



“Rane Group Q3 FY '26 Earnings Call”

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Moderator:

Ladies and gentlemen, good day, and welcome to Rane Group Q3 FY '26 Earnings 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. Diwakar Pingle from EY. Thank you, and over to you, sir.

Diwakar Pingle:

Thank you very much, Iqra. Good afternoon, good evening to everyone. Welcome to the Q3 FY '26 Investor Call of Rane Group. To discuss the results and answer your questions today, we have the management team from Rane Group represented by Mr. P.A. Padmanabhan, President, Finance and Group CFO; Mr. J. Ananth, Executive Vice President, Finance and CFO, Rane Holdings; and Mr. S. Prasad, Associate Vice President, Corporate Planning, Rane Holdings.

Just a brief update. I think a couple of quarters before when Rane was trying to do earnings call only for 2 quarters, we got a feedback from the investors for having regular quarterly calls. So we've kind of shifted back to a quarterly call format since then with a small caveat that Mr. Harish did mention 2 quarters ago that he will join the calls on the half yearly and the annual calls and the rest of the quarters, the top executive management of Rane would possibly give the updates. So in keeping with that, in this particular call, Mr. Harish is not available. I just want to give a brief on that.

The results and the presentation has already been mailed to you and you can also view it on the company's website. In case anyone does not have a copy of the presentation or you're not marked in the email, please write to us at EY or the Rane IR team and we'll be happy to send the same to you.

Before we start, I'd like to say that everything that is said on this call that reflects any outlook for the future or which can be construed as a forward-looking statement must be viewed in conjunction with the 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 annual reports, which you can find on our website.

With that said, I'll hand over the call to PAP. Over to you, PAP.

P. A. Padmanabhan:

Thank you, Diwakar. Good afternoon, ladies and gentlemen. Thank you for dialing in. I would like to welcome you all for this teleconference. I would like to start with a few comments on the industry. India's automobile sector recorded a strong recovery in the third quarter supported by timely GST rate reductions during the festive season, healthy retail momentum and disciplined inventory management across segments.

The improved performance was driven by a combination of policy-led demand stimulus, easing financing conditions following repo rate cuts and strengthening consumer sentiment during the festive period. Improved affordability, adequate financing availability and a healthy pipeline of new product launches further supported demand across categories.

The passenger vehicle segment delivered the strongest performance in the recent times. Growth was driven by festive demand, enhanced affordability resulting from GST reductions and tax relief measures, lowering finance cost and sustained positive buyer sentiment. Utility vehicles continued to lead the segment reflecting an ongoing structural preference for SUVs among consumers.

The commercial vehicle segment witnessed growth led by stronger freight movement and consumption-driven demand during the festive season. Higher industrial activity, continued infrastructure execution and increasing formalization of logistics supported fleet expansion thereby driving CV purchases.

The 2-wheeler segment recorded steady growth supported by robust scooter and motorcycle demand in urban markets. Scooters continued to outperform motorcycles on a year-to-date basis while the moped segment remains subdued.

Growth is increasingly skewed toward premium and mid-capacity motorcycles with the 150cc to 250cc category emerging as one of the fastest-growing segments following a strong turnaround in the second half of the year.

The tractor segment delivered a robust performance during the quarter supported by the recent GST reduction, favorable monsoon conditions, strong agricultural sentiment and improving rural income. Overall, the quarter reflects a broad-based recovery across segments positioning the industry for sustained momentum in the near term.

I'll now move on to the key highlights. RML's total revenue was INR1,019.1 crores for Q3 of financial year '25-'26 compared to INR840.5 crores in Q3 financial year '24-'25, an increase of 21.3%. I'm also happy to share that we won new business worth INR130 crores across product categories in the quarter.

The recent announcement of the India-U.S. trade deal, including tariff reductions, is a positive development for global trade flows. Though we await further details on the duties, we see the trade deal provides clarity on the strategic direction and is expected to enhance competitiveness and help us progress on the conversations with the customers more positively.

During Q3 of financial year '25-'26, EBITDA margin improved by 106 bps from 8.2% to 9.3%. During the quarter, our associate entity, ZF Rane Automotive India Private Limited has made a one-off warranty provision of around INR230 crores; net of tax, it's around INR172 crores; related to product recall liability towards quality and safety related issues in certain products manufactured and sold in prior periods that may require corrective action, including voluntary and regulator mandated recall.

There were a few complaints of unlatching of seatbelt buckles in the Hyundai Palisade SUV when the tongue is inserted slowly inside the buckle in some of the vehicles in certain North American markets under extreme climate conditions. The customer is planning to carry out in-vehicle inspection for the vehicles sold in North American markets to replace any defective parts. We will keep you updated on further developments.

As we move into the final quarter of financial year '25-'26, we carry forward strong momentum and expect demand to remain steady, continued policy tailwinds and stable macroeconomic conditions while remaining vigilant to evolving geopolitical risks and external uncertainties.

