RACL Geartech Ltd.

Corporate Office
B-9, Sector-3, Noida, Uttar Pradesh-201301, INDIA
Phone: +91-120-4588500 Fax: +91-120-4588513
Web: www.raclgeartech.com E-mail: info@raclgeartech.com

9th July, 2021

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

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 2nd July, 2021 by the Company.

This is for your information and record please.

Thanking You,

For RACL Geartech Limited

Shagun Bajpai

RACL Geartech Ltd. SECTOR-3 NOIDA

Shagun Bajpai
Company Secretary & Compliance Officer
ICSI Mem. No.: A45982

RACL GEARTECH LIMITED

Q4 FY 2020-2021 INVESTORS CONFERENCE CALL

2ND JULY, 2021

MANAGEMENT:

MR. GURSHARAN SINGH– CHAIRMAN & MANAGING DIRECTOR

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

MR. ANIL SHARMA- NON-EXECUTIVE NON- INDEPENDENT DIRECTOR

MS. SHAGUN BAJPAI- COMPANY SECRETARY & COMPLIANCE OFFICER

ORGANISED BY- MAS SERVICE LIMITED

Shagun Bajpai	Ladies and gentlemen good day and welcome to the Q4 FY2021 Results Conference call of RACL Geartech Limited. I am Shagun Bajpai, Company Secretary & Compliance Officer of RACL and I shall be your Moderator for this call. 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 indicative and involve risks and uncertainties that are difficult to predict, especially in the current situation of Covid-19. 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. We have today with us the Management of RACL Geartech Limited, represented by Mr. Gursharan Singh, Chairman & Managing Director, Mr. Anil Sharma, Non- Executive Non-Independent Director and Mr. Prabh Mehar Singh, Vice President Finance & Business Excellence. We will start with brief update on the business through a presentation, followed by question and answer round. I now invite Mr. Gursharan Singh for his opening remarks. Over to you Sir.
Gursharan Singh	Thank you very much Shagun. Good afternoon to everybody. On behalf of RACL Geartech Limited, I extend a very warm welcome to everyone for joining us on our investors call today. Since some of you may be hearing us for the first time today, we will give you a quick snapshot on our company and then will walk through the operational and financial performances. As some of you may be aware that RACL as an acclaimed gearing solution provider, is recognized worldwide for its well diversified range and quality of products. We offer complex engineering solutions in the field of Transmission Gears & Shafts, sub-assemblies, Precision Machined Parts & Industrial components to domestic as well as global markets. RACL has created a brand image in providing gearing, chassis, braking & suspension part solutions to: * Premium Motorcycles & Scooters * 3 & 4 Wheeler Passenger vehicles * Alternative Fuel Hybrid Electric Cars * Medium commercial Vehicles * Heavy Commercial Vehicles * Tractors * Agricultural Machinery * Off Road Vehicles * Light Cargo Vehicles * Recreational Vehicles like sea scooters & snow vehicles

