



# RACL Geartech Ltd.

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**The Manager- Listing Department**

**BSE limited**

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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 02<sup>nd</sup> December, 2022.

This is for your information and record please.

Thanking You,

**For RACL Geartech Limited**

**Shagun Bajpai**

**Company Secretary & Compliance Officer**

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# **RACL GEARTECH LIMITED**

**HALF YEAR 2022-23 INVESTORS CONFERENCE CALL**

**02<sup>ND</sup> DECEMBER, 2022**

**MANAGEMENT:**

**MR. GURSHARAN SINGH- CHAIRMAN & MANAGING DIRECTOR**

**MR. DEV RAJ ARYA- DIRECTOR & CHIEF FINANCIAL OFFICER**

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

**MS. SHAGUN BAJPAI- COMPANY SECRETARY & COMPLIANCE OFFICER**

**ORGANISED BY- MAS SERVICE LIMITED**

<p><b>Shagun Bajpai</b></p>	<p>Good afternoon everyone and welcome to RACL Geartech Limited Half Year Investor Concall. I am Shagun Bajpai, Company Secretary &amp; Compliance Officer of RACL and 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 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 on the right-hand or they may raise their hands as available in the right hand corner of the screen, if they want to speak during the proceedings. Please note that this conference is being recorded.</p> <p>We have today with us the Management of RACL Geartech Limited, represented by Mr. Gursharan Singh, Chairman &amp; Managing Director, Mr. Dev Raj Arya, Director &amp; CFO and Mr. Prabh Mehar Singh, Vice President Finance &amp; Business Excellence.</p> <p>I now invite Mr. Gursharan Singh for his opening remarks. Over to you Sir.</p>
<p><b>Gursharan Singh</b></p>	<p>Thank you Shagun. Good afternoon everybody. On behalf of RACL Geartech Limited, I extend a very warm welcome to everyone for joining us on our investors concall today.</p> <p>Half Year results are already almost a month old and available on the website as well and I hope all of you all must have gone through the same. In today's call we will first go through the half year and quarterly results and will share with you all the highlights of our business and performance through the Company's Presentation after which we shall invite questions from the participants.</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><b>Prabh Mehar Singh</b></p>	<p>Good Afternoon everyone. Since, this time we already shared the Financial Presentation, in terms of the year on year, quarter on quarter, half yearly number. So, this time, we have kept the number presentation to be very small but we have tried to cover the other aspects of the business like the Company profile in brief, then new updates we have, about the projects and what we are working on and I think there have been some requests from the shareholders to have pictures and videos of whatever investments have happened recently. So, we've tried to cover that as well and also, we have certain pictures or schematics of where actually our parts are applied and the kind of vehicle they are put in.</p> <p>Beginning with an overview of the Company, as most of you know, we are established since 1987 based out of Delhi and our Corporate Office is in Noida. Our last year Credit Rating on the long-term credit was 'A-'. We are a public listed company and we have one wholly owned subsidiary which is based in Austria.</p> <p>Last Financial Year, we did 2.75 Billion around 275 Crores in terms of revenue and we have around 577 employees as of today on the Company's roll. We have two manufacturing locations, one is in Noida and the other one is in Gajraula which is our mother plant. We have got three warehouses in Europe, since most of you know, Europe is big market for us. We have a subsidiary and three warehouses and couple of employees posted there to support us for after sales operations.</p> <p>Our Core Competency is of course, Gear Cutting. Anything which requires Precision Machining; it can be Aluminum Machining or Steal Machining, we do it. We are very good at Concurrent</p>

Engineering, Process R&D, where we sit with the customers with their drawings, trying and making the design more robust and acceptable for mass production. Since, most of these designs are at the initial stage, we work with the customers in making the designs more manufacturable and Export Logistics handling is one of our USP as to what we give to our customers sitting thousands of kilometers away. Also, some technologies like Laser Welding and Laser Cutting, which not many companies in India do.

We have around 22 Active Customers and over 900 different part numbers. We manufacture parts going in Two Wheelers, Three Wheelers, Passenger Cars, Commercial Trucks, ATVs etc. Product Range wise, we do gears and shafts, sub- assemblies, precision machined parts, Chassis Parts and some Industrial Gears.

