"Rane Group FY25 Earnings Conference Call"

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MANAGEMENT: **MR. HARISH LAKSHMAN – CHAIRMAN, RANE GROUP**
MR. P.A. PADMANABHAN – PRESIDENT, FINANCE & GROUP CHIEF FINANCIAL OFFICER
MR. SIVA CHANDRASEKARAN – SENIOR EXECUTIVE VICE PRESIDENT, SECRETARIAL & LEGAL SERVICES
MR. J. ANANTH – SENIOR VICE PRESIDENT, FINANCE AND CFO, RANE HOLDINGS LIMITED

Moderator: Ladies and gentlemen, good day and welcome to Rane Group FY25 Earnings Conference Call. 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, please signal an operator by pressing star then zero on your touch-tone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Siddesh Chavan from Ernst & Young. Thank you and over to you, Mr. Chavan.

Siddhesh Chavan: Thank you, Renju. Good afternoon, everyone. Welcome to the FY25 Investor Call of the Rane Group.

To discuss on the announcement and answer your questions today, we have the management team from Rane Group represented by Mr. Harish Lakshman, Chairman of Rane Group, Mr. P.A. Padmanabhan – President, Finance and Group CFO, Mr. Siva Chandrasekaran- Senior Executive Vice President, Secretarial and Legal Services and Mr. J. Ananth- Senior Vice President, Finance and CFO, Rane Holdings Limited.

Please note that the results and presentations have already been mailed to you, and you can also view it on the company's website. In case anyone does not have the copy of the presentation or you are not marked in the mail, please do write to us and we will be happy to send you the same.

Before we start, I would like to say that everything that is said on this call that reflects any outlook for the future or which can be constructed as a forward-looking statement must be viewed in conjunction with risks and uncertainties that we face. These uncertainties and risks are included but not limited to what we mentioned in the prospectus and subsequently in the annual report, which can be found on our website.

With that said, now I will hand over the call to Mr. Harish Lakshman. Over to you, sir.

Harish Lakshman: Thank you, Siddesh. Good afternoon, ladies and gentlemen. Thank you all for dialing in. I would like to welcome you all on behalf of the Rane Group for this teleconference. I will now start with a few comments on the industry. The Indian automobile industry recorded a positive performance in Q4 FY25, supported by improved demand across most segments.

The passenger vehicle segment saw moderate growth with strong traction in utility vehicles, indicating a clear shift in consumer preference towards this category. The commercial vehicle segment registered modest growth better than previous quarters, though still impacted by certain infrastructure-related disruptions. The farm tractor segment witnessed robust growth, driven by favorable weather conditions and improved farmer sentiment. The two-wheeler segment continued its upward trajectory, backed by steady domestic demand and significant growth in exports.

Coming to Rane Holdings Ltd., FY25 was a transformational year for the Rane Group. Despite global and domestic headwinds, we made meaningful progress on several strategic priorities, achieved record sales and strengthened customer partnerships.

I am pleased to share that the Group recorded its highest ever turnover of INR7,413 crores. The RHL consolidated total revenue was INR4,380 crores and the EBITDA was INR347 crores. The consolidated numbers are not comparable with the previous year, since the erstwhile Rane NSK which is RSSL (Rane Steering Systems) became a 100% wholly-owned subsidiary of RHL during the year.

Coming to Rane (Madras), the key milestone this year was the successful completion of the merger of Rane Engine Valve Ltd. and Rane Brake Lining Ltd. into Rane (Madras), effective April 7, 2025. The merged entity will now operate through five focused businesses, each aligned with specific product groups and customer segments.

The Steering and Linkage business, the Light Metal Castings business, which was part of the Rane (Madras)and then the Engine Components business from REVL, the Brake Components business from RBL, and we have also created the new Aftermarket Products business. The Aftermarket Products business across products was brought under one business to help create synergy.

The Aftermarket remains the priority area for RML and efforts are channelized to enhance synergy amongst the sales teams and cross-leverage product and market strength across the aftermarket portfolio. While these businesses continue to be operationally managed independently, they benefit from shared governance, centralized services and enhanced cross-divisional collaboration. We believe this structure better positions us for agile execution, focused growth and long-term value creation for all the stakeholders.

RML reported a revenue of INR905 crores in Q4FY25, which is a 5.8% growth on a YoY basis. The EBITDA improved by 72 bps due to favorable mix and lower other expenses. We also won new orders worth over INR230 crores during the quarter across product categories, primarily for Steering and Linkage business and the Light Metal Castings business.

As part of the restructuring, we are also in the process of exploring monetization option of surplus non-core land parcels to reduce debt and liability. We have received the shareholders' approval for this. We will pursue the sales disposal at an opportune time and keep the investors informed.

Coming to Rane Steering Systems Ltd., which has now become a wholly owned subsidiary of Rane Holdings, we have strengthened the partnership with ZF through a license arrangement for all column drive EPS for passenger car applications. We also continue to work on diversifying the customer base for electric power steering.

Coming to our joint venture ZF Rane Automotive India, following the carve-out of the global ZF Passive Safety Systems division globally by ZF under the ZF LifeTec brand, the board of ZRAI has approved a draft scheme of arrangement to demerge the Occupant Safety Division into a new entity to be called ZF LifeTec Rane Automotive India Pvt. Ltd. This restructuring is being undertaken on a going concern basis, is aimed at enhancing strategic clarity and operational focus for the Occupant Safety business. It is subject to regulatory approval.