The near-term environment remains supportive with the policy continuity on the union budget post GST 2.0 and a stable interest rate environment collectively strengthen affordability, financing comfort and overall demand sentiment.

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

- Moderator:** The first question is from the line of Abhay Tibrewala from Vision 8 Investments.
- Abhay Tibrewala:** This is Abhay here. So just wanted to understand how you see the recent orders like up to INR135 crores in Q3 and the Mexico facility INR250 crores pipeline from Ford, GM and Honda impact our '26-'27 revenue, EBITDA guidance given the 21% Q3 growth from Rane Madras?
- S. Prasad:** Yes. So this INR130 crores orders are for future businesses, right, and so they are not going to start immediately. So the other thing which you have mentioned about what is that related to the INR250 crores, that portion of it is not very clear.
- Abhay Tibrewala:** Okay. So INR250 crores from -- we don't have any clear like visibility because those are pipeline orders from Mexico, right?
- S. Prasad:** So no, I'm not able to actually fully gather your INR250 crores question related to Mexico. What is that? Because the orders that we have actually won in this quarter is about INR130-odd crores, particularly for Rane Madras. And over this entire year, if you look at it for the last 3 quarters, we have won about INR650 crores of orders for Rane Madras.
- Abhay Tibrewala:** Okay. And how this will impact the '26-'27 and further '27-'28 revenue and EBITDA guidance given the stupendous growth in this quarter?
- P. A. Padmanabhan:** We don't give guidance for the future quarters in terms of EBITDA, but we could -- I would say that we are moving in the right direction. If you notice that during this quarter itself, there is an improvement in the EBITDA number and we are making a lot of efforts for cost reduction. We are doing a lot of cost reduction initiatives, which we are hopeful that will reap fruit in the coming months. So we are hopeful that there will be an improvement in the EBITDA number going forward - in this coming quarter as well as the coming financial year.
- Moderator:** The next question is from the line of Sunil Kothari from Unique PMS.
- Sunil Kothari:** Sir, my question is normally in the past many times we mentioned that whenever we grow high double digit, then we can expect double-digit -- more than double-digit EBITDA margin. I would like to understand with this restructuring merger getting over now, everything almost benefits also must be coming and we have grown year-on-year, quarter-on-quarter successfully. Why it is not converting in a better 11%, 12% EBITDA margin, which always Rane Group aspire to achieve? So if you can in detail explain what is stopping us from getting this 11%, 12% EBITDA margin?

P. A. Padmanabhan: See, like we mentioned in the past calls also, Sunil, we are taking a lot of initiatives wherein we are expecting quarter-on-quarter improvement in our EBITDA numbers. And as you have seen in the last quarter, we have shown an improvement in EBITDA numbers. And you will also be aware that we had a new Labor Code coming in and we have also made a onetime provision for that additional any possible expenses on account of the Labor Code. That is also contained in this P&L for the quarter. So in spite of that, we have grown in the EBITDA number. And due to our cost reduction initiatives, we are fairly confident that in the coming financial year, we will touch double-digit EBITDA numbers for Rane Madras.

Sunil Kothari: So sir, what steps yet we are taking to improve our EBITDA margin? Because now fortunately, we are moving towards a double-digit top line growth. But to improve substantially EBITDA margin, what other measures are we taking? Which other benefits are yet to come of merger? If you can explain little bit in detail will be really helpful.

P. A. Padmanabhan: See, one is on the direct material front, this merger has offered us an opportunity to look at areas where we can do ordering collectively and that can help us in reducing the cost. On indirect materials also, we see a lot of opportunity for cost reduction. And on freight and logistics also, we are looking at areas for cost reduction. On warehousing also, there is scope for cost reduction. So it is across the board, Sunil.

On multiple areas consequent to this merger, we are hopeful that we'll be able to synergize this and then ensure that overall there is a reduction in cost. And since these are all activities which take time to consummate, we are hopeful that in the coming quarters we will constantly see improvement in the margins.

Sunil Kothari: Okay. And sir, one more thing is about debt reduction. We already I think got some fund from the land sale and we were also expecting some more land sale by March. So if you can little bit explain in detail how much we already repaid, what type of repayment we want to make of our debt by March and any other land sale parcel planning going on? Something more on that.

P. A. Padmanabhan: See, on the debt front, one thing that has happened is in spite of capital investment of close to INR100 crores, we have kept the overall debt at more or less the same level, which means had we not got this land parcel sale-related advance money, we would have gone for another close to INR100 crores debt, which we could avoid by using those funds for our capex expansion.

And going forward also, our clear thought process is that we want to bring down the debt substantially. And we are hopeful that with further amounts which as we receive towards this land sale, we'll be using it towards debt reduction. So that's the brief to you. Overall, you'll see a substantial reduction over the next 12 to 18 months as already indicated.

Sunil Kothari: Sir, by when we are getting those amounts, remaining pending amounts?

P. A. Padmanabhan: These are all milestone payments spread over the next year or so. So as and when we reach a milestone, we'll be getting this payment spread. So consecutive quarters, we'll see some debt reduction happening as we move on.