	I would like to now handover the call to Mr. Prabh Mehar Singh to take you to the financial performance walkthrough.
Prabh Mehar Singh	Good evening everyone my name is Prabh. I am working as the vice president looking after Finance and Business Development, and responsible for profitability at the end of the year. Thank you for joining us today. We will first run the presentation where we will talk about the numbers, which are already available with you, for the fourth quarter starting 1st January, 2021 to 31st March, 2021. Along with Quarter numbers, we will discuss Year on Year Quarter wise performance and also highlight yearly performance based on sales profitability. Financial year ending 2021 results have already been disclosed as per SEBI Guidelines and the Annual Report shall be made available by September. So the detailed annual financial results shall be available with the Annual report, but we shall discuss the Quarterly numbers and shall try to answer the questions raised by some of you. So, before we start the presentation, I would like to mention the standard disclaimer that the intent of this call is to not pass on any information which advises you or recommends you to make any sale or purchase or have any influence on the market price of the stock. Any trade made by the investors or shareholders on the basis of today's discussion is theor absolute discretion. So in Quarter 4, in terms of total revenue, we did Rs. 68.99 Crore out of which the exports was Rs. 46.89 Crore whereas Domestic was Rs. 17.94 Crore and remaining was contributed in the form of other operating and non- operating income. Sales wise, our exports have always been higher than domestic and accordingly, 68% of sales came from the exports market and 32% was from the Domestic Business. Further, some comparison of Year on Year performance. Q4 FY 2019-20, we did a total sales of around Rs. 47.72 Crore and this year Q4 we did Rs. 68.99 Crore, so there was a 45% increase on the total sales YoY. In terms of profitability, the EBITDA was Rs. 9.69 Crore and same quarter, this year, it was 18.95 Crore and we see around 100% jump in the operating numbers and the profit before tax witnessed a whopping jump by 305%. So, obviously, the majority of contribution to this is because of the sales, when the sales is high by 50%, profitability definitely at a break-even, will improve. There were other improvements, in terms of manpower optimization, interest cost savings and other things, which have led to these higher numbers. During the year, the quarter on quarter comparison, if we talk about the sales, obviously, 1st quarter was very low because of the Covid shutdown, which was country wide. And when we compare Q1 to Q2, you see a very high a difference in the sale and in the profitability. And gradually, this has picked up over Q3 and Q4. So you can see, 100% growth from Q1 to Q2 and then 30% from Q2 to Q3 then Q3 v. Q4, 5% growth was there in a quarter, which is a good number. In terms of operating numbers, all quarters were okay. We did around 30% growth from Q2 to Q3. Q1 to Q2, obviously was a low base effect and saw around 200% growth and then the Q3 v. Q4 went around 8% higher on operating numbers. Profit before tax, as we know, Quarter 1 was a washout and 1000% growth was there towards Q2. But eventually, Q2 to Q3, a decent 45% growth. Q3 v. Q4, there is a dip in the quarterly profitability, but overall profitability has been good. And this quarter, the dip in the numbers was because of many factors like depreciation was higher in the 4th quarter, because of high capitalization. The capex that we undertook was capitalized in the last quarter, resulting in

	increased deprecation. There were also some other expenses in the form of premium freights that were incurred. The different however, was not much. Overall, in terms of Financial Year 2021 the overall sales was marginally down by 2% and in terms of EBITDA, we saw a jump of 32.16% from Rs. 41.63 Crore to Rs. 55.02 Crore. Profit Before Tax, we did around 40% higher from Rs. 21.91 Crore to Rs. 30.13 Crore. Thank you. Handing over to Shagun for Question- Answer session.
Gursharan Singh	Here, I would like to add that however, the sale show a decline of around 2%, but if we benchmark ourselves with the remaining industry, I think we were one of the best performers in the remaining 3 quarter because in the 1st quarter, there was a complete shutdown in the entire country. So accordingly our performance was very good in terms of YoY profit in the remaining three quarters due to the measure we took in the form of controlling of expenses, improved productivity along with marginal impact of sales.
Prabh Mehar Singh	And in any case, when we disclose the financial annual report, you'll be able to understand the reasons in terms of the savings we are discussing. During the next call around AGM where we shall discuss the financial for the year, we will cover this in more detail at that point. The Return on equity, this year we delivered it on 22%, which is higher than the industry benchmark. So, this was with respect to the numbers for the last quarter. I believe the idea of this call is to apprise all of you what the numbers were, but also to spend more time on the questions, or the things which you need more clarity on. So this is all, I believe, in terms of the presentation. And now we can take some questions. Thank you. Handing over to Shagun for Question- Answer session.
Shagun Bajpai	Thank you Sir. I now declare the Question- Answer session open for the participants. I would now invite Mr. Shlok Dave to ask his questions.
Shlok Dave	Congratulations on such amazing year. In the opening comments, it was mentioned that some premium freights were incurred, so how much was that amount? And what percentage of that would be repeated next year or this was a one-off. How the execution of the new contracts and new projects happening as updated in the last concall? Overall a general update on the new business. How do you see the margin trajectory going forward? Whether we will be able to sustain such margins at gross margin levels? What was the impact of the second wave of covid on us? How do you see the first quarter, and recovery after that? What is the visibility from your customers as of now, in terms of order book over the next 6 months?
Gursharan Singh	Thank you and it is admirable that you remember the discussions from our previous call. I'll answer all your questions. First of all, when we talk about all our new businesses like, TVS or Kawasaki or the China business, I'm proud to share with everyone that everything is on track. And the forecasts, timelines and volumes are going as we planned for these 3