All our plants are ISO Certified for Environment which is ISO 14001 and ISO 45001 which is Occupational, Health and Safety Hazards. That way, we a sustainable organization which takes care of Environment, People and definitely the product quality.

As on 31<sup>st</sup> March, 2022, we did 68% of exports and 32% was domestic and as you know, for us the bigger market is Europe, so 55% is attributed to Europe, 10% in Asia Pacific, 3% goes to North America. This data might change when the year ends at 31<sup>st</sup> March, 2023.

I would try to show you pictorially, the application of our parts in the Two-Wheelers. We do many Engines & Clutch Gears for our customers. Then we have Transmission sub- assembly which is basically a gearbox of a two- wheeler. The complete housing is assembled by the customer and then put it into the vehicle. We do some reduction & transmission gears for scooters. In Agricultural, again we do Transmission Gears and some Engine Gears. In Passenger cars, what we have recently started and the Investment that we have made through ZF for our end customers is for the parts whose application is into the Chassis. It is a road control part for suspension; it is a proprietary item. It's a new project that we have started and a new technology and not many cars in India have it and very few in abroad. We are actively working on this with our customer. On the ATV front, we make some transmission in gears, engine and clutch gears and we do some balancing shafts as well. For Trucks, as you know MAN is a recent customer that we have added to our portfolio along with Scania and we are doing Axles Shafts for them.

On E-mobility, as we already informed about the E- Scooters made by BMV, wherein we are doing entire drive train and wheel axle assembly where the rear wheel of vehicle is mounted and it is very critical part. So, the entire kinematics is done by us. Further, what we have recently started is the Park Lock Wheel for 4- Wheeler Hybrid Cars. Samples have already gone and commercial production will start in a couple of months from now.

3- wheelers are a dying market but this the legacy product we have wherein we do some drive shafts and some transmission gears and we also make some engine gears and drive shafts for some buses. And that how our Portfolio looks like.

We have a new plant in Gajraula, within our existing premises because we have ample land there and most of the deployments have been done. Some key features of this plant are-

- It is centrally aired not cooled but air is controlled for better airflow.
- This also has a Clean Room for passenger vehicle parts wherein part cleanliness norms are very stringent. So, we make sure that it's free of dust and any atmospheric contamination.
- It has a robotic automation wherever it is required and entire plant is centrally controlled for quality. So, we monitor the process capability through QDAS Software which is best in automotive world and all the statistical processes are controlled through this.

On the financial front, following are the highlights:

We did a Sales of Rs. 90.21 Crores, in QII, which was 30% higher if you compare YoY and 12% higher if you compare QoQ. EBITDA was Rs. 22.85 Crores, which was 44% higher on YoY basis and 29% if you compare QoQ basis. Profit Before Tax was again higher by 34% YoY and 63% QoQ basis, which was Rs. 13.15 Crores. Export Sales was 65% and Domestic Sales was 35%. Many of you asked questions, that we have not been able to penetrate the Domestic market, so now we have got many new projects from domestic market as well. Margins, we have 25.30% as Operating Margin and 14.50% as Net Profit, which is I think best among last few quarters. Definitely, there are some other operating incomes that adds to this higher margin but otherwise in terms of the sales growth of Rs. 87 Crores which is exclusively of other operating income. There we are maintaining around 23% which is again, given in the inflation and other scenarios, is pretty good. We are trying to be constant on quarter to quarter. This was the highest quarterly sales ever and we tend to work towards beating that again in coming quarters.

It is the result of strong demand from existing customers as most of our customers are projecting and we are delivering, high numbers, so, the last year European Market, being in question still grew for us and in India as well some strong numbers came from customers. Second is the addition of the new customers and as you know ZF started in June-July, and it is Q2 that resulted in higher production and sales value. We are proud to share that whatever we deployed last year about 70% of that is being utilized on an average, that means whatever capacities we had installed for 3-year utilization, the customer booked the entire capacity in the first year of production.