Sunil Kothari:

Sir, last question on this recall at Rane ZF. I think unfortunately or whatever reason in every each of our manufacturing units, we are getting this type of accidental outcome, which is happening nonstop. I mean somewhere Engine Valve, sometime Rane Madras, previously it was NSK. What steps are we taking now to I mean mitigate this type of accident in future? What measure? Because now you have tie-up with ZF also and yet this is happening. So what happened and what we are trying to do, which remove us this risk in future?

S. Prasad:

Yes. So Sunil, Prasad here. I'll answer it in 2 parts. The first part is specific to this warranty issue that we have with ZF Rane. So this issue pertains to a particular model that we have been supplying to the global market and this is happening in specific extreme climate conditions in terms of very cold climate conditions.

This is not happening on all the vehicles that has been there. This is due to environmental specific conditions. And we have estimated the number of vehicles and this is again related to NHTSA recall and the customer has actually decided to go in that route and we have actually made the provision to this.

However, one thing that we wanted to actually clarify is related to our relationship with our customers, which remains very strong and we continue to win new businesses. The way in which we have been able to demonstrate and quickly move on in terms of clarifying the necessary inputs for the customer to take these calls reassures our relationship with the customer.

And we continue to win new businesses across geographies with this specific customer here. And given the safety critical nature of these parts, we were in this kind of a recall kind of a scenario, right?

So this is again not specifically related to a part that is manufactured by us. This is being supplied to us through one of the company, and you will be able to actually identify this company because this is public information as well, related to a plastic injection molding part, right? So we have been able to learn from our way in which we were able to deal with some of these suppliers and we have actually taken corrective measures.

So in substance, the relationship with our customers continue to be strengthened and then we continue to win new businesses. And we have been able to strengthen our overall supplier development quality and other operation-related measures.

Moderator:

The next question is from the line of Manish Goyal from Thinkwise Wealth Management, LLP.

Manish Goyal:

So as we were discussing, I would like to continue on the same topic. So what probably Sunil was asking that in terms of insurance, do we have insurance coverage, number one? Number two, sir, if you can just repeat what is this pertaining to? You said that it is part which is not manufactured by us so what product is it related? I missed the initial comment, if you can provide us. And third thing is that have you made sufficient provision that it may not require any further provision at your end?

P. A. Padmanabhan: Manish, I'll answer on the insurance and sufficiency of the provision. Yes, we do have insurance, a normal insurance we have. It may not be to this extent, but we do have insurance. But it's very preliminary for us to make any conclusion on this because this is a lengthy process.

We will make all attempts to ensure that we mitigate the overall loss on this account. As far as the adequacy of provision is concerned, again it's very early to comment. We will be reviewing it sometime in March, April of this year and at that time, we will have a better idea if this amount is sufficient or any additional provision may have to be made.

S. Prasad: Yes. Manish, in terms of the part, this is a seat belt and a buckle for the seat belt. So there is a plastic injection molding part, which is actually where the seatbelt is inserted on to -- when we are actually driving this is on our left side, that is where this is getting inserted. And there is a potential problem, which has been identified as tongue is being inserted slowly or it is being released under the extreme -- exposure to extreme weather conditions.

Manish Goyal: Okay. So like this is basically we are exporting through ZF Group and so this product was not tested for such extreme cold climate conditions earlier. Just want to get a sense that probably this is something which you would have been manufacturing under their technology transfer, right?

S. Prasad: Yes. This is a part that we actually supply to the Hyundai, right, and this is a global program that we have been nominated to supply by the ZF Group.

Manish Goyal: Okay. So is there a case like what we probably had that because it's not pertaining to manufacturing issue at our end, we should be getting compensated going forward like what we saw in the case of Rane NSK?

S. Prasad: Yes. This is a very -- this part is being supplied by a very small supplier, right? So we don't know how we will be able to recover it from them, right? As a countermeasure, we have actually changed the source and moved to another global supplier.

Manish Goyal: And are we the only company which has faced this issue in ZF Group or any other company has also faced this problem because of this vendor?

S. Prasad: No, we are not aware of that.

Manish Goyal: Okay. I'll probably move to other set of questions if you can, sir. Within like ZF Rane, if you can give us the revenue breakup for steering and safety products and what is the domestic and exports number, that should be helpful. That was one question.

And second question, within Rane Group sales, probably what we see is that in your revenue breakup sales by product line, the other segment revenue share has been given at 7%, which is probably as compared to last quarter at 1%. So want to know what product got categorized over here. That was one thing.

And third thing on Rane Madras, you replied to Sunil's question that we should see a double-digit margin. So ideally, by when should we see it over a period of next 3 to 4 quarters? That was the set of question.

S. Prasad: Yes. So I'll go from the reverse one. So in Rane Madras, I think it is consistent to what we have actually told in our earlier calls. So we are looking at a 12 to 18 months kind of a window is what we have actually set out. And that 11%, 12% kind of an EBITDA is what we are actually targeting.