Some of the key order wins during Q4 was the Steering Gear Division secured orders worth INR14 crores from a domestic OEM including an order for an EV application. The Occupant

Safety Division received a significant order of INR157 crores from a leading passenger vehicle customer for airbags.

Coming to the outlook, the Indian automotive market is expected to benefit from favorable interest rate and income for discretionary spending. The CV segment is expected to grow with the expectations of the revival of construction and infrastructure projects, better financing and increased replacement sales due to ageing fleet.

With the ongoing U.S. tariff situation and trade protectionism measures, we see this creating eventually a positive impact for India and particularly for the auto component industry. At a broad level, India remains in a favorable position against other countries, specifically China on the tariff level.

We have not experienced any dip in the volumes in the past two months and with the bilateral trade agreement discussions between U.S. and India, we believe this will create further opportunities for the group. To enhance our financial performance, we continue to prioritise operational improvements and cost savings.

With these remarks, we will now open for any questions that you may have. Thank you.

Moderator: Thank you. We will now begin the question and answer session. The first question comes from the line of Sunil Kothari with Unique PMS. Please go ahead.

Sunil Kothari: Thanks for the update. Congratulations for completing all these merger related activities and taking a very important decision of selling non-core assets getting approved from shareholders. My hearty congratulations because since many years we have been waiting for these things to happen.

You have qualitatively talked about the benefits of the merger in the past. And you promised that what type of benefits it can give, you will elaborate. So, my request is if you can talk what type of the non-core assets realisation and we are over may be 2-3 years we are planning to do. What type of rate reduction is possible? That will be really helpful. If you can talk numbers that will be really great help.

Harish Lakshman: Thank you for your comments. Yes, obviously the merger has straight away started giving some benefits. The debt level, the balance sheet has become much healthier as you are aware. The erstwhile Rane (Madras) debt position was at an uncomfortable level for all of us. And now with the merger straight away the debt has come to almost 52% of the total capital employed.

And now as we have been telling all the investors we are very committed to further reducing the debt in the company. And this monetization of land surplus real estate is towards that. As you can see in the shareholder approval I think we have taken approval for about 4 parcels of land. And while I cannot guarantee anything, our intent is to monetize at least 2 or 3 of them. And 2 of them are significant in terms of value.

We are hoping to achieve that during this financial year. While I am sure all of you know that with real estate transactions nothing is certain till the final registration happens. But the intent is to do some of them this year. Now it is still too early for me to have full clarity on whether some properties will be an outright sale. Some will be a combination of some development, co-development etc.

So multiple options are being discussed. So as and when there is clarity the intent will be to immediately do this on priority and share with all the investors. As far as numbers are concerned, again it is difficult to put an exact number because of the nature of transaction. What kind of sale we do, outright sale, what extent of land. There are still multiple options being discussed. But the intent is of course I have to net off all the capital gains tax that needs to be paid. And also some incremental debt for some of the business growth. But considering all that I am hoping to see about INR150INR200 crore reduction in debt before the end of this financial year.

Sunil Kothari: Very fair reply Harish. So, second question is during last 20-25 years experience now you very well know that which are the businesses which is not giving us a reasonable reward or profitability or ROI. And now you have already taken a bold decision of merging these three companies and we are restructuring Rane Group. And with your experience with working with ZF, Bosch, Mando all the world's top tier auto component manufacturers.

Where you want to move maybe some new products, some exports activities, some restructuring or hiving of some activities which is least reward giving. So, if you can talk maybe qualitatively, directionally where you want to go, which are the businesses which you feel you are very strong and you want to do something maybe over next 2-3 years. Some qualitative detail reply will be very helpful.

Harish Lakshman: So, I will answer it in two parts. I think one is the creation of this new Rane (Madras) is not only to have a better balance sheet but also to create scale. So that at least we are oneINR4,000 crore listed company and hopefully we will start doing a double-digit EBITDA with very less, very comfortable debt to capital employed. And I think we are heading in the right track.

Now, in terms of adding new products as I have articulated there is definitely a very strong aspiration to add more products into Rane (Madras). And we are slowly preparing Rane (Madras) to be the future vehicle for the group for having accelerated growth. But as far as adding new products through M&A as I have articulated we are going to take some more time.

We still believe that both our debt position as well as cash position both needs to improve. The debt needs to come down, cash needs to improve. And hopefully through some margin improvements also we will achieve that. So, if you ask me, I think growth through M&A we are still maybe 12-15 months away from taking any concrete steps.

As far as the existing portfolio of products are concerned, yes you are right. Now this merger clearly provides the ability to allocate capital far more efficiently. Because being one company how much money we allocate to the steering and linkage business versus engine components versus brake components, I think going forward we will be able to allocate more efficiently.

But to answer your question which product has a bright future which may not have, I think that is still evolving. If you ask me, clearly the steering and linkage business we continue to remain very optimistic. The brake components business we are getting increasingly optimistic because over and above our strong position in the domestic OE and aftermarket., Exports are steadily increasing and we are seeing more and more opportunities. Because for erstwhile Rane Brake Lining we never tapped much into the export market for various reasons including some restrictions with our collaborator which no longer exist. And in fact, we are even working with Nisshinbo to see how we can enhance the export. So, both steering linkage and brake components we are quite optimistic on the export front.