	customers. In fact, the results have gone better than we anticipated, so we can say everything in on time. Our new project is also on time and fully ready for the productions to start and trial and validations from the customers are going on. As and when, next milestones are there, we shall keep all the investors updated. Coming to margins, I would like to say that if you see the performance of RACL for last 5 years and compare the data available, we have maintained and rather improved our profitability. There is continuous thrust on improving the margins and profitability. On one side inflations are there. We already know that in India, input costs are inflating a lot. Raw material prices are going up, fuel prices are going up along with all other things. But this puts challenges onto the manufacturers that how we build our profitability, in situations like these. The only way out for the manufacturers is to have a serious approach towards efficiency improvement, utilization improvement and reducing wastages. Our Company has expertise in this area and our technical team works day in day out to keep a check on the inflations that are occurring. And simultaneously, we also have arrangements with our customers also, so the raw materials prices get compensated and we also benefit from the exchange rates. Accordingly, the profit margins are good and we will maintain the same trend. With respect to the first quarter, I would say that this meeting is primarily for the last quarter so when we share the results for the 1st Quarter, we will definitely come back with new numbers and new discussions. I hope I was able to answer all your queries.
Shagun Bajpai	Thank you Mr. Dave. The next question is from the line of Mr. Venkat. Please go ahead.
Venkat G.	The 1st question that I have is that how was the utilization for last quarter, which ended day before yesterday? I know you shall be sharing the numbers shortly, but I want to understand that how was utilization and attendance etc.
Gursharan Singh	As we have already mentioned that this meeting is primarily for the last quarter so we shall discuss the 1st quarter after we share the results for the 1st Quarter and hold the Investors conference call for the same.
Prabh Mehar Singh	If you are trying to ask about the covid related disruptions, we would like to say that things were very smooth, irrespective how the condition in the North was in the month of April, and May. Employees were healthy and plants were running fine.
Venkat G.	My 2nd question is that how are we going to see ourselves in the next 5 years with so many changes happening in terms of both the top line and bottom line?
Gursharan Singh	If you see our past performances, the Company has always been maintaining a growth of over 20-25-30% YoY. And if you see the compound annual growth, in the last 3 years, it has almost been 16-18%. The same trend will be continued in future also. And in terms of profitability also, we shall not only be maintaining the growth but also improving the same. Our policy for customers is that we provide value for money and so not sell very cheap or very expensive products. We also have the same thought process for the Shareholders and Investors also by improving our profitability by working in a very professional and optimistic way.

