"Rane Group Q4 FY26 Earnings Call"

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Moderator: Ladies and gentlemen, good day, and welcome to Rane Group Q4 and FY26 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. Diwakar Pingle from E&Y. Thank you, and over to you, sir.

Diwakar Pingle: Thank you so much. Good afternoon, everyone. Welcome to the Q4 and full year FY26 earnings conference call of Rane Group. To discuss and answer your questions today, we have the management team of Rane Group represented by Harish Lakshman, Chairman, Rane Group; P.A. Padmanabhan, President, Finance and Group CFO; Siva Chandrasekaran, Senior Executive Vice President, Secretarial and Legal; J. Ananth, Executive Vice President, Finance and CFO, Rane Holdings; and S. Prasad, Associate Vice President, Corporate Planning, Rane Holdings.

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Before we start, I'd like to say that everything that is said in this call that reflects any outlook for the future, which can be construed 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 annual reports, which you can find on our website.

With that said, now I'll now hand over the call to Harish Lakshman. Over to Harish.

Harish Lakshman: Yes. Good afternoon, ladies and gentlemen. Thank you for dialing. I'd like to welcome you all for this teleconference. I'd like to start with a few comments on the industry. I think the entire industry delivered a very strong performance during Q4 FY26 with all the major vehicle segments recording healthy year-on-year growth, supported by the continued positive customer sentiment, supportive policy measures, including the GST rate rationalization.

The quarter marked the strongest performance of the year, reflecting a broad-based recovery across all the vehicle segments. The passenger car segment continued to witness healthy momentum during the quarter, driven by sustained demand for utility vehicles and improving affordability. The commercial vehicle segment registered robust growth aimed by the higher infrastructure activity, improving freight movement and healthy fleet utilization levels.

The segment witnessed -- also witnessed a broad-based recovery with good fleet replacement cycle kicking in. The 2-wheeler segment witnessed a strong recovery during this quarter, supported by the policy incentives as well as the growth in the EV category.

I think the farm sector also had a very good quarter, driven by the favorable monsoon, improved farm income and increased mechanization trends in the rural market and recorded the highest ever sales for the industry.

I think overall, the industry remains resilient during the year, supported by improving demand conditions and positive momentum across key vehicle segments. However, the global geopolitical developments has led to significant commodity price volatility and supply chain uncertainties. Therefore, these need to continue to be closely monitored on how it can impact demand.

Coming to the company performances. Rane Madras, the total revenue for the Q4 stood at INR1,051.7 crores compared to INR905 crores in Q4, which is an increase of 16.2%. During the quarter, the company incurred a capex of INR53 crores, taking the full year FY26 capex to INR191 crores.

Investments were directed primarily towards capacity expansion across all the product lines, steering, engine components as well as brake components. The net debt for Rane Madras stood at INR705.8 crores at the end of the year compared to INR779.2 crores, reflecting a reduction of about INR73.4 crores during last year.

The aftermarket product business continued to strengthen its integrated and market-focused approach during FY26. Improved retailer engagement, enhanced market visibility and portfolio expansion and increased adoption of digital tools supported better execution and market penetration and growth. During the Q4, the company secured new businesses with an annualized sale of INR33 crores, taking the full year FY26 order win to the highest ever that Rane Madras has done with a value of INR712 crores of annualized sales across domestic OEM as well as international customers.

So the entire new business booking has been a very good year for us. Apart from these, I'd like to mention that the JV companies as a group also secured new orders worth about INR55 crores during this quarter from our domestic customers. As mentioned in some of the past calls, our key focus is for Rane Madras to improve the margins, to continue to improve the margins through operational efficiency and cost reduction initiatives; to further strengthen the balance sheet and reduce the debt-to-equity ratio; to continue to enhance our free cash flow generation and deliver on better return on capital employed. We remain focused on maintaining our financial discipline at the same time, supporting long-term growth and competitiveness.

When I look at the coming year, we remain optimistic, but with caution on the overall demand environment with domestic trends expected to remain stable. So the demand continues to be there. Even April and May, to be frank, surprised us on the demand front despite the various challenges that are going on geopolitically.

At the same time, we continue to closely monitor factors that could influence the broader operating environment and especially the volatility in crude oil and commodity prices as well as the exchange rate movement, which could impact our operations. So in this environment, our focus will remain on strengthening our operational efficiency, driving cost optimization initiatives and improving our overall competitiveness to mitigate external headwinds and support further margin improvement during this year. We also expect to benefit from new business ramp-ups, our diversified product portfolio and the continued focus on manufacturing excellence across the plants. Thank you. With these words, I'd like to now open the call for any questions. Thanks.

Moderator: Thank you very much, sir. We will now begin the question and answer session. The first question is from the line of Lakshminarayanan from Tunga Investments. Please go ahead.

Lakshminarayanan: Yes. Thank you. A few questions. In one page you mentioned joint venture financial performance. You have mentioned it because the company is split into two ZF entity or why? just want to understand that part.

Harish Lakshman: Yes so, but what is the question?

Lakshminarayanan: Sir, my question is it the company has been split into two?

Harish Lakshman: That happened in Q4. In February, the split -- we got the NCLT approval and the companies have been demerged.

Lakshminarayanan: Okay. So now that the company is demerged, will there be some kind of operating deleverage because you have to have fixed cost in both the entities?

Harish Lakshman: So that -- there will be very marginal increase in cost as a result of this. As you are aware, ZF globally did the demerger, so we had to follow because historically, the two businesses have always been run separately. So there were very few people involved across both the businesses. So therefore, there's not going to be any significant or material cost increase as a result of this.

Lakshminarayanan: Okay. And another request, if you can give the complete P&L of these joint ventures because I would like to understand what is the gross margin and what is the debt that is actually carried in the businesses? And just want to understand what is the debt in Rane Steering Systems Private Limited and what is the debt -- gross debt or net debt of the joint venture, which is the ZF entity And also what is the debt carried at the holding level?