The engine components we are extremely happy that the business is now consistently making profits and we are also confident that it will continue to make profits with slow and steady margin improvement. And potentially the engine valve business also can hit a double digit EBITDA margin.

Now at the same time while the whole EV discussion or dialogue is up in the air with so many uncertainties globally. We believe that the IC engine will have a much longer life. So, the engine components as long as we are able to grow the business and we are able to make a decent return on the business, I do not see any need for revising our strategy.

And the last business, of course, the light metal casting business. While that business is yet to fully turn around and make the profits, we continue to make improvements and I am hoping that during this year a lot of the improvements that will happen. Because still operationally that business has not fully turned around. But we are clearly seeing steady improvements.

So, the hope is that within the next year or two that business will turn around. See the opportunities there are significant because aluminum content is going up in vehicles steadily. And export market for castings is there. But at the same time die casting is not an easy business. There are lot of -- operationally we need to be very efficient that we are not yet fully there. So, we are still optimistic about the business. But we are not yet able to show the performance.

So, we will keep continuously monitoring the progress we make in these two product lines- engine components and castings. And see the progress we make. And depending on how we perform we will appropriately allocate the capital.

Moderator: Thank you. Mr. Kothari please rejoin the queue for more questions. Next question comes on the line of Manish Goyal with Thinqwise Wealth Managers LLP. Please go ahead.

Manish Goyal: Thank you so much sir. I would also like to congratulate on the many initiatives you have taken at the group level. Hearty congratulations sir. And again, congratulations for increasing dividend at Rane Holding to INR38 versus INR25. So, I have a question here sir that the payout ratio seems to have increased to 80% versus 50% which historically was our mandate. So, will it sustain going forward and any particular reason to do that? That was my first question.

And sir on Rane (Madras) sir, two questions particularly on if you can give us an update on the U.S. subsidiary where earlier we have already taken provisions to the extent of amount to be realized on the sale. So, what is the status on that? First question. And sir second question on you did allude to margin improvement but would it be possible to like guide as to due to synergy benefits of amalgamation of three companies, what kind of benefits we can see due to merger or synergy benefits and then maybe another operational improvement. And I have couple of questions for other group companies. I will come back on that sir. Thank you.

Harish Lakshman: Thank you Manish. So, to answer your first question regarding dividends, because Rane Holdings, because of the profit and the cash position in the company and also post the merger of Rane (Madras) as I explained, we are planning to use the operating company that is Rane (Madras) as the vehicle for growth. So given these two objectives, we do not see much cash utilization in RHL.

So, we therefore decided that the best way is to distribute it as dividends. So, this 80% jump, I expect it to continue in the foreseeable future unless there is again some significant reason to change our strategy and say that RHL will also be involved in some growth opportunities. But since that is not there, the board after some discussions decided that all future growth will be driven through Rane (Madras) and therefore a decision was taken to increase the dividends.

So, I expect this 80% payout to continue in the short-term future as well in the subsequent years. As far as (Rane Madras) is concerned, yes, there are multiple things going on in terms of cost savings initiatives. One is through the consolidation, the merger itself, some basic costs have been eliminated.

Now then we have also started several initiatives on commonizing certain support services, setting up a shared service and doing all the financial processing, HR processing, things like that. We have started commonizing indirect purchasing for across all the businesses. We have logistics and warehousing, we have started commonizing some of those things.

And of course, I also forgot to mention when Sunil Kothari asked about our aftermarket, we have combined businesses together and now we have, each business was, let's say Rane Brake Line was doing INR200 crores, Rane (Madras) was doing INR200 crores. Now suddenly we have created a INR700 crores aftermarket business.

We did about INR660 crores last year and we are expecting to do INR750 crores this year. So, we now have one aftermarket division, so our ability to enhance sales across dealers, ability to negotiate with dealers and make sure our products are positioned across the country, we are seeing a lot of opportunities.

So, to summarize, there are multiple initiatives that are going on which will help us realize these synergy benefits. I believe that all these benefits, our objective is even in a down market, in a not so great market like we are currently in right now, to have a double-digit EBITDA. And I think that visibility is something that we are having and we are working towards realizing.

Manish Goyal: And Mr. Harish, my first question on the…

Harish Lakshman: Subsidiary, on the America subsidiary. Yes. You know, I think that we still keep discussing internally that I think we took a right decision in exiting that business because we continue to be in touch with the new owners and the business has, even though they were turnaround specialists, the owners that purchased from us, they seem to be struggling to still turn around the business.

So, we have not yet received the amount that was owed to us, I think about $2.5 million, which of course we have written off. But at the same time, I think I've explained in the earlier calls, we still have some possibility of getting some money back because we do have some second charge on some of the assets of that business,

So, in case they go into bankruptcy or liquidation, etc. So, it is still too early for us to, give an accurate forecast on whether we'll get the money, if so, how much, etc. All I can say is that there is still a possibility. And, you know, as and when we have clarity, we will share with the investor.

Manish Goyal: Sure, sir. And sir, you did mention that we are now having five businesses under RML. So really appreciate if you can give a revenue breakup and the growth in all these businesses because now a consolidated entity with INR3,500 crores, how each of the businesses are doing, it would be really appreciable if you can share those details as well in the presentations going forward.

Harish Lakshman: Yes, I thought the presentation already has that. If you see the Rane (Madras) investor presentation.