Prabh Mehar Singh	Honestly, to give you a number is very difficult, because, in today's time, we don't know how next week will be thanks to Covid. But that is a broader idea we can take from our past performances.
Venkat G.	And my next question is that with US president, proposing about $74 Billion for incentives for EV industry and he shall be removing incentives for the ICE, and as last tme you mentioned that there is a lot of scope for ICE and EV would require more accuracy, so what would be our position and where do we see ourselves in the immediate future?
Gursharan Singh	To answer your question, I would say that the first EV was launched in 1918 and is not something new. EV is a technology, which shall come, there is no doubt about it. The Governments are incentivizing it, it means there is huge interest by the Governments in promoting it. But transition of any kind of solutions, be it mobility, electronic etc., has happened in a phased way. EV will come, but for the first few decades, it will co-exist and then EV will be there in few segments. In two wheelers, it shall come into mass markets like small bikes, 100cc, 125cc etc. But for super bikes, EV has to wait for the technology to evolve to replace fuel bikes or hybrid bikes. Similarly in the car segments and commercial segments, urban transport, etc. EV shall come. But in case of long haul trucks and other heavy commercial vehicles, EV has to compete with the current technology. So to sum up, EV in some segments shall venture in a big way and in some segments, it will have to wait for the technology to evolve. Because the current technologies that have come up for commercial vehicles, agriculture tractors and off-road vehicles shall go a long way. RACL has created a very strong diversification that we are there in almost all fields. And we are getting ready to take on the challenge of EV, but on the other side we are not too worried, because we are having commercial vehicles, heavy vehicles, premium bikes and off- road vehicles. So that way there is a mix of things to remain for at least for next 2 decades. Eventually it will keep on changing and by that time new technologies come in nobody knows. Rest assured, RACL is fully prepared for EV and one of our customers is going into mass production of EV in 1-2 months and I am hopeful that by next year, our business shall be 3-4% in the EV segment, even though the market share of EV is less than 1%, we will still be catching up with EV. We have in any way tried to de-risk ourselves by our new projects which are coming up with suspension and the chassis components which do not have any risks in case of EV. The chassis component shall remain the same, whether its fuel, hybrid or EV. That’s how we prepare for ourselves.
Shagun Bajpai	Thank you Mr. Venkat. We hope we have been able to answer your questions. The next question is from the line of Mr. Sahil Sharma. Please go ahead.
Sahil Sharma	Congrats on a great set of numbers. What I wanted to understand is given that we are a transmission gear manufacturer how simple or complex it is for us to manufacture other types of gears that go into automobiles, such as differential gears. What makes it difficult?
Gursharan Singh	Differential gears are entirely different technology and do not complement our technology. We are into transmission gears and engine timing gears. The difference is like someone is producing cars and some are producing mobile. It’s a completely different technology. If you see the value addition per vehicle between differential v. transmission, we see that it is much low in case of differential, as compared to transmission and engine put together. Even when the Company started 30 years back, it was taken into thought that what would have more value addition. Today, people are doing what suits their business case but we are focused on transmission and engine timing.

Prabh Mehar Singh	Also, to answer your question that how difficult it is in the supply chain or in the car component, we can say that after crank shaft I think the 2nd, most difficult thing is a gear and eventually not many companies, as you see are not into the manufacturing business and even if they are, it requires in today's generation, a huge investment on new technologies. And now the world is shifting to lighter gears and more noise parameters are getting strengthened, so ultimately it is not that easy. I think your question is, if regarding to the barriers to entry. So, again it is not that easy for someone to tomorrow, set up a shop and start making gears because eventually it requires years of expertise and technical knowledge plus investment to create something overnight. And 30 years into the industry we still can't say that we understand gears completely.
Gursharan Singh	And I would like to add that the gears we are producing will have more value addition in EV than differential gears. So our future with transmission gears is safer in the times of EV than differential gears. So our focus remains on the current technology we have.
Sahil Sharma	My 2nd question is even in the previous call, the management had said that in case of EV, precision requirement for gears is much higher, and so does that lead to better gross margins or better profitability for us.
Gursharan Singh	EV gears are going to be very high precision and high technology. And there will not be many players who will produce to able to produce EV gears. You're observation is very correct that gross profit margins in EV will be much more as compared to current gears because technology is different and precision clause is different. The flip side is that the investments are also going to be very high. RACL Has prepared itself, because all of our new technologies, which we are installing that EV friendly. So basically we are preparing ourselves in advance.
Shagun Bajpai	Thank you Mr. Sahil. We hope we have been able to answer your questions. The next question is from the line of Mr. Yogansh Jeswani. Please go ahead.
Yogansh Jeswani	Like it has been mentioned that in the last quarter, depreciation has been on the higher side because you commercialized the expansion plan, I just wanted to understand that what are the off-take timelines that we have in mind? And post this, do we need any further spending in the medium term on these projects? Another part to the same question is that in this expansion, as in the last call you had mentioned, that ZF was also a client for which we had done some expansion. So, for ZF, are we looking to supply for the Indian markets? Or is this also for exports.
Prabh Mehar Singh	So answer to your 1st question is that obviously, depreciation was higher in the 4th quarter, because we were setting up the plant during that timeline. So, a lot of equipments were getting commissioned, and that is why the 4th, you see higher number in terms of the equipments to be capitalized. This plant is ready, but when we say ready, it's not ready for commercial supplies but it's ready for production of samples. So there is a gestation period, because we first make samples and give to the customers for trial, based on the present equipment. Now we have built a dedicated plant for this customer, and eventually they will now test on the cars where they're going to be used. It has a 1 year gestation, but during this course of this year now, the plant is ready. We are billing by it is not going to be anything which will definitely create any capacity utilization or whatever we have deployed. So that will remain a lull for a year. But then, eventually, this is in any case for the next year onwards, in terms of the contribution to the revenue.