J. Ananth: See, the net debt at Rane Holdings consolidated level is around INR950 crores. And at RSSL it is around INR260 crores. ZF entity joint venture is around INR700 crores.

Lakshminarayanan: Okay. And another question, I see that there is a preferential allotment, which has been proposed by the Board. Just want to understand how did you think about it vis-a-vis other capital raising options?

Harish Lakshman: So I think the details are yet to come out, right? It will be going in the coming weeks and you will see the detail. It is not a substantial amount. So therefore, the Board deliberated all options and felt that given the quantum, this was the best at this point in time.

Lakshminarayanan: Okay because anyway, you have debt at the company at a large level. So why would you take a INR40 crores like seems to be too small, but just why are you doing this at all? Just trying to understand that particular part?

Harish Lakshman: No, that's what is all was the requirement that is needed. As far as for the other debt, as you know, there is already some transaction on real estate, etcetera, underway, which will also get consummated during this financial year. So considering all of those, we took this decision.

Lakshminarayanan: Got it. And last quarter, you took a kind of a provision in the ZF thing. Just want to understand, is it that full and final or anything more because you said that as per your prudent assessment of last quarter, is there any slippages from there or is it actually that amount is reducing or increasing? And also are you -- is there something -- some insurance that would actually cover that particular provisioning?

Harish Lakshman: Yes. I think as would have been communicated in the last quarter, there is no change after that. So neither is it going to increase nor is it going to decrease. However, whether this is a final number, I think there is still multiple discussions going on between the customers, ZF and the JV.

So it will take some more time to get the full picture. It could take another 6 months before we get full clarity, if at all. And Insurance, yeah, we have initiated, I think the insurance process. As you know, that's -- a little bit more long drawn out. And of course, but we don't have full cover. So even if the -- once the -- as and when the insurance process happens, it will not fully cover the provisions we have made.

Lakshminarayanan: And any quantum of the insurance coverage you have you like to mention here?

P.A. Padmanabhan: INR75 Crores.

Lakshminarayanan: Okay. Thank you, Harish. I will come back in queue.

Moderator: Thank you. Next question is from the line of Aditya Makhariya from HDFC Securities. Please go ahead.

Aditya Makhariya: Yes. I would firstly like to congratulate the management for issuing warrants. I think while the quantum is small, it definitely sends a very positive signal out to the market. Having said that, sir, I had a question on Rane NSK. We did mention that obviously, NSK has lost its way somewhere in Japan. And now in India, while we are going alone right now, there are also talks of us wanting to enter into a JV with another foreign partner to ensure our technological prowess in steering. So any thoughts on that, which you could share?

Harish Lakshman: Yes. So I don't know if there is some lack of communication from our side. No, see, as far as the Rane Steering is concerned, everything is done. As you know, we purchased the shares of NSK. The license technology for NSK continues for not only for current production, even for future production, it is possible.

Over and above that, we have also signed a license agreement with ZF and they have also given us access to the electric steering technology. So Rane Steering for even for future businesses will continue to have access to both NSK technology as well as ZF technology. So depending on what customers prefer, Rane Steering systems will be able to offer the solution. So in a way, we are very well positioned to cover a whole range of customers and the different types of technologies going forward.

Aditya Makhariya: Okay. So that's great to hear that ZF is also cooperating on the technology part. Just one question here because Maruti is our largest customer, will this ZF technology also feed into Maruti products?

Harish Lakshman: It is possible in the future. We don't know at this stage. But right now, with through ZF, we have also already booked one order with another customer.

Aditya Makhariya: Okay. Got it. Thanks and wish you all the best.

Moderator: Thank you. Next question is from the line of Pratik Kothari from Unique PMS. Please go ahead.

Pratik Kothari: Yes. Hi, good afternoon sir. Sir, couple of questions on Rane Madras specifically, one on growth. So I mean we have called out a good growth in exports and -- but at the same time, the OEM -- domestic OEM growth is much below industry. So if you can highlight what is going well in exports and what is not in domestic OEM compared to the industry?

Harish Lakshman: One second. Yes. I think we have put out the -- in the investor presentation, I think Slide number 13 of the slide, we have kind of explained why in some segments, we have not grown in line with the industry.

Actually, if you see commercial vehicle, we have grown faster than the industry. But in the case of passenger vehicle and farm tractor, we are slightly lower. And of course, 2-wheelers, we are much lower, but our presence in 2-wheeler is very limited. So we have explained the reasons on that particular slide.

It could broadly because of the customer mix, what -- which models of Maruti or which models of Mahindra are doing well and which models are beyond. I think it's largely because of that. And as far as farm tractor is concerned, it is due to the lower growth in the served models, there are different segments in the tractor below 25 horsepower, 25 to 45 horsepower. So we are in some models, we're not in some. So it's largely a mix issue.

Pratik Kothari: We have called out brake as an issue, but brake itself is not a very large share of our business at Rane Madras level -- so any other thing which is lacking in 2-wheelers?

Harish Lakshman: 2-wheeler, we have only two product lines, engine valves and brakes. And even brakes, we participate only in those vehicles in those 2-wheelers that have ABS. So if the vehicle doesn't have an ABS system, we don't participate. So it's a very small market for us.

Pratik Kothari: Correct. Fair enough. And sir, on margins, we did call out our aspiration or the efforts is going on for last year or two since the merger. One, I mean, despite this large growth in our numbers, we still don't see double-digit margins. We had an aspiration of taking to 12% in 18 months once the merger comes in. So one on that journey of efficiency and improvement, where are we -- and anything you can guide for double digit and then eventual 11%, 12%. I mean are we still on track? Do you still see that happening?