And with respect to the ZF Rane sales breakup: for the Q3, the steering division actually accounted for about 37% of the revenue and occupant safety division accounted for 63% of the revenue. And in terms of domestic and exports, domestic is about 78% and exports is about 22%.

And one more thing, which you asked related, to the overall -- the other segment. So as you know, we have actually -- post the merger we have a separate unit, which is called aftermarket products business, so that is actually tagged under others.

Manish Goyal: Okay. And this is largely reflected through Rane Madras.

S. Prasad: Correct.

Moderator: The next question is from the line of Rajakumar Vaidyanathan from RK Investment.

Rajakumar Vaidyanathan: Sir, just 2, 3 questions. So the first question is there is a small dip in the EBITDA margins of Rane Steering and the Rane Automotive. So is it due to the labor code provision or is there anything more sitting there?

P. A. Padmanabhan: See, in Rane Steering Systems, Labor Code, yes, that is having an impact on the margins. And also like we have mentioned, for the next 12 months or so, the margins will be subdued in case of Rane Steering Systems mainly due to some low pricing at which we have accepted some orders a few years back. So that is also playing a role. So due to poor product mix and as well as the Labor Code, both have contributed to a lower margin in case of Rane Steering Systems.

Rajakumar Vaidyanathan: So what is the amount, sir, if you can quantify for Rane Steering with the Labor Code provision as well as for Rane Automotive?

P. A. Padmanabhan: It's about INR1.8 crores.

Rajakumar Vaidyanathan: And for Rane Automotive?

P. A. Padmanabhan: Rane Automotive is around INR1.18 crores. That is our share, 49% share. It's overall INR2.4 crores, but our share is INR1.18 crores.

Rajakumar Vaidyanathan: Okay. Got it. And second thing, sorry to labor on that warranty provision. So basically I want to know do you expect a similar kind of a provision in the upcoming quarter or you think you have made a reasonable estimate of the provision? And continuing on the same question, do you expect any further remediation cost or any pressure on margins because of this?

P. A. Padmanabhan: See, as far as adequacy of provision, like I mentioned earlier, it's a bit early to commit right now because we are still in the process of reviewing it. So by April, May, we will have a better idea whether this provision is sufficient or any more provision is required. So we'll come back to you during the next call on that aspect. And margins, that is as per the orders that we are procuring, the margins will be there. This particular aspect will not have any impact on the normal order procurement margins which we are going to get.

Rajakumar Vaidyanathan: Okay. And sir, if I understand in Rane Automotive, you're paying royalty to ZF. So will this not be covered by your royalty agreements, whether they will not be picking up a significant portion of this warranty similar to what NSK has done in that other JV?

P. A. Padmanabhan: This is a manufacturing-related issue. As it is because of joint venture, they'll be bearing 51% of this cost in any case. We'll be bearing only 49% of this.

Moderator: The next question is from the line of Krishnakumar from Lion Hill Capital.

Krishnakumar: Congrats on a good set of operating metrics on Rane Madras. If you can just clarify, sir, on the warranty provision, do we have an idea of the total number of vehicles which are having this problem or that's an ongoing thing that will keep coming up, sir, as we encounter problem? Any vehicle part that you have in mind, sir?

P. A. Padmanabhan: Are you referring to ZF Rane?

Krishnakumar: Yes, seatbelt problem.

P. A. Padmanabhan: Yes. See in North America, we have around 5.67 lakh vehicles in U.S.A. and around 44,000 vehicles in Canada. But overall for the entire program, it's around 9.60 lakh vehicles where supplies have been made to North America, Europe, Middle East and Australia. So this covers the entire program, whatever number of vehicles for that program, which is around 9.60 lakh vehicles. The provision has been made for that.

Krishnakumar: Provision made for the full program basically. So there can be a potential write-back, sir, if things aren't as bad as we expect?

P. A. Padmanabhan: It's a bit early to comment, Krishnakumar. Maybe by next call, we'll be having a better clearer position.

Krishnakumar: On the Rane Madras, sir, is it possible to give some color in terms of how the growth has been on the different segments like you talked about different brakes, engine parts and steering. So can you give some color on the product-wise growth, sir, Y-o-Y? Is that possible? And also on exports, how they have moved, Y-o-Y growth?

S. Prasad: Yes. So product-wise if you look at it, so steering and linkages business, we have a good growth both in domestic as well as exports. However, if you look at it from other segments, particularly the light metal castings, we had a growth, but it's not comparable to the steering and linkages. In terms of aftermarket, we have a good set of numbers, good traction that we are seeing in the market.

And as we have integrated all the aftermarket businesses into one entity, we are actually building lot of synergies and then we are actually consolidating the one approach of working and there has been lot of synergies there. And in terms of engine components, we faced some challenges in terms of the exports, particularly because of the tariff situation. And the brake components also, we are having a good traction across the segments both domestic as well as rails and the exports.