Some key highlights, some new projects that we have added and major projects which are under discussion:

From ZF again, we have backed an order, for a luxury car manufacturer in Europe and this project was under advance discussions for a year and this complements the investments and technologies what we have put in. Basically, whatever ZF was selling to customer A, now would be selling to customer B, the same products made by us. So, this is something which was a highlight and that is why the utilization of capacities are at 70%. Basically, it's a resourcing project as ZF was making these parts In-House for their other customers and they were really impressed and confident about the supplies which went from our new plant and definitely as a cost advantageous measure, they decided to shift the product to us. You all be very happy to know that this doesn't move so soon but in around 9 months' time, they decided and even sample development happened and the parts are moved and SOP has also started. This has helped us get better utilization immediately on our capacities and whenever the need comes, we will have to reinvest because of this new project.

We have also bagged an order for rear steering mechanism which helps steer the rear wheels of the Car, called an Actuator which makes the rear wheels move 2-4 degrees that gives better turning radius and better handling. We are working with ZF for Porsche. This again is a product which will have application in multiple customers. So, ZF is confident that they will sell this to more customers and if that happens, our parts move with them, so this is again a big catch for us. Sample development is underway and SOP will start in the middle of the next year. We've done some deployments to the capacities and some new fixed assets but not much.

We've also backed one more order from ZF for BMW. It's for the same project what we have been doing, so they added one more part to the kitty and this is high volume part for us, probably the highest for us, in terms of our manufacturing scopes. ZF is a big company, so what we are now doing is, that we are bidding judiciously into the projects which have application in the electric projects, hybrid cars so that we can de-risk ourselves.

This was on the export side, on the domestic front, we have bagged an order for the entire transmission assembly engine parts for a 440cc Italian motorbike which is being launched in India and we will be the single source and as you understand we have niche in premium motorcycle as you know KTM, BMW, TVS, Kawasaki all are our customers. Similarly, any new company wanting

	<p>to launch a high-end bike, they come to us for gears. Escorts-Kubota is a customer we are working with. As you know, we were always working with Kubota and now the merger happened and we have them as our customers in the domestic market and we are now starting some new projects and the SOPs shall be next year. So, we're adding customers is domestic and exports as well.</p> <p>Apart from this, there is one major project which is under discussion and which will be huge for us if we are able to convert it. Right now, as you know we are working through ZF, for passenger cars. Again, through that confidence that ZF gave us, one of the car company, being a luxury car manufacturer has approached us to supply parts directly to them for their electric vehicle platform. It will be high volume and directly to the customer. Maybe in next call or maybe in next 6 months, we will give you update about this, but we're working very hard in terms of getting this project.</p> <p>Definitely since, we have so many new projections, and customers coming in, we need to invest. We are pleased to inform you that we have already started making way for our new plant. So, whatever plant we built last year is already consumed, we don't have much space. So, for the new projects that are coming in, we are putting up a new plant, again same size and type and it should be functional by March or April, at least the building and then the deployment of equipment's will happen simultaneously. We already have confirmed business orders and schedules because our existing customers are also increasing and there also we have capacity demands and new are also coming in and the new developments are in line with that. So, right now, within that Gajraula plant, we can say we have around 3 plants for machining and this will be the 4<sup>th</sup> plant. So, had it been a company with multiple locations, we would have 4 different plants, but this is multiple plant within the plant and that is how it helps us to use our land judiciously.</p> <p>Last slide is how the penetration of application looks like. Last year 2 wheelers were 49%. Electric mobility was 2%. 3 Wheelers are dying market, 2017- 18 this was around 18% of our turnover and next year it will be only 4%, that is how we are de-risking ourselves. Commercial Trucks is increasing and in passenger cars, we are now increasing our penetration and the good thing is that all of these new projects are electric and hybrid and even if they are not electrical/hybrid, these are Chassis parts. What it means is that Chassis will not change, if you put an engine in it or a battery in it. So, it's kind of agnostic. For 2 wheelers, the dominance is not reducing, since other shares are increasing, so it's just balancing the industrial specific risk. Definitely a caveat that this is just to project, this is basis for discussions or understanding of the market we have. They are just forward-looking statement and it should be taken into consideration for your decision with the Company's value.</p> <p>I tried to cover majority of the updates. Now, we can move to questions answers session. Thank You</p>
<p><b>Shagun Bajpai</b></p>	<p>Thank you, Sir. So, we have walked through the financial performance as well as the Company performance overall. Now, we can begin with our questions and answer session. We will start with pre- registered questions received from our shareholders and investors that have joined us today.</p> <p>So, the first question is from the line of Mr. Manish Gupta. Please go ahead.</p>
<p><b>Manish Gupta</b></p>	<p>Thank you for a very elaborate presentation. Most of the queries were answered. I just have one question which is a clarification from our last call. During the last call, you have mentioned that our Debtors Day are very high because of the transit time it takes for the goods to reach Europe. I think Sir mentioned it's about 75 days and customers pay us in about 87 days. So, essentially the Debtors Day is not much. I wanted to check that do we recognize revenues when goods leave from factory or do we recognized when goods are taken into custody by the customers. Follow up to that question, our Inventory days are almost 230 days. So, can you explain why we need to carry so much of inventory in our business model?</p>