Harish Lakshman: Yes, I think definitely, we are definitely on track. As I said in my opening comments, the entire focus is to get to that double-digit level. And we are definitely on track and we hope that the market will continue to grow during this year, and we can deliver on those numbers.

Pratik Kothari: Is it still double digit? Or is it still at 11%, 12%, the margins?

Harish Lakshman: No, no. We will gradually get to, I mean, double digit, we are at 9.5% right now. So I see double digit happening during next year and going to that 11%, 12%.

Pratik Kothari: Fair enough. And lastly on debt. So I mean, we have some money from the land sale, which has come in. So now, does our intention to sell more land parcels that we have some shareholder approval to stay intact? And one, what, I mean, we're also now generating good cash flow. So what are plans in terms of debt payment over the next 12, 24 months?

Harish Lakshman: Yes. So I think we will, I think the good thing is our debt-to-equity ratio, we are below one now. And we are, as the real estate transactions happen, there is obviously the Velachery, one that is, that will probably happen during the course of early part of this year, that will further improve the ratios. And as far as the other land that we took shareholder approval for, obviously, when we get the right price and the right type of buyer, we do intend to sell. There is nothing over and above what we already got shareholder approval for. So you're right that the overall books are looking healthy. And so I don't see the debt will only continue to come down.

Pratik Kothari: Anything you want to quantify that what would the debt levels look like in a year or 2 time from INR700-odd crores right now?

Harish Lakshman: See, that's why I don't want to give an absolute number. I would rather give a debt equity ratio because it also is a function of what we do in the business, in case there are some new investment initiatives, new M&A, many things could happen. So very clearly, our intent is to ensure that our debt equity ratio is at 0.5 level. That will be the goal.

Pratik Kothari: So for now, our intention was to spend about INR200 crores a year on capex. That stays or have we materially changed that?

Harish Lakshman: No, it will hover around that depending on supply and demand, it could be maybe another INR20 crores, INR30 crores more.

Pratik Kothari: Thank you and all the best.

Moderator: Thank you. Next question is from the line of Manish Goyal from ThinQwise Wealth Managers LLP. Please go ahead.

Manish Goyal: Thank you so much. I have a couple of questions. Sir, first on ZF Rane. Like what has been the experience in the last 3 to 4 months on the warranty claims, like how many vehicles have been recalled and there have been, like just want to get a sense because what we had 3, 4 months back that only 500 to 600 vehicles were probably faced the issue out of some 650,000 vehicles. So maybe if you can give us some more perspective on the warranty claims, sir?

Harish Lakshman: Yes. No. To be frank, Manish, we are also still don't have all the information while the, in US, they have made this announcement in actual changes of this recall happening on the ground, we are also not aware how much because we are depending on the customer HKMC in the US. So the information flow has not been great. And we are still discussing with the customer what is the amount of recall that they are going to do, whether, I mean, I'm just saying one extreme is all the vehicles.

Another extreme is they are going to do some sort of a test and then maybe only a smaller percentage of vehicles will be addressed. So all that is not decided. That is why it will take another, I think, 3, 4 months for us to get a clarity on what is the process that the customer is going to adopt and maybe 6 months to know the impact.

Manish Goyal: Okay. Okay. And like on the business prospects and the exports growth from India and probably sourcing by the parent, hopefully, it has not affected much, and we continue to get business on export front as well?

Harish Lakshman: Yes, yes, absolutely. There's no change in that. In fact, as I said, even in Q4, we got INR55 crores of new order.

Manish Goyal: Okay. And sir, on Rane Madras and other businesses on, particularly on the international business outlook. So Rane Madras now exports are nearly 27%, 28% and it has grown quite well.

So if you can give us outlook in context with disturbance happening on the geopolitical front, how do you see the growth order pipeline for Rane Madras as well as for ZF Rane in particular?

Harish Lakshman: Yes. To be frank with you, there is no impact because of the geopolitical situation. We had a record year, as I said, in terms of new order booking of INR712 crores in Rane Madras last year. And whatever programs that we've started shipping in the last few quarters, there is no negative impact on volumes, both in US and in Europe.

So therefore, we continue to remain optimistic. I think the challenge is the cost escalation on both due to oil related and the commodity. So those are the things that we need to carefully manage and obviously, try and recover that from customers, etcetera, which with the large OEMs is always a challenge. But that has been the focus. So there are no major concerns from a volume standpoint as of today.

Manish Goyal: Sure, sir. Sir, I'll probably jump back to ZF Rane. One question on the margins, which we have probably seen quite strong margins of nearly 14% for this quarter. So how should we look at it going forward? Can we sustain this level of margins at ZF Rane because I think most of our new plants would have started and contributed?

Harish Lakshman: Yes. So as you know, Manish, we have to look at the 2 business separately. The steering, commercial steering business that has got a strong double-digit margin. And as long as the commercial vehicle market continues to remain strong, I see that kind of margin getting sustained. As far as the seatbelt and airbag business is concerned, that's a high single-digit margin, and that also will continue to remain at that level. And the growth of that business continues to be strong.

Manish Goyal: Okay. Okay. And maybe if you can give us a revenue breakup between steering business and occupant safety business and also the exports?

Harish Lakshman: Ananth will read out.

J. Ananth: For the quarter Q4 total revenue is INR763 crores, steering is INR300 crores and occupant safety is INR465 crore, is the broad breakup. In terms of domestic and export, export constitutes INR150 crores and the remaining INR610 crores is from domestic.

Manish Goyal: And can you give us for the full year, please?

J. Ananth: Okay. For full year FY26, overall revenue is INR2,680 crores, Steering is INR1,000 crores and occupant safety INR1,680 crores. And here, domestic is close to INR2,072 crores and balance is export INR609 crores.