Manish Goyal: No, sir. Business wise revenue breakup…

Harish Lakshman: So, Manish, I just wanted to clarify. One of the things that we have done now, because of some feedback we received from investors, we are uploading two presentations. One is an RHL investor presentation, earnings presentation, and the other is a Rane (Madras) earnings presentation. They are two separate presentations. And if you download the Rane (Madras) earnings presentation, all the details that you ask will be there, including division wise revenue breakup, as well as domestic how much is domestic, how much is export, etc.

Manish Goyal: Oh, okay. So has that been uploaded, sir? Because we haven't seen it.

Harish Lakshman: Yes, it was uploaded at the same time, both Rane (Madras) and Rane Holdings.

Manish Goyal: Okay, okay. I will have a look at it. And also, as we are discussing about presentations, in the RHL presentation, probably this time we have missed out on disclosing the revenue breakups for ZF Rane, which is a very large entity. So, any particular reason for that? Okay.

Harish Lakshman: So, there are two reasons, Manish. But, of course, we will share the information with you. One, as I mentioned, since we prepared these new presentations, as I mentioned earlier, we are carving out the occupant safety business into a separate joint venture, which we are expecting to happen during this Q2FY26.

So, our view was, once the demerger is over, anyway, the information we will be providing as two separate businesses, because they will be separate legal entities. And the other thing is, based on some discussions, we felt that and we did an elaborate benchmarking with many other investor presentations. And based on that, we took a decision that we will share certain information in the investor presentation.

However, if investors have some specific additional information that they want, we will share it during the teleconference. So today, we will share whatever questions that you may have, if you want to come back and ask us, we'll be happy to. And we have also taken a decision that, you know, going forward, we will reintroduce the quarterly calls, if you recollect, we were doing that. So that way, during the investor call, we can share the additional information.

Manish Goyal: Okay, wonderful. So, I'll just squeeze in one question and come back in the queue on Rane Steering Systems. So just probably over there, we have seen this quarter, net level losses have increased to INR22 crores. I was probably under the impression that we have repaid debt after receiving compensation from NSK and we have also sold a land worth, I believe, INR45 crores.

So, the debt should have ideally gone down and losses should have come down at net level, despite EBITDA being muted. So that was first question. And second is, by when do you see the low margin legacy orders to get over and probably, we see improvement in margins at operational level at Rane Steering Systems?

Harish Lakshman: Yes, so the one of the reasons, main reasons for the increased losses during Q4 is Rane Steering Systems has also adapted the new tax regime during this year, when they were following the earlier tax regime. So, there is an almost 50% of that INR22 crores that you mentioned, close to 50% is because of this tax regime.

As far as the land sale is concerned, yes, I'm happy to share that we have sold one portion of surplus land that was available in Rane Steering Systems, but that transaction happened only during this this quarter. The transaction happened in the month of April. And I think we also shared that information in the stock exchange. The financial impact of that, you will see when we announce our Q1 results.

Manish Goyal: Sure, sir. Thank you. I'll come back and let you know. Thank you so much.

Moderator: Thank you. Next question comes to the line of Ankur Jain, an individual investor. Please go ahead.

Ankur Jain: Hello, sir. I have a question regarding the capex for the group for FY26, please?

Harish Lakshman: Yes, at a group capex. So, at a group level, we are hoping to be looking to invest about INR400 crores between INR400 crores and INR450 crores, depending on how the market continues to perform. If I think if the both the passenger car segment and CV segment, they start showing strong signs of picking up, especially in the second half, we may go up to INR450 crores. Otherwise, we will curtail it to, you know between INR375 crores to INR400 crores. And I expect about approximately INR400 crores every year for the next three years. I mean, across the group, I'm talking this includes ZF Rane joint venture also.

Ankur Jain: And what will be the breakup between ZF Rane and Rane (Madras)?

Harish Lakshman: Yes, so approximately about INR200 crores to INR220 crores in Rane (Madras), about INR150 crores to INR160 crores in the ZF Rane and about INR70-INR80 crores in Rane Steering.

Ankur Jain: Understood. And my second request actually will be, actually, our investor relation is not very proactive in replying the emails, like the email I sent, I got reply after one month. So, if we can be very proactive and reply to at least investor queries or concerns, please.

Harish Lakshman: So, I'm not clear why that is there. You know, there are there are multiple IDs. So, what I request is, in fact, we now have a new team member in addition to, of course, EY, any queries, you can reach out to EY. But any specific clarification on, the numbers, etc. We also have a new team member who has joined us recently and he's going to be focused on making sure all investor information is available.

So, if you see in the last page of the presentation that we have uploaded, there is a gentleman by the name Saravanan. In future, feel free to send him an email directly on anything related to the investor presentation requirement, etc. Of course, if it is anything related to, you know, DEMAT of shares or some share allotment, then please continue to use the investor services, because that is more for secretarial and from a SEBI standpoint, governance, etc.

So that is why. So now we have a person I specifically identified for answering business related queries to investors. So Saravanan is the name and his email ID is in the last page of the presentation.

Ankur Jain: That's great. I see the email on the last page. Yes, thanks a lot. I will come back in the queue for more questions. Thank you.

Moderator: Thank you. Next question comes from the line of Khush Nahar with Electrum PMS. Please go ahead.

Khush Nahar: Yes, thank you for the opportunity sir. Just a couple of questions. So, number one, in terms of product, can you elaborate more in our steering business and our ZF Rane, what kind of new products, if you're working on something apart from the steering columns? And can you elaborate more on the rack driven power steering? I think a few months back, we had an exclusive agreement with ZF. So, can you elaborate more on the products overall?