- Moderator:** The next question is from the line of Meet Rachchh from Equirus PMS.
- Meet Rachchh:** Yes. So first question is on debt. Can you call out gross debt across the entities; RML, RSSL and ZF?
- P. A. Padmanabhan:** RML is INR764 crores, RSSL is INR175 crores.
- Meet Rachchh:** Yes. On ZF?
- P. A. Padmanabhan:** ZF Rane combined is INR722 crores.
- Meet Rachchh:** Okay. And on RSSL margins, so you've been highlighting that incremental business is being taken at high single-digit margin maybe closer to 7%, 8%. So my question is how many quarters will it take to improve the consol margin maybe towards mid-single digit in RSSL?
- P. A. Padmanabhan:** It will be maybe in the year of '27-'28 onwards, we can start seeing improvement. We'll require at least another 15 months for this to stabilize. After that, once the new program starts, that will help in overall improvement. So I would say '27-'28 onwards, we can see an improvement in the EBITDA number.
- Meet Rachchh:** Okay. And just a clarification, the provision which we have made in quarter 3 is for all the 9.6 lakh vehicles, right?
- P. A. Padmanabhan:** Yes.
- Moderator:** The next question is from the line of Munzal Shah from NSFO.
- Munzal Shah:** Sir, my question pertains to Rane Madras. In our earlier calls, we have mentioned that by Q4 exit, we would be inching towards 10% EBITDA margin at the exit. That is one question. And second is on debt reduction. So in Q2 call, we had mentioned that the first half capex was on a higher side at INR94-odd crores and we had received INR115 crores from land sale. And third quarter numbers are much better than the first 2 quarters and capex intensity is going to decline significantly in second half. So are we on track to achieve INR150 crores, INR200 crores of debt reduction by end of March 2026?
- P. A. Padmanabhan:** Not by March 2026. We've been always maintaining that it will take 12 to 18 months for this to happen. So may be March of '27, we will see that kind of a number reduction because this is in tranches we are receiving it. So while we are using currently most of the money without additional borrowing handling the capex, for the absolute number of debt to come down, it may be March '27.

- Munzal Shah:** So in that case, your working capital has increased significantly because even before the land sale, we were assuming INR150-odd crores of debt reduction in financial year '26. So this 21% growth has come with lot of working capital addition?
- P. A. Padmanabhan:** See, during this year, there has been a slight increase in working capital partly due to conscious inventory buildup. But going forward, this working capital optimization, you will see from quarter-on-quarter. So that will start reducing. This was for a short period of time because of conscious inventory buildup, this is showing. That will come down.
- Munzal Shah:** So is it now fair to assume because, see, what happens is every quarter we are changing the guidance actually, okay? And so if I put like financial year '27 so by end of financial year '27, your gross debt in Rane Madras is close to INR764 crores. So that should come down to close to INR500 crores by end of financial year '27.
- P. A. Padmanabhan:** It may go to INR600 crores.
- Munzal Shah:** No. But see, because we will be increasing our EBITDA also, we'll grow also and we will perhaps receive the balance amount of land, right? And the capex intensity is going to be somewhere around INR150-odd crores and you're mentioning that working capital intensity would also come down. So I'm assuming only INR250 crores debt reduction in financial year '27.
- P. A. Padmanabhan:** See, we track the debt to capital employed and debt to equity. From that standpoint, there will be a quantum improvement. But in terms of absolute debt, that is also a function of the new business that we are procuring and the investment that is required for the new business. That's why while the debt to capital employed will substantially come down because of the good performance and the numbers that you will be seeing going forward. As far as absolute debt is concerned, I would say INR600 crores -- INR150 crores reduction is something we can look for over and above the capex investment, which we'll be doing from our own funds based on business.
- Munzal Shah:** Sir, last question, then in that case, what is our capex for '26, '27, '28 on a consol basis for Rane Madras?
- P. A. Padmanabhan:** It will be around INR200 crores.
- Munzal Shah:** For each year? So it will be a total of INR600 crores for '26, '27, '28?
- P. A. Padmanabhan:** '25-'26 to '27-'28, 3 years, correct
- Munzal Shah:** So INR600 crores for 3 years?
- P. A. Padmanabhan:** Yes, capex.
- Moderator:** The next question is from the line of Chetan Cholera from Pragya Equities Private Limited.

Chetan Cholera: See, one common upgrade we see in a successful auto component company is entering in high precision engineering and component sector. For example industries like aerospace and defense. Do we have any plan or thoughts on pursuing this?

S. Prasad: No. So currently, we are focusing on exploring opportunities in the automotive sector.

Chetan Cholera: Because this all generally entering is a very time-consuming job. So if you start early, you can get some orders after a few years. So is there any plan? If any, what we want to see ourselves in 3 to 5 years down the line?

S. Prasad: Yes. See, right now we have a significant order book that is one with respect to our existing businesses and all our products are powertrain agnostic and then we see a good headway in terms of our traction in terms of our products. The second thing is in terms of new products, we continue to evaluate multiple opportunities in terms of both inorganic as well as new products from our own thing.