Manish Goyal: Sorry, exports how much, sir?

J. Ananth: Export INR609 crores.

Manish Goyal: And sir, I have a question.

Moderator: Sorry to interrupt Mr. Goyal, may we please request you to rejoin the queue for the follow-up question. Next question is from the line of Viraj Mehta from Enigma. Please go ahead. Viraj your line is unmuted please go ahead with your question.

Viraj Mehta: Hello sir, Congratulations for good set of numbers. Sir, my first question is on the margins for Rane Madras. In an environment where we are seeing steel prices hardening and where they are today and not only steel but other commodities as well. Do you think your aspiration of doing double-digit margins this year, you said FY27. By what quarter do you think we can reach there?

Harish Lakshman: It will be very difficult for me to give the exact quarter, etcetera. It's a function of multiple things, especially, as you said, all the commodity increases were unanticipated because but for the war, I don't think we'll be dealing with that kind of a situation. So it's also going to be a function of how we can recover from the customer. But having said that, our confidence of getting to the double-digit margin continues to be strong.

Viraj Mehta: And that is for this year, FY27?

Harish Lakshman: Yes.

Viraj Mehta: Right. And sir, if I, and I'm just clarifying this, the answer to earlier participant's question was that you said in ZF in both the divisions, occupant safety and steering, both margins look strong. One is single digit, one is double digit, but both look strong and can only improve from there with scale. Is that a fair understanding?

Harish Lakshman: Yes.

Viraj Mehta: And what kind of volume growth do you see in ZF?

Harish Lakshman: Sorry, what kind of?

Viraj Mehta: Volume growth do you see in ZF, both in occupant safety and in steering business?

Harish Lakshman: Yes. So we are looking at a strong 9%, 10% growth during this year.

Viraj Mehta: That would be even lower than the market, right? Like 9%, 10% how to understand, how is it strong?

Harish Lakshman: No. The commercial vehicle market forecast for next year is only about 7%.

Viraj Mehta: Volume growth, 9%, 10%, but obviously, there will be pricing because all the commodities have gone up. So revenue growth could be higher.

Harish Lakshman: Yes, yes, possible. I mean I'm looking at volume growth, yes. Yes.

Viraj Mehta: Got it. And sir, as far as, thank you. You have been very generous with the dividend payout. Is it fair to assume that with the money that will keep coming at the holding company level, that will be distributed in the same way going forward as we have done in the past?

Harish Lakshman: Yes, that is, you know as we always do, historically, our dividend declaration in Rane Madras is in the 40% range, whereas the holding company has traditionally been 50%, 60%, 70%. So I expect that to continue for both the companies.

Viraj Mehta: And sir, what will be this year's number for the trademark and technology transfer and subsidy that the Rane Holdings stand-alone gets from all the subsidiaries this year. Last year, it was in the range of some INR45 crores, INR50 crores. What will be the number for this year?

Harish Lakshman: One second. Yes, around the same around INR43 crores. For trademark, you are asking, right? Last year was INR38 crores, last year was INR 38 crores and this year its INR 43 crores.

Viraj Mehta: So like is it like do we get half a percent as a revenue, of revenue, right?

Harish Lakshman: Yes, by and large, yes. There could be some differences in certain parts of the business, but most of it is half a percent.

Viraj Mehta: Right. And sir, as far as volume growth for Rane Madras is concerned, is it fair to assume that we will grow our volumes in Madras in line with the PV market in general? So let's say, if PV and nobody knows how much it will grow, but let's say, if PV grows 12% volume this year, we grow 12% in volumes or we'll grow lower or higher?

Harish Lakshman: No, I think we will grow in that range. In fact, if at all, anything, it will be slightly better because of the export market growth.

Viraj Mehta: Okay. Thank you. Thank you so much sir and best of luck.

Moderator: Thank you. Next question is from the line of Vedant Rane from Unifi Capital. Please go ahead.

Vedant Rane: Hello good afternoon sir. Thank you for the opportunity. I just want to get an update on the land deal. Like how is the land deal shaping up? Any payment we have received other than the advance which we received earlier? And when are we supposed to get the full payment of this?

Harish Lakshman: So yes, we continue to get the advance payment. I think as of today, INR145 crores we have already received. The remaining will happen during '26, '27 financial year. It is again difficult to predict when exactly the transaction will happen because it is a function of government approvals for the, both the residential project that Prestige and Arihant are planning to do as well as for our corporate office that we are planning to build. So it's linked to the approvals we get from the government.

As you know, recently, there's been an election, and therefore, there was a pause in government approvals for almost 2 months in Tamil Nadu, but we hope that those approvals will start coming in, in the coming months.

Vedant Rane: Okay, sir. Got it. Got it. And another question. So in terms of growth I'm talking about Rane Madras, in terms of growth, which segment we would like to focus or which segment could be key growth driver for Rane (Madras).

Harish Lakshman: No. I mean across all segments, I mean, PV -- obviously, PV is the largest segment for Rane (Madras) and export also is a big contributor. So both of those are -- will be the focus areas, but commercial vehicle is equally important.

Vedant Rane: I meant product-wise, like engine valves or brake or steering, which will be your growth driver?

Harish Lakshman: Both steering and brake will see good growth this year.

Harish Lakshman: So I mean, engine valves is not too far off.

Moderator: Next question is from the line of Munjal Shah from NSFO. Munjal your line is unmuted. Please go ahead with your question. As there is no response from the current questioner, we'll move to the next question from the line of Kiran D from Table Tree Capital please go ahead.

Kiran D: Sir, a couple of quick questions. So around the ZF JV, what was the issues happening and you said it will take around 6 months for us to know the impact. So we kind of provision about INR230 crores. This INR230 crores, does it consider all vehicles? Or does it consider only a portion of vehicles? I mean what percentage of vehicles, if you could just give a broad story or picture around that, it will be really helpful?