Harish Lakshman: Yes, sure. So, as we had put out a communication, I think sometime in January, we have reached an understanding with ZF on the future of the electric steering technology for the Indian market. That is basically broken into two parts.

One is all the column driven EPS, which is more than 95% of the Indian domestic market. That we have entered a license agreement and Rane Steering Systems will be the sole supplier. Then there is a more future product, which is called the rack drive EPS. These systems typically come in much larger SUVs, like Jaguar Land, Rover type of SUVs.

Of course, there is one Mahindra platform where they have introduced this recently, but typically these tend to be in the high-end SUVs. You know, over the next 10 years, we believe that that product may be maybe 15% of the total passenger car market. Those products will be made in the joint venture, ZF Rane.

So, we have two technology agreements. One is with a wholly owned Rane subsidiary and the other is through the joint venture. So, between these two entities, we will cover the entire future technology requirements of the Indian domestic market. As far as the occupant safety products are concerned, I think two significant developments that I have shared in the past is, one is we have localized the inflator, which is the heart of the airbag through the PLI scheme.

And this will, while it doesn't increase product revenue, it definitely goes to improve the margin because of the localization. In addition, on the occupant safety side, the other product that we have added is the steering wheel. This was a company based out of Delhi, which was a joint venture between ZF and another Delhi based promoter family. Our joint venture has purchased 100% of those shares. And of course, at some point, we will be combining that business as well into the occupant safety business.

So, that is also a new product line from a Rane Group perspective that we have added. So, these are the additions that have happened during the last 12 months. As far as Rane (Madras) is concerned, as I said earlier, there are no new product additions for now. Maybe, you know, 18 months from now, we will be adding more products.

Khush Nahar: So, in terms of top line growth, considering we have Rane (Madras), Rane Steering and ZF. So, what kind of top line growth we are seeing because we are winning new orders and we have these new products also. So, any guidance in terms of top line growth and EBITDA margins that we can do across these three divisions, segments?

Harish Lakshman: You know, it is very difficult. Given the uncertainty globally and the domestic market, we are also struggling to give a clear guidance. You know, our aspiration is to grow minimum 12%, if not more is the aspiration. But since, almost 65%-70% of our revenue comes from the Indian market, passenger car and commercial. It fully depends on how those segments grow, which especially in today's environment is difficult to predict.

But the aspiration is to grow minimum 12% going up to 15% in the next three years. So, I, you know, it is just that the current uncertainty globally is not allowing us to be confident about a clear number.

Khush Nahar: Thank you for the answers.

Moderator: Thank you. Next question comes from the line of Munzal Shah with NSFO. Please go ahead.

Munzal Shah: Good afternoon, sir. Sir, couple of questions. One is what are the one-offs in RML above the EBITDA line?

Harish Lakshman: Sorry, can you repeat your question?

Munzal Shah: No, what are the one-offs in case, in RML above the EBITDA line? Because if I see the numbers, the turnover is close to INR3,400 crores, EBITDA comes to INR282 crores. In your opening remark, you mentioned somewhere around some INR340 crores. I missed that part actually.

Harish Lakshman: Rane Holdings consolidated is INR340 crores.

Munzal Shah: Okay. And Rane (Madras) what is the EBITDA?

Harish Lakshman: Around INR280 crores, right?

Munzal Shah: So, there is no one-offs there?

Harish Lakshman: INR297 crores. There is no one-offs there

Munzal Shah: And, sir, in future also, whenever there are one-offs, because historically we have not been giving one-offs actually, okay? So, in future, if there are one-offs, you can just write in the note, it will be better for us to analyze actually.

Harish Lakshman: Sure, we will do that. We will make sure.

Munzal Shah: And, sir, one is the equity part, one is bookkeeping. You are showing at INR16.3 crores.

Harish Lakshman: We understood your question. So, the reason for that is, you are right that the INR16 crores will be going to about INR21 crores or INR20 point something. But while the merger is approved, the share allotment has not yet happened. So, all the erstwhile RBL and REVL shareholders are yet to receive the RML shares. In fact, there has been some delay. It has taken longer than we also expected because of some, I don't know, some paperwork and SEBI-related matters. So, once the share allotment happens, which we are hoping will happen during this quarter, you will see the increase in the share capital.

Munzal Shah: So, is it fair to assume the rest of the numbers are, of all the three companies consolidated?Debtors and everything?

Harish Lakshman: Yes, yes. All the others are consolidated. Only the share capital, because the allotment hasn't happened. And post allotment, it will be 27.

Munzal Shah: And so, one thing is basically, while we are hesitating to give guidance, okay, but what is the benchmark that you use when you do internally your performance evaluation, not your company's performance evaluation, vis-a-vis other auto ancillaries ? Okay, and there are a lot of auto ancillaries which mentioned that they will be outpacing the OEM growth by you know, doing a lot of things like components per vehicle, etc., etc. Do we have that benchmark internally? And, how do we compare ourselves with other auto ancillaries?

Harish Lakshman: I think your question is valid. We are still discussing internally what kind of guidance do we want to set that we can share outside and be able to deliver on that performance. While, as I've been indicating in the past, we want to hit double-digit EBITDA even in a not great market so that when the market improves, if we start seeing strong double-digit growth in passenger car and CV, then automatically our EBITDA margin, goes upwards of 12%-13%.