And we strongly believe that given the position of automotive sector in India, we strongly see lot more opportunities for -- playing out in automotive sector for the next 3 to 5 years. Of course we have an experience of supplying to aerospace in the past and we might look at other non-automotive segments in future. So right now there is no plan.

Moderator: The next question is from the line of Saket Kapoor from Kapoor & Company.

Saket Kapoor: Sir, when we look at the consolidated performance for Rane Holdings excluding the performance of Rane Madras, that is the consolidation of Rane Madras, the profitability and the margins are on the lower side. I'm talking about before the share of profit from JVs. When we look at Rane Holdings consol number for the quarter, it stood at INR44.78 crores and whereas Rane Madras numbers for the quarter were at INR43 crores the PBT.

So excluding the Rane Madras numbers, the other JVs and other subsidiaries are not performing. So is it only because of the product profile, which you just alluded to the earlier participants, that is that these are not contributing or what are the key reasons and when are we going to see the contribution from other subsidiaries also?

P. A. Padmanabhan: See, currently RHL consolidates RML and RSSL. And RML, as you have seen, the performance has been good during the last quarter. Rane Steering Systems, as we already mentioned, it has an issue with respect to margin, which we are correcting in the next 12 to 15 months. And so for the next 15 months, this challenge will be there in the RHL consolidated results. Post which, we expect Rane Steering Systems also to contribute to the bottom line of Rane Holdings Limited.

Saket Kapoor: Okay. And sir, can you dwell further, Is it the nature of the order booking with some cost escalations or the product? What is the reason why this is the state of affair for RSSL?

P. A. Padmanabhan: This we also mentioned in the past call, some orders have been booked at very low margins a few years back and then since that program is still continuing, till the end of that program, this challenge will be there. In the meanwhile, we have booked some new orders at higher margins

that will start production sometime in '27-'28. So from '27-'28 year onwards, we are hopeful that Rane Steering Systems also will start contributing to Rane Holdings bottom line.

Saket Kapoor: Okay. And just a second point to it, sir, post this restructuring, is this the final capital structure for both the organization because having this separate entity of Rane Madras being trading separately and Rane Holding separately, does this -- will Rane Holding valuation be ascribed properly or will it always trade at a discount because of a holding company market perception? So are we done with this exercise or going ahead in order to create value, we can look forward for further changes in the capital structure?

P. A. Padmanabhan: At this juncture, keeping in mind our company profile within the group, we felt that this restructuring is good for us to reap all the synergies. And so as we stand, this is the structure we are looking at, which we feel will help us reap all the synergies of this merger and going forward improve our margins as well.

Saket Kapoor: Okay, sir. And lastly, on the ZF Rane Automotive part. So you mentioned about that plastic component being sold. So that is being sold from the ZF facility or who are the suppliers? Can you -- and we have also changed that -- I mean now you have taken the course correction also with changing of the supplier for the plastic component molding, which you just mentioned. The name of the entity from where we have sold this plastic moldings, which you have mentioned?

P. A. Padmanabhan: Microtech Polymers.

Saket Kapoor: Okay. They are not in the listed space.

P. A. Padmanabhan: They are not in the listed space.

Moderator: The next question is from the line of Rajakumar Vaidyanathan from RK Investments.

Rajakumar Vaidyanathan: Sir, my question is on this warranty provision, which you said you will revisit by April, May and then kind of finalize the number. So the question is, is there a risk of this provision continuing for 2, 3 more quarters similar to the way we saw it in the NSK JV or do you think by April, May, we'll be able to kind of come with a firm number? Because I just wonder whether it's going to be a long-term pain or it's more a short-term pain.

P. A. Padmanabhan: We believe that by April, May, we should be able to come out with the final number. But again as I said, it's very preliminary. We will -- based on the experience and the review in April, May, we will definitely get more clarity on this.

Moderator: The next question is from the line of Harshit Vora, an Individual Investor.

Harshit Vora: I just wanted to understand what kind of sales are we expecting from the INR600 crores capex that we are going to do in Rane Madras in next 3 years? What should be the approximate asset turnover for this capex and how much of it is growth capex versus maintenance capex?

P. A. Padmanabhan: It's very difficult to give 1 single number, Harshit, because each business has its own ratio of fixed assets turnover. So it varies from business to business. And overall numbers, currently ballpark numbers, we have picked it up and we feel it will be around INR200 crores per annum.