	I think your 2nd question is that what ZF is and where we are supplying and also regarding to the future prospects. So, we are supplying to ZF globally, we are supplying to their location in Austria, and as we've told, this is our diversification in a Chassis component, which are making and these are highly critical components, which will go into a premium car by a top car manufacturer. So, we've always been a supplier to premium products and now, even when we're entering car segment for the 1st time, and we go to the likes of BMW that too the highest model they have. And this will be a futuristic hybrid car, which is being launched in 2022. Also, ZF will remain a big customer for us because we have bagged 2-3 more projects from them for different end customers and we're in discussion for new projects as well. I hope I was able to clarify it.
Yogansh Jeswani	I would request a small clarification on depreciation that earlier our depreciation used to be around Rs. 2.5 Crore. Then in March, 2020 it went up to around Rs. 4.00 Crore and then it again dropped for Rs. 2.5-2.7 Crore. And now it's again around Rs. 7.50 Crore so on an average, what should we think about, in terms of depreciation, should it stabilize at this 7.5 rate.
Gursharan Singh	I will answer your question on depreciation. Last year we did major investments for this new project for ZF and MAN Trucks, obviously all the equipments were commissioned in December, January and in the last quarter there was depreciation impact. Apart from that, we keep on evaluating the usable lives of our critical equipments on a periodic basis, due to this world of changing technology throughout the industry. The same trends are happening in machine tool industry also. So many new models are coming, most of the machines are computerized control CNC machines. So, the key manufacturers keep on making the models obsolete. Eventually we have keep on reviewing the usable remaining life of the machine and of course, we have made the requisite disclosures in our balance sheets also. So, there was a review of the useable life, which also had a partial impact. So it was a mix of two and the third was the major Capex done for the new project and then a little review of the useable life. I hope, I was able to answer your question.
Shagun Bajpai	Thank you Mr. Jeswani. The next question is from the line of Mr. Manoj Bajpai. Please go ahead.
Manoj Bajpai	I wanted to understand that in the new setup of the evolving cycle in terms of the automotive industry, what are the new product areas or new product range the company is looking at. And also your commitment towards the R and D i.e. how you actually spend your money and what percentage you if we spend on R and D and what is the team strength that you have for product development.
Gursharan Singh	To answer your question, I will say that until now our business model is basically we work on bill to print concept. The product design is given by the customer and we develop the product as per the customer requirements. So, is it called bill to print. But, there is a new concept that the Japanese brought in about 2 decade back which we call as concurrent engineering. We have developed our expertise in concurrent engineering field. We involve ourselves when a new platform is being developed by the customer so they give us a concept drawing and on the concept drawing, we actually work in tandem with the customer R&D and our own process R&D. Well, let's just say that we're not a product R&D company, but a process development company.