That is the aspiration. In terms of growth, as I said, again, a 12% CAGR consistently is what we are aiming for. But, how to have a better articulation strategy with our investors, we are still discussing internally. I think once we are clear, we'll come back with better guidance in the coming quarters.

Munzal Shah: That's fine, sir. I'm not worried about the guidance. I'm just, what is the internal evaluation that you people use , okay, vis-a-vis, the growth achieved from other auto ancillaries actually, okay? So, somewhere we are seeing much better growth from them vis-a-vis Rane (Madras)

Harish Lakshman: Yes, yes. I mean, clearly we benchmark especially with the people who are growing faster than us and doing better margins than us. I mean, I think that benchmark we're definitely doing. And, of course, we share the information also in our investor presentation on a quarterly basis. But, in terms of long-term guidance, I think we'll come back.

Munzal Shah: Sure. Thanks a lot, sir.

Moderator: Thank you. Next question comes from the line of Jigar with the Financial Research. Please go ahead.

Jigar: Thank you for taking my question. I have two questions. What is the consolidated debt on the books? That is one question. And secondly, sir, what is the status of the legacy orders in Rane Steering Systems Limited and how should we look at margins playing out in Rane Steering Systems Limited in the medium term, sir? Thank you so much.

Harish Lakshman: Your first question was on Rane (Madras) or Rane Holdings?

Jigar: Rane Holdings, sir.

Harish Lakshman: Rane Holdings, okay. So, the consolidated debt is INR995 crores.

Jigar: That is of Rane Holdings?

Harish Lakshman: Correct, correct. As of March 31st, 2025.

Jigar: INR995 crores?

Harish Lakshman: Correct, correct. And as far as your question on Rane Steering, I think even Manish had asked this earlier, I forgot to answer. Unfortunately, the legacy business, the margins, when I say legacy business, these are new businesses that went into production sometime in 2022 and 2023. And now we are seeing the full impact of those businesses.

While I am happy to share that, we have reached some sort of an understanding with Maruti for correcting these prices and improving the margins of those businesses. And you will start seeing the impact of that from Q2 definitely, if not Q1. But still, the margin improvement will not take us back to the old level.

I think it is going to take another three years before we see much healthier margins. For sure, you will see margin improvements, but whether they are sufficient enough, the answer is no. And it will take another two to three years.

The reason is, we are winning and we have already secured some orders for new business with much better margins, but those go into production only in 2027 time frame and come into 2028. So as a result, it is going to take another 24 to 36 months.

Jigar: So that another two to three years, sir, where do we aspire to reach, sir?

Harish Lakshman: So, I mean, as I said, it will still continue to be only in single digit for the next two, three years. I mean, after that, we may start seeing improvements to about, 7%-8%.

Moderator: Thank you. Mr. Jigar, please rejoin the queue for more questions. Next question comes on the line of Rajkumar Vaidyanathan, an individual investor. Please go ahead.

Rajkumar Vaidyanathan: Yes. Good evening, sir. Thanks for the opportunity and congratulations on getting the merger consummated as per the plan. Just a few questions, sir. First one, you mentioned that you are planning about INR150 crores to INR200 crores debt reduction. That number kind of seems to be a bit on the lower side because I just looked at your cash flow, you have generated almost INR300 crores of free cash flow for the last year.

So, assuming you will generate a similar number and you will also have the money from the monetization of the landholding. So, you should be able to reduce your debt significantly because you said you are going to incur a capex of only INR200 crores for the coming year.

Harish Lakshman: Let me just check. I don't think we are generating INR300 crores of free cash. You're talking Rane (Madras)?

Rajkumar Vaidyanathan: Yes. Rane (Madras) consolidated cash flow.

Harish Lakshman: But that is not free cash. That INR300 crores is before capex. If you see in the cash flow statement, we also have a capex for regular business at about INR180 crores during last year.

Rajkumar Vaidyanathan: What I meant is the cash flow before capex is INR300 crores. So, you are going to incur about INR200 crores of capex. That's the guidance you mentioned. So, you will have a INR100 crores cash. Plus you will have money coming from the monetization of land. So you should be able to reduce your debt much more than the 150 number that you indicated.

Harish Lakshman: So, I think we have assumed, the reason we have taken INR200 crores is because we have taken some increase in working capital based on some enhance in export business, etc. Which is why we have assumed this. And also, the second is, this INR150 crores -INR200 crores that we indicated on debt. It is just a guidance because we don't know what real estate transactions will get consummated, what will not, what will be the extent, etc. So based on that, I had indicated some numbers. So it could change.

Rajkumar Vaidyanathan: Yes. So all I want to know, that's the kind of bare minimum number you're looking at. That's an opportunity to upsell people, right?

Harish Lakshman: Correct. Yes, you're right.

Rajkumar Vaidyanathan: Yes. Thank you, sir. And sir, continuing on that same thing, I just want to know what is the impact of this synergy related benefits? Can we take a number of 100 bps improvement in your margin? Or is it a too big or larger number?

Harish Lakshman: Again, it's very difficult. Definitely there is an improvement. As I said, so those three, four initiatives that we have, that we have told. And yes, I mean, if you see our consolidated last year was about 8.6% EBITDA. For sure, we're looking at a 1% improvement during this year.