<b>Gursharan Singh</b>	<p>Thank you, Manish. As per Accounting Practices, we have to recognize the sale as soon as the ownership is transferred. Many of the customers wish to have the materials on FOB at Indian Ports, like Delhi or Mumbai and for many of the customers, we have to give the materials at their destinations wherever they are. So, based on that we recognize our sales. But for most of our customers have normal terms of 60 days from the material bill of lading. We keep on shipping every day, every week but the customer pays only once a month, so that adds up to 90-100 days. However, now the Debtor Days is around 66 days. Since, now our domestic market base is also expanding and for the domestic market the transit time is less.</p> <p>Regarding inventories, as you know, we are a premium segment niche market product company, where we have very huge variety of parts and there are certain parts which have to supply in few months a year, certain parts are supplied on month to month basis. Since we are making many assemblies, the need of child parts is very heavy so that's the reason, we have to keep the Inventories very high. But our costing takes care of it. In the exports, they have seasonal businesses, they don't produce throughout the year uniformly like we do it in India. In Europe, they produce almost 70% production in the 4 months and remaining 30% in 8 months. But, we have to keep producing on regular basis because with fluctuations, we can't really handle it in our practical scenario. That's the reason we have to always keep our inventories. So, when it is peak production, we sell from our stocks and when there are lean ones, we keep producing and stocking. This is how Inventories are taken care of. I hope I have been able to clarify you question and if there is any further requirement, please let me know.</p>
<b>Manish Gupta</b>	<p>Just a follow up on this and two other small questions. The first one is that as you grow, would the inventory days reduce, or would inventory days stay high in our business model?</p>
<b>Gursharan Singh</b>	<p>Our EBITDA and Profit Margins are high because our business model is like that. If we're going to mass market, we then obviously we keep our inventory days as very low, but you lose margins. So, it's better to have margins. Inventories are not bad things for us, it is our business need.</p>
<b>Manish Gupta</b>	<p>Sir, second question is Europe is about 58% of our revenue but I suppose, some of the products we are shipping to Europe, from Europe might be getting shipped to other parts of the world. So, would you be able to split the revenue, as how much is our actual exposure to Europe?</p>
<b>Gursharan Singh</b>	<p>Europe is not the producing parts for their domestic or European Consumption. They are producing for the rest of the world. I don't have much data, but this is very clear Europe is not producing much for its domestic market but for rest of world. I personally feel that for Europe, the biggest market is the U.S. because as one of our customer called BRP Rotax, whatever vehicle they are producing in the world, they consume only 12% in Europe and 88% sells to outside Europe. The U.S., Canada, Australia are very big markets for this customer. And same is for premium motorcycle manufacturers like KTM, BMW. I don't have exact data for the other customers but Europe is a feeder for all big Continents, including India. Many of the products we sell to Australia or Germany and they get assembled and are shipped back to India.</p>
<b>Shagun Bajpai</b>	<p>Thank you Mr. Gupta. The next question is from the line of Mr. Sunil Kothari. Please go ahead.</p>
<b>Sunil Kothari</b>	<p>Thank you very much sir. So, why we are not thinking about reducing debt and interest burden as we have Rs. 5-6 crore of interest cost in almost every quarter. So, what's you plan on this? We may raise funds through rights issue or dilute some equity and reduce the debt burden that may give us some comfort for future growth.</p>
<b>Gursharan Singh</b>	<p>Sir, Debt is the business need and it is not much of any issue as our ratios are encouraging. As far as raising funds and equities are concerned, they are strategic decisions and it's the management's call to take.</p>