	So, we develop the product in tandem with the customer, which is a manufacturable product which gives good value for money to the customer, which gives good margins for our company. This is a basic USP of our company that we do build to print, but we really do not work only on dotted lines, we do give our own ideas, which makes product, add a good value to them and good margins to us. For that we have the desired technical competence and a team of engineers. In terms of R&D spend, since we do not develop the product directly it may not be much, but if I count the people, because in process already, it is more of a human resource, where you have to do it. If I say as on today almost more than 10%, maybe 15% of our people are working only on the process development or the concurrent engineering activity in tandem with the customer. This is how we are developed ourselves. Yes, in the future if required we would go into product development also or the product engineering also. But as of today, as I explained you, this is our Business model.
Manoj Bajpai	To add to my question, I would like to ask that, if you have some more precision engineering, something like, in gear itself. If you talk about the lightweight gears done by power metallurgy and all. Do you have any sort of plans to get into those areas or do you, you have still not thought about it?
Gursharan Singh	We believe in the concept of Customer comes First. If the customer has a requirement, if he shows the intention and we're really see that the technology feasible, the business possible and in the long run it will be profitable for us then, why not? Then it is power metallurgy or any other alternate methods. This is all customer driven. If I give you some of our previous experiences like this then maybe 5-6-7 years back we were producing only the loose components and some of our customers said that why don't you start doing the assembly? And today we're doing major contribution in our business by doing assemblies, where in case of some major companies, we are buying parts from them, we're assembling them, we're testing them and giving them. So all future technology is customer driven. One business model is that we will create that technology and we sell to the world. RACL does not believe in this because we are a company who has always invested our money very judiciously. We do not first create the technology and then we start that hunting for the customer. We work in a reverse way, what the customer wants, we create that technology.
Prabh Mehar Singh	The biggest example for that would be, what we were discussing in the beginning of the call that this new project for electric scooter, which one of our biggest customer is launching for the European market, and which will be launched in September. So, this was an E- axle drive and kinematics of an electric vehicles. So, the customer is making this vehicle for the 1st time, we have never seen this vehicle, we've never seen the product, and they came to us because of our past skillset and technology we have. And eventually it was outside of our competence or our skill set. But we worked with them from last 2 and a half years and now the funny part is that the value addition in this product is higher than the fuel. So that ways this was an R&D expense, we have spent time, we have traveled to customer and the customer has traveled to us and eventually this new electric scooter, which is going to be in the world for the 1st time is on our drive and we're going to be a single source for next 10 years. Again, it's a very big customer and if they are saying certain volumes, so they will commit to it. This ZF Project is a Chassis part which will go into the car for the 1st time. We are working with their R & D team from last 2 and a half years and we have built the entire plant on a product, which will be launched for the 1st time. So eventually we put our money on the customers. These companies are multi big billionaires and they will not get into products

	without a detailed research, and they need a credible supplier. So that is our business terminology or mindset has been, to go with the customers, take those risks. In the past, we have been rewarded and future shall be the same.
Gursharan Singh	I will add to what Prabh said that ours is a customer driven model and this through this ZF project, the product which has come into existence into the automotive industry only in 2015 and before 2015, this product was not there altogether in the vehicle itself. It's a new kind of feature coming into the premium cars and in ZF we were shown this product and asked that can you produce this component? And then we did our detailed technical feasibility and decided that it is a futuristic product, which doesn't have any risk of a changeover from fuel cars to EV Cars. We get an entry into the car business because we were not into the car business and we jumped on this. We did our own product calculation and agreed to it. Today, after production starts, will be one of the leading players in this product. So, in nutshell that we invest where customer demands.
Manoj Bajpai	One very small question is that have been any past experiences where a few batched of some products have been rejected by your clients, as in any sort of quality issues, which you have faced in the last 2-3 years?
Gursharan Singh	I will only say that 1 of our customer gave us a rejection allowance of 50 PPM and our rejection for the last 7 years has been less than 20 PPM. That gives us and our customers enough confidence. If you see our customer list, we work with world's top brands, if there are rejections, it means there are serious quality issues with our product. So by and by, we can say that we are one of the best and we are able to deliver quality goods on time. We are maintaining our market reputation. That's the reason that the customers are sharing consistent and coordinate business opportunities with us.
Shagun Bajpai	Thank you very much. The next question is from the line of Mr. Debashish Neogi. Please go ahead.
Debashish Neogi	Congratulations for a great set of numbers quarter on quarter for the last 3 quarters for 2021. RACL journey has been an inspiration over the years. The way you took out the company from BIFR and now the way the company's progressing and it's on sustainable profitable growth. For the last 10 years, RACL has been clocking 25% compounded profit growth with the return on equity for the last 3 years at 22%, and operating margin for the last 2-3 quarters at 25%. These are commendable and the best in the industry. So, my question to you is, and I know you have answered about the margins in 1 of the previous questions where you said that you continuously improve the margins because of your efficiency. But I'm talking about the delta margins, if the industry is clocking around 10 to 15%, and these companies are much bigger than you and you're clocking a margin of 20-25%. My question to you is that it's not about efficiency only, I feel like you have a very good pricing power for your brand. How you get that and are these sustainable at 25% because it is really high for the industry we operate in?
Gursharan Singh	Thanks for your continued and consistent the confidence in management of the company. And thanks for your complements given but I will say that I don't say that I'm Managing Director of the Company, I believe that I am the custodian of investors and shareholders fund. So, one has to try to do the best and we continue to do the best. Coming back to your question on the margin, or the pricing power and maintaining profitability or you say that others are not able to do it who are much better companies than