Harish Lakshman: No, it definitely does not cover all vehicles. It covers only some percentage of the vehicles. I don't know the exact working. It is based on some testing that will be done at the dealership end. So that is why the number has not been finally frozen. It will all get decided based on the discussions between the customer, ZF and ourselves. So I expect we'll have a better picture in 3 months from now.

Kiran D: Got it. And sir, on Rane Steering and Rane (Madras), Rane (Madras), are we seeing from an export perspective? I mean traditionally you've been with Maruti and you've been in the less than INR10 lakh kind of price point. So in terms of the business that we are winning in exports and as well as domestic, are we winning certain programs where the value is higher, value of the car is higher? Or are we still in the value to mid-segment business -- that we're winning business, more business?

Harish Lakshman: Good question. I mean it is slightly more than the domestic market for sure. But it is definitely the kind of businesses we are winning on the -- especially on the steering side in Rane (Madras) export, they are also meant for some of the smaller cars in Europe. So while definitely the price of the product is more than what it is in India, it's not significantly more. It's not like BMW 5 Series, 7 Series type of vehicles. It's all the smaller European cars.

Kiran D: Got it. So sir, should we understand that general DNA, of course, the aspiration might be to get into higher priced SUV and much more the higher brands. Our general DNA as of now, the business segment as of now is small cars and the INR15 lakh, INR20 lakh or even in export equivalent or higher value car. Is that a general understanding that we can have?

Harish Lakshman: No, I think it will be very difficult to generalize because it depends on the product. Because if you see within the steering world of Rane (Madras), we export rack & pinion, we export ball joints and we export castings. Now the statement that I made for small car is for the rack and pinion. Now whereas a ball joint or steering housing, those could be even for a BMW or more expensive vehicle.

But then it is not the full steering, it's a subcomponent. So it will be very difficult to generalize. So we are winning across all 3. Last year, I mean, what we went into production happened to be for the rack and pinion for some of the small cars.

Kiran D: Got it. Understood. Sir, last question on Rane Steering, we did about INR2,000 crores of business. Do you see this growing by in double-digits? And in terms of the path of EBITDA margins to double digit, how -- when do you see it? If you could just give a picture on the Rane Steering business, that would be helpful.

Harish Lakshman: So the growth will be very good. The business is closely linked to Maruti's growth as well as we are also breaking into some new customers. So the top line growth will be quite good. However, as far as the margin is concerned, I've explained in the past calls, we are at a low single digit -- and we expect to get to a mid- to high single digit in the next couple of years. But double-digit is not going to be possible for some time in that business. But however, having said that ROCE for that business, I expect within 2 years to start exceeding 20%.

Moderator: Next question is from the line of Rajakumar Vaidyanathan from RK Invest.

Rajakumar Vaidyanathan: Sir, you kind of mentioned that you are looking at double-digit EBITDA in FY '26-27. Is that correct?

Harish Lakshman: For Rane (Madras). Yes.

Rajakumar Vaidyanathan: Not overall?

Harish Lakshman: No.

Rajakumar Vaidyanathan: Okay. Got it. Okay. Sorry, I heard it as overall. Okay, sir. Sir, the reason for this question is, I think at the overall level, we have done only about 8%. So what would be your overall RHL consolidated EBITDA? Can we expect that to move from 8% to what level?

Harish Lakshman: Yes. Definitely, it will improve. For sure, it will obviously be 9 plus. It's not clear exactly where we will end.

Rajakumar Vaidyanathan: Okay. And even in RHL, in stand-alone, I see there is a big spike in revenue. So what is contributing to that revenue in stand-alone?

Harish Lakshman: Stand-alone?

Rajakumar Vaidyanathan: Yes. Stand-alone revenue is INR36 crores this quarter vis-a-vis INR24 crores in the previous year and INR28 crores in December quarter.

Harish Lakshman: For the quarter. Is it?

Rajakumar Vaidyanathan: Yes.

Harish Lakshman: Okay. That would have been just some additional initiatives that would have -- we would have done through Rane Holdings. See, Rane Holdings, the service income is only from the group companies, right? So sometimes there are some special initiatives that we take where we invoice the operating companies and there will be a corresponding expense.

Rajakumar Vaidyanathan: So, it will get eliminated overall.

Harish Lakshman: Yes. And there could be some timing effect. something in Q4 will be recovered in Q1 of this year, etcetera.

Rajakumar Vaidyanathan: Okay. Got it. Sir, and the second question is on the intangible assets in the development, I see INR22 crores that has become INR36 crores. So I don't see that in RML consolidated and RHL stand-alone. So, then I think it should be sitting in your RTSS right? Is that correct?

J. Ananth: Yes. This is basically in Rane Steering Systems where Chairman explained, the new technology, which is expensed towards the ZF technology that RSSL is under a process of developing. So that is accounted in intangibles assets under development, which comes in RHL consolidated.

Rajakumar Vaidyanathan: Sir, what is the revenue opportunity here, sir?

Harish Lakshman: For the RSSL thing. Yes. I think I'm trying to recollect this is about INR150-plus crores per annum.

Rajakumar Vaidyanathan: Okay. That is -- this intangible, which is under development, that is the potential -- the revenue potential for this, right?

Harish Lakshman: Correct. Yes. Annualized INR150 crores to INR200 crores annualized.

Rajakumar Vaidyanathan: Okay. Got it. Sir, the last question is you have done this consolidation at the RML level. So last year, you said you will wait for 1 more year before you look at rolling it all the way up to RHL. So any thoughts on that?

Harish Lakshman: Sorry, I'm not clear.

Rajakumar Vaidyanathan: No, this merger of all the Rane entities last year, we completed till Rane (Madras)?

Harish Lakshman: Correct, correct.