<b>Sunil Kothari</b>	My next question is that as we are getting new projects and new customers, what are the capex plans going ahead?
<b>Gursharan Singh</b>	As we know that we are a capital intensive industry and Capex has to justify our investment decisions and our management takes capex decisions which align with our future forecasts. So eventually if we are growing 30% YoY for last 3-4 years and to maintain this, the capex has to grow with that. I cannot give out any numbers as they have to be approved by the Board first, but it will be in line with our past performance.
<b>Shagun Bajpai</b>	Thank you Mr. Kothari. The next question is from the line of Mr. Anirudh Shetty. Please go ahead.
<b>Anirudh Shetty</b>	It's just a follow up question on the last person's question. You know we have very strong visibility on growth and the opportunity presents itself. We'd like to invest in capex which also would require some debt. So, I just wanted to understand that is there any debt metric, we would be comfortable with and beyond which we will probably looking for other needs to grow our business? What kind of leverage would you guys be comfortable with?
<b>Gursharan Singh</b>	When we see the most traditional approach is Debt- Equity being around 1.5. Until now, we have never reached debt- equity as 1:1.5 and we still have lot of cushion over there. We are continuously raising debt but we are continuously repaying also. So, net debt addition to the books is very low, and the capital reserves go much higher than debt. EBITDA to Debt Margin is around 2.7 anything below 3.7 is always good. Our balance sheet is not very heavily loaded for the long-term debts.
<b>Prabh Mehar Singh</b>	<p>And to answer you on the 2nd aspect, that debt would have been pinching if the turnover was not growing. I hope you can understand whatever projections, we have given, I believe we will be surpassing it and maybe the 500 Crore journey can happen sooner because it is all contributing to higher sales and as some of the other person asked debt in terms of Percentage of the interest cost, so, now since we are an A- Company then whatever new debt is coming, is at very attractive interest rates and whatever debt is being deployed, it is being deployed judiciously for only projects, which have confirmed business scenarios.</p> <p>For example, I explained in the presentation for ZF. We deployed for Project 1 and now we have 6 active projects from them and most of the equipment are shared by all and for some, we have to deploy certain new equipments.</p> <p>So, it is not that whatever debt is coming, it is coming for our business, which might come in 3 years. Business is already there. Debt is being raised to fulfill that commitment or demand what we have. It is all about making sure that whatever investment is helping you achieve that overall number and which is we are comfortable given the projections we have.</p>
<b>Gursharan Singh</b>	Adding to this, I know that the Investors have that little hesitation in accepting debt. There are two types of Debt Models prevailing in the Industry. Many Industrialists invest and create the Plant & Machinery and then they will start hunting for the business. In this case, if there is a time lag between your investments and your hunting the business, it really kills the company's financial performance. Our Company's case, RACL will typically invest only when we get the business. Because imagine a situation that we raised 100 Crores, create a plant & machinery, create a good facility and then we approach the customers for business. Now, the customer will know that this supplier has already invested in the capacity and needs business and then they will start dictating terms. We don't work like this. So, that way, our investments are always assured, they are no risks. Although, no business can be totally risk free but yes, our risk element is comparatively lower. This is what we call a judicious and justifiable investment decisions.