Rajkumar Vaidyanathan: Okay, great, sir. And sir, the next question is on your JV with ZF. I see they have done exceedingly well this quarter. So are there any one offs in that? Or is it something which we can take as a steady state performance going forward?

Harish Lakshman: In Q4?

Rajkumar Vaidyanathan: Yes, Q4, you're showing the bottom line of almost 18.52 as your share after tax.

Harish Lakshman: Yes, there's no one off. So this is just from the performance. So yes, so we can expect the same level of performance to continue.

Moderator: We have lost the line. We'll promote the next that is Mr. Manish Goyal from Thinqwise Wealth Managers LLP. Please go ahead.

Manish Goyal: Sir, thank you again. So, for continuing on the ZF Rane, so this quarter we have shown 12.5% EBITDA margin. So now, have we started seeing the full benefits of backward integration and this level of margins will be sustainable for the entire financial year going forward? That was first question.

And ZF Rane, revenue growth continues to be strong. So how should we look at it both for the domestic market and exports market? And what is the opportunity we see? And when do you plan to introduce rack-drive EPS? And what is the opportunity you see in near term for ZF Rane?

Harish Lakshman: So, I'll answer the first three questions. Manish, definitely all the PLI related investments have not only been completed, they have also gone into production. And some more investments are also underway under the PLI scheme. And we are quite happy to share that in the occupant safety side of the business, there is a clear 1.3%, 1.4% improvement in margin because of this backward integration. And this will continue for sure.

So therefore, we will see the occupant safety business also start delivering double-digit EBITDA margins consistently like the steering business. As far as the order book is concerned, the order book continues to remain strong, both domestic as well as exports. We are continuing to win many new business as I explained. Even in Q4, we won INR157 crores order for seat belt airbags with a large domestic customer.

So, we continue to be optimistic on the strong growth on the occupant safety business with a double-digit EBITDA. The steering business has always been profitable. Of course, the fortune of that business is fully tied to the domestic CV market. So, if there is an upswing, that will further improve. So overall, the margins and growth prospects look quite good. I didn't understand the last question that you had asked.

Manish Goyal: I asked on the new tie up which we have done with ZF for the steering. So when do you expect to launch that and how big is the opportunity for us?

Harish Lakshman: As I explained, the opportunity will gradually become large. Today, the rack-drive EPS in the Indian market is less than 5%. And we are expecting that 5% to grow to 15% of the total market by 2033-2034. So, you can do the math. So approximately 15% of the Indian market will go towards that rackEPS.

Now in that, Rane and ZF together will aspire to capture maybe 40%-50% of that market share. So, the revenue impact, honestly, I think we will start seeing for this product only after 2028. So it is more of a long-term initiative. But it is a high-value item, maybe even double the price of a column EPS. So as and when we win or secure a contract and start invoicing, there will be a good addition to the top line.

Manish Goyal: And sir, would it be possible to share the debt number at Rane Steering? Because I believe both are incurring quite significant interest costs. Because even at ZF Rane, the EBITDA is quite strong. But it seems that interest and depreciation is very high. So maybe if you can share those numbers, it will be helpful.

Harish Lakshman: For Rane Steeringis it?

Manish Goyal: Rane Steering and also, if possible, for ZF, sir.

Harish Lakshman: So ZF the total debt is approximately INR700 crores, and most of that debt is in the occupant safety business. The steering is only INR100 crores odd as I recollect, yes INR100 odd out of that INR700 crores.

As far as Rane Steering Systems is concerned, the total debt is approximately INR220 crores. But some of that debt is also from Rane Holdings given to its own wholly-owned subsidiary. So, the external debt is around INR175 crores.

Moderator: Thank you. Mr. Goyal, please rejoin the queue for more questions. Next question comes from the line of Khush Nahar with Electrum PMS. Please go ahead.

Khush Nahar: Thank you for the opportunity again. Sir, could you provide us the revenue split in ZF Rane between occupant and steering?

Harish Lakshman: So last year, the occupant safety business including the steering wheel acquisition was around INR1,450 crores and the steering division is about INR880 crores.

Moderator: Thank you. The last question comes from the line of K Mohan, an individual investor. Please go ahead.

K Mohan: Congratulations, Mr. Harish and the team. My name is Mohan. I'm from Bangalore. I'm one of your investors for a long time. First of all, my congratulations on the steady changes and the improvement that the financial performance of the company has undergone in the last three to four years. Because one by one, all the legacy problems in regard to the light metal casting division in the U.S. and the losses in the warranty claims and so many other things. And also, the merger with NSK. All these have been tremendous benefits to the shareholders of Rane Holdings.

And my congratulations to Mr. Harish and your team and Mr. Ganesh for having brought about this kind of significant change in the finances of the company. And also, a tremendous financial year that you've just finished in terms of the turnover increase and the profitability increase, inspite of a difficult year in terms of trouble on the export front, which Rane (Madras) has faced.

So having said that, I have a few questions with regard to the new technology agreement with ZF Rane. If I understand that this technology that you're buying or the technology agreement with ZF Rane was not there in the NSK? Did NSK have this technology? Is it something new? That's my first question.

My second question is that, of course, you said that part of it is for the new rack-drive EPS for longer SUVs and bigger vehicles. And some part of it is for your ZF electric column driven. So, my question was I was surprised that NSK did not have this technology, number one.

Number two, now that it's become 100% owned company by Rane, what about the export prospects of RSS? What about the erstwhile business which NSK had with their worldwide customers? Has that come to us or is it continues to remain with NSK of Japan? So, these are two questions.