Harish Lakshman: No, we keep looking at what is the appropriate structure. So no decision has been taken, but we'll keep evaluating it. And of course, as and when we decide on something, we'll share with all the investors.

Rajakumar Vaidyanathan: Okay. This is not something which will happen in the near term?

Harish Lakshman: I mean I'm not able to comment on it. So we haven't taken any decision as yet.

Rajakumar Vaidyanathan: Okay. So the reason for laboring this question is -- because we are not leveraging on the tax losses in RTSS by keeping this entity separate. So that is the reason I'm asking why we are delaying this decision.

Harish Lakshman: There is no tax losses. So which one Rane Steering you mean?

Rajakumar Vaidyanathan: Yes.

Harish Lakshman: So Rane Steering, as you recollect last year, we had a one-off income from NSK as part of the settlement of INR175 crores. So all the tax losses that were available has been utilized fully.

Moderator: Next question is from the line of K Mohan, an Individual Investor.

K Mohan: Okay. Two questions. One is with regard to the land sale. You said you got INR145 crores. What is the total expected from the land sale?

Harish Lakshman: INR360 crores, I think.

K Mohan: Okay. INR360 crores balance according to your estimate should flow in sometime during the course of next 12 months.

Harish Lakshman: No. Bulk of it will -- a large portion will come in next year and some of it will come in the subsequent years. See, as I said earlier, the transaction is a combination of land sales plus also a contract to build the corporate office for us, which is a 3-year process.

K Mohan: Okay. Okay. And the other land for which you got shareholder approval, roughly that will be another INR150 crores or will be more than that?

Harish Lakshman: We don't know. Yes, maybe in that region, yes, in that range. But obviously, we are still exploring the market.

K Mohan: Okay. Next question with regard to the export tariffs in U.S.A. I hear there are several doubts about the export tariffs, say, 10%. But then for steel, it is separate, for aluminum, it's separate. Do you have any clear idea of how much you're paying right now and your customers are paying tariff for the export to U.S.A.

Harish Lakshman: So yes, a very good question. We are also very confused. Things keep changing all the time. But the only good thing is in more than 90% of our exports or 95% -- close to 95% of our exports, the customer is paying the tariff. So we are not paying. So the good thing is it's not impacting us directly. And -- but we also don't know how much they are paying.

K Mohan: The danger, of course, is that if the steel tariff is going to be 50%, the customer will look at alternative sources of development. That is my worry.

Harish Lakshman: Correct, correct. No, that risk is definitely there. But as you know, while India and the U.S. shook hands on the FTA, the intent is that India will be one of the more favored countries to do business with. So even if there is going to be a negative impact on the tariff, I'm hoping that our government and the U.S. government will somehow be able to sort it out subsequently.

Moderator: Next question is from the line of Aashav Patel from Molecule Ventures PMS.

Aashav Patel: My question is, sir, we are seeing this theme of European auto ancillary players, even bigger, larger-sized auto ancillary players going bankrupt because of their financial issues and because of the energy crisis, because of manpower crisis, etcetera. So there is a clear demand shift speaking to other auto ancillary players, the business moving in -- away from Europe and in favor of countries like India. So do you see that happening in your case, given that you already have European presence? And do you expect any big orders on line of this?

Harish Lakshman: As I said, the overall export order booking continues to look positive. And it is obviously driven by multiple factors that are happening globally, including the pressure on European suppliers. So, I wouldn't say that is the only reason, but that is definitely one of the reasons. So -- and as I said, we had a record booking for orders last year, INR700 crores plus in Rane (Madras) alone. And therefore, I expect our order booking for exports, especially in Europe to continue to be strong.

Moderator: Next follow-up question is from the line of Manish Goyal from ThinQwise Wealth Managers LLP.

Manish Goyal: I have a couple of more questions on Rane (Madras), sir, if you can provide us perspective on your Mexico plant progress, how is it going on? And what is the current revenue base and outlook, sir?

Harish Lakshman: Yes. So, as I said, there has been -- there was some delay in the launch of production for the program in Mexico. But the trial productions have started, some invoicing has also started and the revenue will start picking up during FY26, FY27, this financial year.

But as we have mentioned in the past, the level of investment is going is fairly limited, and I don't see us investing significantly more amounts. But it is more like a satellite plant that will continue to support our local customers. But having said that, we are confident of the orders that we have booked and delivering it through the Mexico plant. Now of course, if you take a step back, see, we have to see how the whole trade agreement between US and other countries, including Mexico plays out.

The US-Mexico trade agreement is actually expiring next month in June. And between US, Mexico and Canada, they are going to renegotiate. So, from a long-term perspective, how much we invest in Mexico and what will be the sales potential is a function of that trade agreement. But whatever investments we have invested so far, I see that getting utilized in the next few years.

Manish Goyal: Okay. And sir, on the Rane Steering, probably mechanical steering column now probably based on last year's annual report, it contributes now nearly 13% of the revenues. So, how do we see growth both on the traditional product and the mechanical steering column product?

Harish Lakshman: So, you're asking Rane Steering, RSSL.

Manish Goyal: Yes, yes, RSSL?

Harish Lakshman: No. So that will continue. See, most of the mechanical steering column is for the commercial vehicles. So that will be in line with the commercial vehicle segment.

Manish Goyal: Okay. And sir, last question on the capex plan for the Group, if you can like outline what is the plan for FY27 for each company.

Harish Lakshman: As I said, Rane (Madras) will be in the 240, 250 range. Rane Steering will be in the 50 range. And the ZF numbers is still not decided as yet. There are still some discussions going on with the JV partner.

Moderator: Next question is from the line of Viraj Mehta from Enigma.