<b>Anirudh Shetty</b>	I just wanted to recheck that you had mentioned that the finance cost has improved for you and did you mention 4%? I didn't get that. So, Basically, we have taken foreign currency loans, is it?
<b>Gursharan Singh</b>	It is 4.1%. Our Long-term debts are generally in Rupee only, because in this volatile foreign currency market, it is better to have Rupee Loan. It's actually a mix of short and long term loan and this is an average. Short terms loans are less expensive as compared to long term loans, so this becomes the net financial cost carried to the Balance Sheet.
<b>Anirudh Shetty</b>	In the past, I think you had mentioned the scope for improvement in asset turns. Our gross fixed asset turns are (if I exclude the capital work in progress) about 1.2 times in 2022. Where do you see this number settling at once and what is the number one can work with?
<b>Gursharan Singh</b>	We have a short term or mid-term goal is that we should have at least 2 and long term should be 2.5. This is our aspiration. We are a gear manufacturer and work in a capital-intensive industry, so, we can't really get very high asset turnover, but yes, 2 is our benchmark.
<b>Anirudh Shetty</b>	Okay, and this 2 is basically once we reach a more optimum capacity utilization or is there some other driver to get to?
<b>Gursharan Singh</b>	We have all the facilities to produce sample parts and have a fully integrated set up along with all new technology in our Company. So, whenever new business comes, some of the investments we have to make for the additional capacity and some for the existing capacities, which were lying underutilized and can start getting utilized. So, what we call it the capex balancing. So, this capital balancing will really help us to increase our asset turn.
<b>Prabh Mehar Singh</b>	<p>And to add, I think this is for general knowhow that, whatever we deploy doesn't mean that it will generate turnover. For example, for a project, the machine for even washing of the parts is more expensive than most of the people's entire plant and asset and that will not help me generate a higher number, but if I do not have that, I cannot sell that product to my customer because my customer allows us 0.2 mg as a contamination of dust on the part.</p> <p>Similarly, we invested, a few years ago in forging. So, it helps us to improve our supply chain. It helps us to reduce our Raw material cost, but it doesn't mean it will help us increasing the turnover. So, you measure fixed asset to sales thinking that whatever we're investing will help in creating a higher turnover. It is not true always, it also helps us to improve efficiency, improve profitability because you all see, only the what you call the top line, but these margins when you keep asking us, why are they so high, the reason is, we invest a lot in improving efficiency. We invest a lot of in quality, in automation of checking so that we reduce manpower, we reduce unwanted wastage of movement by putting in automation. So, it's has to be seen in the entire context.</p>
<b>Gursharan Singh</b>	<p>To add to this, you know, our plant is almost 35 years old. So, we have to invest a lot on replacement of the old machinery, old technologies, upgradation of technology, modernization and, of course, creating new capacities. So, many times when we invest on the replacement of old plant &amp; machinery, the asset turnover will go a little low, but other than that the new equipment with the high technologies starts working, it will reduce your operating cost. To give you an example, we had certain, gears cutting machines, which are using maybe 300-400 liters of oil per month, and now we have replaced those machines with new technologies which have eliminated the usage of oil completely, but this will not be reflected in the top line but our expenses reduce and improves our bottom line. So, we have to invest in high cost technologies for improving operating costs.</p> <p>At the end of the day, important for any business is the bottom line, because if you put in 100 crores or 1000 crores but if you earn 20% on 100 Crores and 5% on 1000 Crores, I think producing 100 Crores is better. As a management, we have to always maintain balance. Obviously, top line is also</p>

