts Kubota India and it is set to follow a future. On one side, there are added business opportunities, but the other side there are many competitions. So, that time exclusive we were only who are the only supply for at least 8-10 years after that they are 1 or 2 more added. But now, once Escorts Kubota is there, of course, numbers are increasing and number of competitions also. I agree. So, that one has to really draw balance. Yes, there is increase opportunity in fact, very senior management team is listing us for this schedule since our relations with them are very strong. So, I would say, yes, we have to put our strong foot forward. Okay, so good question. Mr.</p>

	<p>you can send these questions. There are others also lined up, but we can definitely answer if something is, you can probably write in the chat window. I can answer immediately. Now we can have last question from Mr. Sunil Kothari. Can we unmute Mr. Sunil Kothari?</p>
Sunil Kothari	<p>My question is that externally you are open yourself already to your customer by your product and qualities internally how you are preparing your team for engineering, development, your R&D or HR policies because it seems that you have long runway to for growth. So, if you can talk a little bit more on your internal and the related point is where is the time you and Mr. Prabh, giving more, which are the area of concern or risk?</p>
Gursharan Singh	<p>First of all you said when we are very good, the external customer, how we are managing internally. So, I will sum up, answered in 1 way, we already showed you, we have been certified as a great place to work.</p> <p>So, if there's a great place to work, it is a human resource which has help this company to get this certification the end of the day, whether quantity or the quality of the interval, you know by producing a good product, and a producer service delivery. You need a good technology, and you need good people to deliver that So, when you say good people, so you take care of the people and definitely, they will deliver. In fact, when we said that we have certified as great place to work.</p> <p>Also, I wrote an employee works in the organization to earn money or to get his job but a happy employee works not only to earn money but he wants to make the organization also brand absolutely. So, at the end of the day happy employee is always an asset and this is all we are creating a very strong human resource by which province is team because properly you said to answer how you really between you and how you manage. So really Prabh is spending more time on human resource and all such activities and creating the right kind of work environment in the company and this is how we are really being able to grow internally also.</p> <p>But I tell you, if we are not able to grow internally, we cannot grow externally. That is a very clear thing, because it's getting the order is difficult, retaining the order is more difficult, but sustaining over a long period of time is really very difficult and very challenging.</p> <p>Until today we are working for the last 15-20 years, none of our customer has left us.</p> <p>Okay, this really shows we are a company we just sustaining and we cannot sustain until we grow internally.</p> <p>Biggest risk is a global risk. So, I tell you every day we give listening all those global volatilities and all those things and those global risks are not only for RAACL but industry as a whole, but if you say companies specific risk factors we are not really seeing any major risk factors. Our deals are always having risk. So, eventually this volatility really keeps us in trouble, but otherwise we're very comfortable in managing our human resource, managing your technologies where incidentally having a very big landmark so we did not really be scared of that, but yes foreign exchange currency really creates a little bit of risk but of course, we manage them.</p> <p>Okay, so maybe we can wrap it up now. Yes. So.</p> <p>Thank you, thank you. It was really very nice talking to all. Thank you once again.</p>
Dev Raj Arya	<p>Thank you, Ladies and Gentlemen. We hope we were able to resolve all the queries. And if at all there are any queries that are left unanswered, you may send them to us by Email at investor@raclgeartech.com and we'll try to get back to you and answer your queries.</p> <p>On behalf of RAACL Geartech Limited, I conclude this conference call. You may now disconnect your lines. Thank you.</p>

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