Viraj Mehta: Sir, just a quick question on Rane Steering. You had mentioned that we will be looking at 5%, 6% in 2 con calls back, I mentioned we should be looking at 5-odd percent margins in Rane (Madras) -- sorry, Rane Steering in FY27. But now we are seeing that we will only see lower margins than that this year. Is that correct?

Harish Lakshman: Yes, yes. So, I mean, as I said, we will get to about 5%, 6% in the next 2 years. That is what we had indicated. And I think I also explained it is because of some of the new models that will start going to production, which has a higher profitability. So, we're still a couple of years away from getting it to that mid- to high single digit.

Viraj Mehta: And sir, at 5%, 6%, how will we do 20% plus ROCE? I didn't understand that part because at 5% for us to do 20% ROCE and with the working capital, our asset turnover should be like 6x, 6.5x?

Harish Lakshman: Yes. So just go back to the ROCE chart second. Yes, I think definitely by '27, '28, '29, we will get to 20% plus even with this margin level, EBIT margin level, ROCE.

Viraj Mehta: 5%, you're saying EBIT or EBITDA?

Harish Lakshman: EBITDA, one second.

Viraj Mehta: Right. But then EBITDA is not ROCE, right?

Harish Lakshman: Sorry, just hold on one minute. We are pulling out the numbers on excel sheet. Just give us one minute pulling out the number. So the business will continue to have -- by '28, '29, yes, I repeat what I said, we will get to 20% ROCE even at an EBIT level of about 3.5%, 4% EBIT. So EBITDA could be 5% to 6%. So the ROCE will start hitting 20%.

Viraj Mehta: So sir, we did INR2,000 crores of revenue in RSSL in FY '26, INR2,018 crores. What kind of growth you are assuming because that -- that's a very large jump, I guess, when you are assuming in earnings because the margin is not improving and we're still going to that kind of number?

Harish Lakshman: Yes. So I mean, the margin is improving. There is some improvement in margins. As I said, see, if you go from an EBITDA of, let's say, 3% to 6%, we are actually doubling our margins, right? And that is coming through the growth that we're having in top line as well as some higher profitable products entering into -- going into production. So, this INR2,000 crores has the potential to go to about INR2,700 crores to INR2,800 crores. And yes, therefore, the asset productivity will go up 6x, 7x.

Moderator: Next question is from the line of Lakshmi Narayanan from Tunga Investments.

Lakshminarayanan: My question is what is the gross margin we had in the joint venture company and the RSSL with respect to last year and this year, what is the margin of these 2 entities.

Harish Lakshman: I don't know what gross margin. We only track EBITDA. So, I don't want to say something. The EBITDA margins at about close to 14%, 13.9%, last year Q4 -- for the quarter.

Lakshminarayanan: Full-year?

Harish Lakshman: About 12.5%.

Lakshminarayanan: And what is the return ratios, the joint ventures and RSSL is tracking?

Harish Lakshman: When you say return, what do you mean, which return?

Lakshminarayanan: ROE and ROCE...?

Harish Lakshman: So, ROCE for last year was about 15% for the full year, maybe going to 20% in the coming year.

Lakshminarayanan Okay. This is for which - for the RSSL steering or the steering business or for the ZF one. Which number you're talking about?

Harish Lakshman: Sorry, there was a mistake. We have already crossed 20%. We did 23% ROCE for this year, FY '26, the year that just got over.

Lakshminarayanan This is for which entity, the joint venture entity or...

Harish Lakshman: Joint venture steering. Consolidated

Lakshminarayanan: And if I just look at -- there's another listed company in the steering business. Their operating margins are in the range of around 8%. With respect to that, we are tracking a number and our aspiration is to even go up. Now can you just explain why they are around 8%, 9%? And while our aspiration is to get to 5% that after 2 years, is there a different way in which the different market you operate in?

Harish Lakshman: Yes. So, I think as I said in the past, it's a lot of it is because of some new contracts that we had booked based on certain NSK decisions that are going -- that have gone into production today. That's the ideal…

Lakshminarayanan: But that would actually kind of roll off in the next 2 years or 3 years, right, the entire new contract let's say, 2 years out or 3 years out, let's say, '28 or so, what will be the new contracts you're getting?

Harish Lakshman: So, as I -- just to repeat, some of these decisions were taken in '21, '22 period. And those vehicles went into production in '23, '24, '25. And typically, in Maruti, a production goes on for 6 to 7 years. So that is the problem with the contracts that were booked based on certain NSK decisions in that period between '21 and '23. As far as the new businesses that we have booked in the last 24 months, they will go into production some next year, from the year after. Those will be higher margins.

Lakshminarayanan: Like that would be what, 8%, 9%.

Harish Lakshman: Yes.

Lakshminarayanan: And what is the mix of the business from -- I mean for this full year, what is the mix of business from the old contracts? And what is the mix of the business for the new contracts? Is it like 100%?.

Harish Lakshman: Yes, yes, more than 85%, 90% is those contracts.

Lakshminarayanan: Okay. And that would continue even after 2 years?

Harish Lakshman: Yes.

Lakshminarayanan: Even in spite of the new business

Harish Lakshman: Correct.

Lakshminarayanan: Okay. Thank you.

Moderator: Thank you. Next question is from the line of Pratik Kothari from Unique PMS. Please go ahead.

Pratik Kothari: Sir, one on LMC, Light Metal Casting. One, operationally, have we solved for it? And how is the order book building out there? And any -- I mean we had some ramp-up plans there, too. So...

Harish Lakshman: Yes. No, we're still working through it, Pratik. I mean there is definitely some improvement, but we are still not fully where we need to be, both in terms of the margins and the efficiencies in the factory as well as the order booking, both we are continuing to still have some challenges. The order book is looking slightly better for '26, '27, also because of the domestic market doing well. But we are still hopeful that during this year, we will see further improvements. As you are aware, we even took an impairment of -- during this -- at the end of this year.