	important but the bottom line, which really important to all the stakeholders, including our bankers, including our employees and of course our shareholders.
<b>Shagun Bajpai</b>	Thank you Mr. Shetty. The next question is from the line of Mr. Yogansh Jeswani. Please go ahead.
<b>Yogansh Jeswani</b>	You mentioned that we have 70% utilization, so, did you mean for the new capacity that we have setup or is it the overall capacity utilization?
<b>Prabh Mehar Singh</b>	Overall, definitely, we operate around 75% efficiency, but this is for new only. When I say, 70, so let's say I deployed, 100 hours of total machining available, in that 70 hours, I was able to make products out of it and 30 is losses or spare capacity. This ideally should have been 50 or 40 because we deployed this for 1 project, but as we just explained that the 2nd project, which compliments most of the same equipment, we were able to load that. So, for the month of November, we used around 70 hours of 100, if we deployed. So, that is how we calculate that.
<b>Yogansh Jeswani</b>	Secondly, you also mentioned in your presentation that the export mix in terms of the regions between Europe, Asia and America is going to look different from what it was last year. So, could you share some sense as to what it would be? I'm asking about export the breakup.
<b>Prabh Mehar Singh</b>	So, export if it was a 70- 30, I think now it should be 65-35, but it is very dynamic. It changes and thanks to dollar fluctuations.  North America- direct market will remain the same as we do not have any new projects. Asia Pacific, yes, it might as we have China, Thailand and Japan, some new projects have started, it should increase a bit and Europe should remain similar because when we're growing, we are growing in all areas. So, that means it should not change much.
<b>Yogansh Jeswani</b>	Okay, like you have mentioned couple of new project means that we have. Have you been able to work out on the Capex requirement that we need say in FY-24 and remaining FY-23?
<b>Prabh Mehar Singh</b>	We will come back to you on that. Right now, we are talking about this year and we have divulged this year's numbers already. For next Financial Year, I think next Concall will be a better time because then we would have a better understanding of how the Capex would look like. It will be premature to answer and secondly, all the decisions are certainly approved by Board of Directors only then, it can be shared with the public domain. But for the current year, everything is in place as planned. For next year, when Board of Directors approved, then eventually introduce here.
<b>Shagun Bajpai</b>	Thank you, Mr. Jeswani. The next question is from the line of Mr. Rajat Vohra. Please go ahead.
<b>Rajat Vohra</b>	So, I just wanted to understand with regards to the schedules that you work with your clients. So, from the process and concept development till the production starts, so, it takes usually 2-2.5 years if I'm not mistaken. If I look at the other listed players, so it's kind of a mix where endurance is also doing some bit of work in this area itself to Europe, and I just wanted to understand the maintenance of your operating margins. How will you be able to sustain?  And you had mentioned in your earlier Concall, that your share is going to increase as you are having 2 or 3 major tie-ups with ZF and MAN group. Now, if at all, let's say there's a slowdown within that group itself, is it going to have an impact significantly or that is manageable as you have had relationship over the last decade or so?
<b>Gursharan Singh</b>	If you really see our business model and corporate strategy, I always say that no customers should be more than 20% of our topline. So, eventually imagine that if, any customer drops to even 50%, in our balance sheet it will be only 10% of the top line. Also, because they're global brands, they

	<p>will never ever decline by 50%, the decline will be 10-20%. If I say normal decline is let's say 20%, my top line declines by may be 2-5% which is manageable. Secondly, we have almost 20 active customers, if some decline, some grow also.</p> <p>One more business strategy is we never keep working with existing customers and we keep on adding new customers. This is how the balance really works for us.</p>
<b>Rajat Vohra</b>	<p>Okay, if I may ask you another question is with regards to your exposure on the Europe side. how do you basically hedge it? And are you sourcing raw materials from domestic or is it from the overseas?</p>
<b>Gursharan Singh</b>	<p>Raw materials are almost 95% are from domestic.</p> <p>We have a natural hedge as we discount most of our receivable from the Banks. Within the same month, we send the invoice and we receive the money. Secondly with our customers also, we have Foreign Exchange and Raw Material Indexation, so, even if foreign exchange goes fluctuates, we get compensated.</p>
<b>Rajat Vohra</b>	<p>My last question is with regards to ZF and MAN trucks, you said that the production has already started in February 2022, and SOP will start in June. So, has it been it on the course?</p>
<b>Gursharan Singh</b>	<p>It is right on course rather it is progressing more than the anticipated. This was covered in the presentation.</p>
<b>Shagun Bajpai</b>	<p>Thank you, Mr. Vohra. The next question is from the line of Mr. Nirvana Laha. Please go ahead.</p>
<b>Nirvana Laha</b>	<p>My question is in terms of EV and power agnostic percentage of top line, I think, some concall, you had said, 16% is your goal after a few years. What is the number right now if you have it like, in terms of percentage?</p>
<b>Prabh Mehar Singh</b>	<p>If we can go application wise in terms of two wheelers, these are high end motorcycles, we do not see them turning into electric overnight. So, we consider this to be safe. When I say, safe it maybe 5-10 years. Then in terms of commercial trucks and vehicles again, we do not see that happening in near time and this off highway agricultural again, let's say not too much electric dependent. So, whatever we are doing, I don't have the ready number as of now, but as a general guideline, three wheelers is definitely one of the business, which was purely susceptible to risk, because it would have just shut down overnight, but even that 3-4% of a turnover is a good number. On total pie, it may look down but it is still stable. Apart from that, most of even the passenger cars, new projects are electric hybrid and so there is not so much of exposure to parts, which will be not useful in the mobility in coming years.</p>
<b>Nirvana Laha</b>	<p>Can you share the percentage share of the new customers? And what has been the growth QoQ?</p>
<b>Prabh Mehar Singh</b>	<p>Actually, it is not more than 8%. The growth with respect to our new customers has been nominal if we compare QoQ.</p>
<b>Nirvana Laha</b>	<p>Okay, so coming to the domestic two-wheeler EV market, so, you know, we have heard that two-wheeler EVs, because they are silent, the gear precision needs to be even better. So, first of all is that understanding right? And how do you see the domestic EV market or two-wheeler EV market for us?</p>
<b>Gursharan Singh</b>	<p>The domestic scooter market is still into that establishment phase, although they have started doing with 50- 20 thousand numbers cumulative in a month, but they are generally very low end scooters. If we compare to a fuel scooter, it is not even 100cc, so technically power wise, they claim 70, 80, 90</p>