And the third is that, with regard to the legacy orders, my surprise was that as far as I know, I can see Rane is one of the most efficient manufacturers in the country. And so when you say that you are not able to get sufficient price hikes from Maruti, is it the competition which is able to supply at prices equivalent to Rane's?

Or is it imports from China, etc., which is the main hurdle or which is the main competitor? So I'm a little surprised that the legacy orders still continue to be below cost and RSS continues to incur a loss in the business. So, do you think that we can turn a decent profit on the turnover of INR2,000 and odd crores?

We should be able to turn out, I know you're not giving any guidance, but when can we turn positive net profit to say INR50 crores, INR100 crores? Will it take one year or two years or even longer than that because of the existence of the legacy orders? And I know Maruti is a very big customer, 70%, 50%, 60% maybe your supply is dependent on Maruti.

And so, it depends on Maruti's ability to give you price hikes for existing products and also of course the new products you're taking on, which may be a slightly higher profit margin. So these are my two or three questions. Thank you.

Harish Lakshman: So, thank you, Mr. Mohan, first for your comments. While I think as you said, we have fixed many of the problems that were financially impacting the group and I think we're slowly and steadily showing improvement in our financials. And I still believe we have a lot more potential and hopefully we will be able to show even better performance in the coming years.

As far as your queries on the rack EPS and column EPS is concerned, what we have done with ZF, NSK definitely has the column EPS technology, but rack EPS, they don't have the technology but they had some designs in the bookshelf. They globally are not a big producer of rack EPS the way ZF makes or JTEKT makes or Mando makes. So NSK definitely their technology capability for rackEPS is not on par with what ZF has. And NSK also, as you know, globally has been struggling in the steering business. They carved it out and brought in a financial investor, etc. So, which is why we decided we will do this tie up with ZF.

So, the good thing about the column technology about ZF is also that the column EPS is also in a way future proof, future ready. Because as we go forward, there are more and more ADAS features coming into the vehicle and which also needs to talk to the steering. So having a column EPS that is also ADAS compliant is becoming more and more important in the coming years. So, the ZF technology gives us that capability as well. So, there are some features even in column EPS that we feel more confident with ZF than with NSK.

As far as the margins of RSSL, the legacy, as I have explained in some of the past calls, some of those businesses, the contracts were negotiated directly by NSK in Suzuki, Japan. And some of these contracts were secured. And this also was a significant point of discussion between NSK and Rane as to why this happened and how the joint venture could take on business which is making a loss.

While we got some price correction from Maruti, as I said, it's not enough. But the problem from Maruti's perspective is they went through a proper RFQ process. And NSK obviously quoted super competitively and won the business. And now Maruti is taking a view that without justification, how can I increase your prices?

If there was a material cost, steel price increase or plastic increase, some associated logical increase is asked for, then I can accommodate the request. But if you just say that you quote aggressively and won the business, their point of view is then I would not have given you the business in the first place. And this was all contracted based on firm quotations from our side.

So therefore, there is a limitation on how much they can do. Because obviously from Maruti's perspective, they don't want suppliers to undercut during the quotation process, win the business and then come back and say, no, now give me a 15% price increase. So obviously there is limits to how much we can get increase from Maruti. But at the same time, I think Maruti understood our financial position and did help us a little bit.

While I wish it could have been more, but unfortunately it is not. But we will keep working. I mean, it's a slow process, especially with large companies like Maruti. So, during this financial year, in the last three months, we were able to reach one understanding, maybe eight, nine months from now we will again re-open the subject and do some correction.

So given that we are still stuck with these very low margin business for the next three, four years, the EBITDA margin will continue to remain in the low single-digit, as I explained earlier. So, this is going to take another, three years before we see improvement. But to answer your question on breaking even and showing a profit of INR40 crores-INR50 crores, I'm hopeful that we will start seeing those kinds of numbers from FY27 onwards.

K Mohan: Thank you. Then a related question is with regard to the technology agreement that is there. They are already 51% shareholders. Is there a substantial technology fee that you are paying for the new technology or is it kind of subsidized because they own half the company?

Harish Lakshman: See, the technology fees are generally at arm's length basis, because even they have their transfer pricing requirements, even though it's a subsidiary, all the valuation of the technology and the costing, etc., has to be done at arm's length basis. But however, I can share with you that these technology agreements are linked to its business, future businesses that we will win.

So only as and when we secure contracts, these amounts will be spent. So that is a good thing. It's not an upfront, unlike in Rane Steering, where, since it's a wholly owned subsidiary, we are paying for the technology and absorbing the technology cost during last year, this year. Whereas for the joint venture, it will get spent only as and when we secure contracts.

K Mohan: Thank you. Thank you very much, Mr. Lakshman.

Moderator: Thank you. Ladies and gentlemen, that was the last question for today. We have reached the end of question and answer session. I would now like to hand the conference over to the management for closing comments.

Harish Lakshman: So, thank you all for your time. And as I explained, we're very excited about this with the new structure we have created in the group and the opportunities that we see going forward. And, hopefully we will continue to improve our performance quarter to quarter. And as I explained, we will also be having more interactions with investors on a quarterly basis. So we'll have an opportunity to share more. Thank you.

Moderator: Thank you. On behalf of Rane Group, that concludes this conference. Thank you for joining us, you may now disconnect your lines.