- Harshit Vora:** Sir, so I mean if I would want a broad understanding of where the company thinks itself in terms of top line in next 4 to 5 years, what would that number be?
- S. Prasad:** Yes. So as you know, this is our typical planning cycle that we are underway now. So we'll be able to come back to you maybe in the -- once we close out this quarter and then when we meet next time, we should be able to actually give you a directional number by then. So most of our businesses are undergoing the planning exercise now. So we should be able to come back to you probably next time.
- Moderator:** The next question is from the line of Saket Kapoor from Kapoor & Company.
- Saket Kapoor:** Sir, when we look at the presentation Slide number 9 and the performance for Rane Steering Systems, for Q1 and Q2, the EBITDA was at INR18 crores and the margins were at 3.9% to 3.7%. So is it only the Labor Code provision that led to the drop in margin as you were mentioning that the old orders at lower margins were there. So what explains this 2% reduction in EBITDA margin Q-on-Q?
- P. A. Padmanabhan:** See, in the last financial year, there were some reversal of -- in the last 2 quarters, there were some reversal of provisions which also helped in improving the EBITDA. There was also a price increase which we got from Maruti, retrospective price increase that also helped in improving the margins. So those were some one-off items, which helped improve the EBITDA in the previous 2 quarters.
- And in this quarter, Labor Code has further brought the EBITDA down. There are 2 factors. The previous 2 quarters and this quarter is not comparable mainly because there, there were some provision reversals and here, we have additional provision made in this quarter. The combined impact of that.
- Saket Kapoor:** Yes, because the top line has improved from INR480 crores to INR520 crores. That is a 10% increase wherein the margins have halved. That is your explanation.
- P. A. Padmanabhan:** Yes. That's why I was mentioning that the EBITDA numbers are still at a low level. It is just that the 2 quarters -- previous 2 quarters because of some provision reversals, it helped. Otherwise, the EBITDA numbers are on this range only and it further got impacted due to the Labor Code, which is a onetime thing.
- Saket Kapoor:** Okay. And for sir, RSSL, are we running at the utilization, the capacity utilization levels are at optimum level or if you could just give a number to the same?
- S. Prasad:** We are running around 80% to 85% capacity utilization.
- Saket Kapoor:** Okay. And sir, we have mentioned about the order win to the tune of INR345 crores. I think so these are long-term programs, sir, and not one-off item that -- orders that we have won. This program will continue over a period of time?
- S. Prasad:** Yes, yes. So each of these orders will be for a reasonably 5, 6-year time frame and some of it is replacement programs, etcetera, etcetera.

- Saket Kapoor:** Okay. And taking this into account, sir, we are also contemplating any capex for RSSL also going ahead with this order win and running at 80%, 85% utilization level.
- P. A. Padmanabhan:** There will be some limited capex in RSSL also considering the new orders they have got, around INR40 crores is the expected capex there.
- Saket Kapoor:** Okay. And here we have only one product that are the steering as the name speaks or what are the key product profile?
- S. Prasad:** We have manual steering column, which is predominantly to the commercial vehicle segment and the column electric power steering, which is for the passenger vehicle. The electric power steering is the major predominant portion of that revenue, 85% of the revenue.
- Moderator:** The next question is from the line of Radha from B&K Securities.
- Radha:** Sir, because of the frequent warranty provisions, it becomes kind of difficult to find sustainability in earnings. So please help us understand what are the steps that we are taking and how seriously are we thinking about curtailing these kind of provisions in future?
- S. Prasad:** Yes. So I think it's an unfortunate thing for us as well. We continue to strengthen our key processes across supply chain, our manufacturing, everything. And the one thing that we can assure you is this has actually not affected any of our customer relationship and we continue to be winning new businesses as I have actually told earlier as well, right?
- And these are some of those things which are not available in the entire -- even along with our joint venture partners when we actually look at it, we don't have these kind of scenarios. These are more like a one-off, very, very low probability kind of scenario, right?
- So our strength is in terms of our quality and processes and the nature of engineering that we do. So those things remain consistent. So that is being reassured by our customers themselves in terms of providing us with new opportunities, etcetera, etcetera. Hope this actually gives you an answer.
- Radha:** Yes, somewhat, sir. Secondly, the guidance of 11% to 12% EBITDA margins that you have given for Rane Madras. What are the plans for EBITDA margins for Rane Holdings overall and by when do you expect to achieve that?
- P. A. Padmanabhan:** See, Rane Holdings, as you know, is the investing company and it's basically Rane Madras and Rane Steering Systems. These are the 2 companies which will contribute to the overall measure. Rane standalone has very limited activity. So it will more or less match whatever combined EBITDA of Rane Madras and Rane Steering Systems.
- It's very difficult to give an EBITDA margin for Rane Holding separately because on a standalone basis, it doesn't do any manufacturing. It is only investment company. It basically the consolidated revenues and EBITDA of the component subsidiaries of Rane Holdings.
- Radha:** 11% to 12% for Madras can be achieved next year?