	us, we have is slightly different view on this. We believe that the Company is good or bad on the basis of the numbers or technology or people or system. This is a mix of many things. I don't say that we have a pricing power. We are too small for our customers, like the BMW, and they are maybe few billion dollars organization. So I don't think I have any pricing power over these customers. But I can give them solutions. I give them concurrent technology solutions which they do not get from the other suppliers. If, the customer is designing a bike or a gear or anything sitting in Germany, every minute spent is maybe a Euro 100 or 200 and if I give them the solutions free of cost then I command a good respect in their eyes, and we are able to then eventually get a good pricing and maintain margins on YoY basis because these companies are growing organizations. Vehicle shelf life typically, European countries is not 20 years, it's maximum 10 or 12 years, and this platform, every 2-3 years they keep on upgrading it. Whenever, there is an upgradation, there is a need for new ideas and new concurrent engineering solutions and RACL gives them those solutions and somewhere or another, we can benefit out of it by way of increased businesses or by way of increased returns, in that way of development cost, tooling cost, or in way of our own product pricing. If we provide solutions to the customers they will be happily paying us money. I will not be able to comment on what other are doing, but I will say this is what I am doing. Probably this is where we walk extra mile and we get the benefit.
Prabh Mehar Singh	Just to add on that, I think what we are saying is that we command the kind of support, we give during the design stage and obviously operational performance ensures that we improve on the margins. But I will highlight one more factor that, if you, constantly see the last 20 years of the company, we've always entered into new products, new segments every 3 years, 2 years. So, what company started was for, let's say in eighties or nineties, in terms of giving to aftermarket or what we call the replacement market and we move to OEM so Piaggio started with 3 wheeler and they had a value addition. Then we move to critical 2 wheeler, which is Vespa, or we started to export. And then we move to sub-assembly and now we are moving to electric vehicles. So, eventually, the difference between the margins comes with value additions and the value additions comes with the criticality of the complexity of the part, or the operations. So, that has always been our vision to always keep upgrading what we are doing earlier and to enter into new complex markets which enables us to command that higher value addition. So, for example, these new customers, we are now entering again, are very difficult for us to make or manage than what we're doing in the last 5 years. So, eventually that enables us to generate higher margins because the value additions always increase and secondly, we've always focused on improving our internal improvements. So, we have a good supplier base wherein we get good works done at a better rate along with internal improvement in terms of forging capabilities or manpower management. So, those things we keep on improving, when we release the financial year numbers in the annual report, you will see how in terms of manpower utilization, we have improved this year. We also reduce our expense to certain extent, by doing many things in-house, or doing an outsourcing at a better rate. That has been our forte for many years that we keep on upgrading ourselves, both technologically skill wise and the segment we enter and obviously, being in export market always helps. Entering into exports is difficult, but when you enter, then the word flows very fast.
Gursharan Singh	Nutshell is that we provide all solutions to the customer. Technology under one roof. You name the technology and we have in our company so the customer always love that supplier, who has everything. These days, particularly the overseas customers are upgrading their components in terms of light weighting and noise or any such thing. So they the latest