	<p>kilometers in a single charge, but eventually it doesn't happen and they are small scooters. So, obviously, in those kinds of applications, gears are not much required but give us a couple of months, we'll share some information with you. We're already in advanced stage with some good EV Maker. But otherwise, this current domestic market is not focusing on high power electric scooters, they are generally low power scooter. Target customers are who drive 10-20 kilometers a day or the service providers, who can do frequent charging, but they are all low-end scooters. Market has to mature. Even in fuel bikes, demand for smaller bikes is going down each year and aspirations for bigger bikes is increasing, reason is that India has a growing middle-class population. Now, people no more look for the 100cc or 125cc scooters or a motorcycle. They all started buying KTMs or BMWs or Dukes or Apaches or Splendor of 200cc and above. Same will happen with EV. These smaller scooters are not for the aspirational people, so eventually these manufacturers are not looking out for our product.</p>
<b>Nirvana Laha</b>	<p>So last question from my side, so with our precision machining capability, I saw in the annual report, I think you had mentioned that industrial goods was 3%. So, we have now an anchor customer, like, ZF for the auto industry, which is giving us exposure to multiple global OEMs. So, how do you see the industrial good segment? Because, for industrial gear making also, same kind of capabilities, that we already possess, will be required. So, does the company have a road map for the industrial segment?</p>
<b>Gursharan Singh</b>	<p>Yeah, I will be actually giving you a very honest answer. Our hands are so badly tied down with the handling this automotive growth, we are not able to focus on other areas because fortunate for us, then we have actually got a huge projection and demands from our existing and new customers. So, to very honest, we are not able to increase our focus but believe me, if we're really increase our focus, we can really increase this segment. Also, we have very good rapport in industrial segment. In the industrial segment we are working with the top brands in the world, like GE and they are after us but, they are again, very low volume, but very large variety. Pricing is not an issue for them, but we are not able to increase our focus because our hands are full with the automotive growth. In the next 2-3 years, we are actually seeing a very huge growth coming in for our automotive business. So that is our main focus area, but yes, your point is well taken. Industrial business variety is much higher, because volumes in industrial businesses are very low, but variety is high, only then really, we can increase.</p>
<b>Shagun Bajpai</b>	<p>Thank you everyone. 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 <a href="mailto:investor@raclgeartech.com">investor@raclgeartech.com</a> and we'll try to get back to you and answer your queries.</p> <p>On behalf of RACL Geartech Limited, I conclude this conference call. You may now disconnect your lines. Thank you.</p>

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