- P. A. Padmanabhan:** Yes, 11% to 12% we are hopeful by '27 March.
- Moderator:** The next question is from the line of K. Mohan, an Individual Investor.
- K. Mohan:** I'm sorry that I thought that we are at the end of the bad luck period, whatever you call it, for Rane because 5 years we've suffered through the warranty problems of RNSS and now this problem is ZF Rane. But let me -- sorry, I probably might have missed a part of the explanation for the warranty on ZF Rane. Is it a quality problem or is it a manufacturing defect?
- S. Prasad:** This is a manufacturing defect. This is with respect to one of our parts that we source from the Tier 2 injection molding company.
- K. Mohan:** So the loss is close to I think INR160 crores or so. So are we going to get anything from the sourcing company or is this going to be a shut case meaning nothing we can possibly do to recover from the sourcing company? Probably it is a plastic component so it may be a very low-value component. Is that right?
- P. A. Padmanabhan:** Yes, it's a small company.
- K. Mohan:** It's a small company and so yes, it's quite unfortunate. I'm a little disappointed because I thought we have come to the end of our goals, anyway. And again you are saying that only by March or April, you'll be able to assess whether the further provision needs to be made or not because we've made a sizable provision of I think INR120 crores. So and is that -- okay.
- So it is not -- it's a sourcing problem so there is no way in which we can blame the collaborator or the provider. Like in the case of the previous complaint in RNSS, you could get something out of the NSK joint venture being a design problem. But here there's no such possibility in this. Am I right in understanding that?
- P. A. Padmanabhan:** Yes.
- K. Mohan:** Okay. Once again I'm sorry for what's happened and I can understand the pain that the company is suffering and all of our shareholders are bearing. I just wish better luck for the company going ahead.
- Moderator:** The next question is from the line of Manish Goyal from Thinqwise Wealth Managers LLP.
- Manish Goyal:** A couple of questions on Rane Madras. So in your earlier remarks, you said that Rane Madras has won INR650 crores of new business in the current year till date. So sir, does it mean that this will be the new incremental business which will probably get added in coming years, sir? That was the first question.
- And second question on the revenue mix. Now we see that exports for last 2 quarters are picking up and the revenue share is roughly 25% -- ranging between 25% to 27% and aftermarket is roughly 18% to 19%. So how should we see it going forward that growth of exports and aftermarket? Can it be double-digit growth going forward? These are the two, sir.

S. Prasad:

Yes. In terms of the new orders, one, this has a combination of both the replacement business, which is for our existing ones, as well as the new business, right? And these will actually mature probably like 1.5 to 2 years later, right? So that is one. And second thing is in terms of the mix, I think given the growth in domestic market from a volume perspective across segments starting from passenger vehicle, commercial vehicle and in fact Farm Tractors.

So we see the domestic growth is robust and our aftermarket growth is also -- we are anticipating it to be a growth driver. Given the share and penetration that we have, I think we can definitely grow that business. So given the higher growth that we are actually expecting in these 2 segments, the mix of exports is likely to be in similar levels. And however, when we actually have this growth across the segments, when we look at it, we are looking at it a very similar percentage for the maybe 1 to 2 years.

Moderator:

The next question is from the line of Ketan Sanghvi, an Individual Investor.

Ketan Sanghvi:

I just have 2 questions. One is on the Velachery land sale. Just help us understand whether the current amount to be received is about INR230 crores. Is that correct and is that expected in FY '27?

P. A. Padmanabhan:

There are the milestone payments. Yes, the overall amount is INR230 crores yet to be received, but it also depends on certain milestone payments which we have agreed. As and when we reach that milestones, these amounts will start coming.

Ketan Sanghvi:

Okay. And the second question was, if I heard you correct in the beginning of the call, is there a possibility of any insurance to be received against the claims at ZF Rane or that's not the case?

P. A. Padmanabhan:

We do have a product liability insurance in ZF Rane. But like I said, it's a bit very early to comment on that. Maybe as we progress, if there is any further development, we'll keep you posted.

Moderator:

The next question is from the line of Saket Kapoor from Kapoor & Company.

Saket Kapoor:

Sir, only a humble suggestion to conclude. We find that Rane Madras numbers are generally declared earlier, much earlier than the Holdings. So if the gap can be cut down in terms of the Board meeting and things can be aligned in a way that these 2 companies post their numbers in the lesser gaps and then the con call is also held accordingly in that timeframe.

So that will suffice lot of our questions and the time period also. More longer time elapsed between Rane Madras numbers and Holdings. So get me corrected here if there is any way by which these can be reduced, that would suffice lot of investors' interest and the timing will also be shortened, sir? That's a suggestion from myself.

P. A. Padmanabhan:

It will be difficult to reduce that time gap because see, Rane Holdings is the holding company of Rane Madras. So after the Rane Madras results are approved, the same has to be taken into consideration by Rane Holdings and then they have to finalize their financials. So this reasonable gap will continue to be there, at least a week's gap.

- Moderator:** The next question is from the line of Meet Rachchh from Equirus PMS.
- Meet Rachchh:** Sir, on the seat belt thing so what would be the content per vehicle for this particular Hyundai model for this product?
- S. Prasad:** We don't have that number with us.
- Moderator:** Mr. Rachchh, do you have more questions?
- Meet Rachchh:** No, that's all from my side.
- Moderator:** Ladies and gentlemen, we will take that as the last question for today. I now hand the conference over to the management for closing comments.
- P. A. Padmanabhan:** Thank you all for taking your time out and be available for this investor call. Thank you.
- Moderator:** Thank you very much. On behalf of Rane Group, that concludes this conference. Thank you all for joining us today and you may now disconnect your lines.