	technology. So, we have everything under one roof. Probably that is the reason that we have slightly higher capital expenditures, but that justifies because customer doesn't want that that he buys A product from the X, B from Y, C from Z and so on. He want that he gets everything from one supplier, whatever he wants in that field. When I say everything in that case I mean Gear Technology. This is how we have created our niche market and same way every year we dig new well for making profits and will keep on digging new wells.
Debashish Neogi	Very well explained Sir. So basically, if I were to sum up in 2-3 words, your competitive edge right to win is technological edge, the process R&D and customer service. My 2nd question is, you know, given you're industry veteran, your top line growth has been over the last 10 years around 9% and last 5 years 12%, 3 years 14%. So, the top line growth has been increasing little by little, but given the current scenario of Covid and then also the EV coming up, so there's a lot of moving pieces. How you see the demand panning out for your industry and more so for our company. How you see the demand scenario when you see the current Capex to pick out and you would need more investment. Because in the last call, you said that you're in line with the aspiration of 500 crore. If you hit that, do you think the next Capex will come in 3 years, 5 years or beyond that?
Gursharan Singh	So back in 2007-2008, when our company was going through the restructuring phase, I was advised by one of my customers that it is really important to have a strong base to grow. The 1st, 7-8 year, we grew only 5-6% and I took his advice very seriously and was building a strong base of the organization. So, the revenue growth was not the key requirement. At that time the key requirement was to create a strong technology company by adding new technology, by training the people and by creating hidden and inherent strengths, which the outer world may not be knowing. But, you know, once you create a strong pyramid, then Covid or no Covid, you keep on growing because those 7-8 years, we are very silently working and creating a strong company. Now today, we are a strong company. Yet there is hardly any day when we do not spend time on technical discussion on upgrading and all those. But now the Company is so strong, that we are getting that growth by itself and but we are not complacent. So that is how we started growing and this was a strategy. We took over the Company and started operations in 2003-04 and at that time if we would have just started buzzing that just grow, grow grow, then eventually we might have collapsed. But we took the 1st few years to create a strong base of the company, and then we grow. Now, we are growing, we have a strong base, strong management capabilities, strong management team, and strong brand reputation in India, because people come to us, employees who come to us they work with us and are happy. So this is how this growth story is going on and it will continue in future as well.
Shagun Bajpai	Thank you very much. Now we shall take our last question from Mr. Parag Someshwar. Please go ahead.
Parag Someshwar	I just have one question that I think sometime back, you aimed for FY 2025, the sales revenue of Rs. 500 Crore and maintaining margin of 25%. Would you like to maintain that, or you think you can now advance that by a year and raise the EBITDA margin to 27-28% or even 30%.
Gursharan Singh	I will say that 2025 was definitely targeted. Our efforts are very strong in this directions, and if we are able to do it early then why not. But as on today, the business plans are made with certain cushions and certain margins for uncertainties also. So, if we say today that we will achieve it and tomorrow, covid third wave comes and the country is under lockdown and things go haywire. So, while drawing the projections, we have to maintain the right balance.

	Because if we reach there early, that is great but if we commit something and are not able to achieve, that would be more dangerous. So between those situations, what we have forecast, we shall go by it. But definitely not postpone it.
Shagun Bajpai	Thank you Ladies and Gentlemen. This was the last question for today, 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 and we'll try to get back to you and answer your queries. On behalf of RACL Geartech Limited, I conclude this conference call. You may now disconnect your lines. Thank you.

Notes:

1. This transcript has been edited for readability and does not purport to be a verbatim record of the proceedings

2. Figures have been rounded off for convenience and ease of reference.