Pratik Kothari: And sir, second, again, on exports for Rane (Madras). It's been going really well for a while now. So just in terms of -- are these new customers, same customers we are winning wallet, is this new geography? Anything that you would highlight what is driving this very, very strong growth?

Harish Lakshman: So, I think if you recollect 2, 3 years ago, Rane (Madras) did a similar growth and then we were flat for 2 years. And then now again, we are on the uptick. See, it's a combination of new businesses with existing customers as well as penetrating into new customers. And a lot of it is a function of which program goes into production, which year, etcetera. So -- but last 2 years, the order booking has been very good, and that is going into production now.

So, it's a combination of both existing and new customers, and we continue to remain optimistic that this rate will continue in the future.

Pratik Kothari: Thank you, sir.

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

Munzal Shah: Hello, can you hear me?

Moderator: Yes, please go ahead.

Munzal Shah: I'm sorry, I couldn't ask my questions earlier. Sir, if I go to the presentation of Rane (Madras) on Slide 17, where we've given you the businesses of various division actually steering, light metal casting engine and brake division. The only growth I see is coming from steering, okay?

So from a quarterly run rate of, say, INR420-odd crores, it's now at almost INR500 crores, where the other three divisions is almost flat or single-digit growth actually. Hello?

Harish Lakshman: Yes.

Munzal Shah: So suppose if we are targeting a good growth going ahead, okay, well, how do you see these divisions giving growth going forward actually?

Harish Lakshman: Yes. So I mean, I think just looking at only 1 quarter Q4 and it will not be correct because there were some new businesses that started picking for Q4 in the steering business, which is why that showed the growth.

But generally, if you see the order book, so the steering continues to be the strongest, as I said, followed by brakes and then the engine components. So those also will continue to show good growth in this coming year. But for sure, the steering business has got the strongest growth portfolio.

Munzal Shah: Okay. And secondly, if I see like Q4 numbers, okay, the aftermarket is almost 19%, which is perhaps one of the highest if we look at other auto ancillary business, other auto ancillary companies actually, okay?

And despite that, our EBITDA margins, excluding other income is only 8.8% actually in Q4. I'm excluding other income, okay. So, despite such a healthy aftermarket sales and obviously, aftermarket would have a much healthier margins, okay? How do you explain, sir, this 8.8% for the overall business? Then if I exclude that 19%, then the rest of the business is -- it's very suboptimal EBITDA margins.

Harish Lakshman: No. So the -- first of all, the aftermarket, the 19% growth that you're seeing.

Munzal Shah: 19% of the business. Not 19% growth, 19% of the overall business in Q4.

Harish Lakshman: So yes. One second. So, it is 19% of the total revenue. So your question is, you said 8.5% -- 9.5% is the EBITDA, right?

Munzal Shah: That is including other income. I guess, if I exclude other income, it's close to 9.1%, not 8.8%, 9.1%, okay? And if you look at other auto ancillary companies, they are nowhere near 19% aftermarket. And aftermarket, we all have this assumption that it's a very high-margin business.

Harish Lakshman: Right.

Munzal Shah: So your balance 80% of the business, which includes Steering, etcetera, okay, because aftermarket bulk of it is coming from brake business.

Harish Lakshman: Right.

Munzal Shah: So, if I just draw some basic calculation then that 80% is very suboptimal margins actually?

Harish Lakshman: Well, definitely, the margins are lower when it comes to the OE business. That is for sure. But I'm not able to respond if there is some one-off issue -- Yes, just hold on second. Just one second. We'll double-click on this point, we understand what you say. We don't have the breakup of the numbers. So I don't want to say something that's not correct.

Munzal Shah: No, no, sure sir. And sir, lastly, our capex is INR240 crores, INR250 crores for Rane (Madras). This includes the corporate office expense?

Harish Lakshman: No, not yet. That has not even started. The government -- this is for the new corporate office, right?

Munzal Shah: Yes, yes.

Harish Lakshman: Yes, yes. So that has not even started. We are waiting for the approvals and things like that. And just one second, Yes. So that capex is probably maybe even 12 months away.

Munzal Shah: Okay. And so is it fair to assume that ’28 the capex number would be much higher than INR240 crores, INR250 crores?

Harish Lakshman: Correct.

Munzal Shah: Because that would have corporate office also.

Harish Lakshman: Correct, correct. Yes, exactly. We are talking only about the business-related capex, yes.

Munzal Shah: And this is some growth capex or there is some INR240 crores, INR250 crores is growth capex or there is some maintenance or any other?

Harish Lakshman: Definitely, generally, about 15% of that amount is for maintenance and refurbishment and things like that, 15%, 20%. About 50% would be new capex and there'll be some in quality, some in R&D and things like that.

Munzal Shah: And sir, last one question is with regards to the real estate money that we are supposed to receive. Now if we just assume that this transaction does not go through for any reason, you will be able to retain that INR145 crores that you have already received?

Harish Lakshman: Yes, yes. I mean I don't think there's much risk in that. I mean, there could be a delay 1 or 2 months this way, that way. But in fact, the transaction -- the contract is very well worded in our favor. So the transaction will go through. I don't see any challenge.

Munzal Shah: Sure. Thanks a lot, sir. Thank you very much.

Moderator: Thank you. Ladies and gentlemen, we will take this as the last question for the day. I now hand the conference over to the management for the closing comments.

Harish Lakshman: Yes. So thank you, everyone, for your comments and as well as the questions. As I said, it's been a reasonably good quarter for us, but the more important thing is we have to continue to build on this performance in the coming quarters.

The market looks to be favorable, although some of the global geopolitics is creating some concerns mainly on cost front rather than demand. So hopefully, we'll be able to navigate it. So we'll continue to be in touch. Thank you. Thanks, everyone.

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