"Rane Group Q1 FY27 Earnings Call"

August 21, 2026

MANAGEMENT: **DR. P.A. PADMANABHAN – PRESIDENT - FINANCE AND GROUP CFO**
MR. J. ANANTH – EXECUTIVE VICE PRESIDENT-FINANCE AND CFO, RANE HOLDINGS LIMITED
MR. S. PRASAD – VICE PRESIDENT, CORPORATE PLANNING, RANE HOLDINGS LIMITED

Moderator: Ladies and gentlemen, good day, and welcome to Rane Group Q1 FY27 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. Good afternoon, everyone. Welcome to the Q1 FY27 earnings call of the Rane Group. To discuss the announcement 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, Vice President, Corporate Planning, Rane Holdings.

Please note that the results and the presentation have already been mailed to you and you can also view them on the company's website. In case anyone does not have a copy of the presentation or you are not marked in the mail, please do write to us 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 include, 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 now hand over the call to Mr. P.A. Padmanabhan. 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. The Indian automobile industry began financial year 2027 on a positive note with several vehicle segments recording their highest ever first quarter sales. Exports across major vehicle segments also reached record levels despite the geopolitical uncertainties in West Asia.

The strong performance during the quarter was supported by resilient domestic demand, lower GST rates, relatively softer financing costs, a favorable base effect, and continued new model launches. The passenger vehicle segment recorded strong growth led by sustained demand for SUVs, which continued to be the primary growth driver. New model launches, lower financing costs, and a favorable base further supported the segment.

The commercial vehicle segment recorded healthy growth driven by growth in goods carriers, supported by continued replacement demand and sustained demand from the mining and cement sectors. Infrastructure-led activities and improving logistics demand also continued to support the segment. The farm tractor segment recorded healthy growth supported by continued government infrastructure spending and sustained rural demand.

The two-wheeler segment also performed well driven by robust domestic demand, improving export volumes, and healthy entry-level sales. The continued increase in electric two-wheeler adoption also contributed to the segment's growth. Overall, Q1 financial year 2027 reflects the contrasting dynamics shaping the automotive sector; healthy volume and revenue growth alongside continued supply chain challenges and elevated input costs driven by West Asian crisis.

Now for the key highlights. RML's total revenue for Q1 financial year 2027 stood at INR1,050.6 crores compared with INR884.4 crores in Q1 2026, representing a growth of 18.8%. During the quarter, the company secured new business with lifetime value of about INR2,040 crores, reflecting continued customer confidence across the company's product portfolio.

I would also like to update you on the acquisition of the friction business of Hindustan Composites Limited. As communicated earlier, Rane Madras Limited entered into a business transfer agreement with Hindustan Composites Limited to acquire its friction business on a slump sale basis. The transaction agreement was signed on June 30th, 2026 and was subject to customary regulatory approvals and other closing conditions.

We are happy to inform you that all conditions have now been fulfilled and the transaction has been successfully completed. The acquisition strengthens RML's position in the friction business and provides an opportunity to build further scale and capabilities in this segment. The integration of the business will proceed in a phased manner to maximize value for our customers and stakeholders, driving operational synergies while leveraging the complementary strengths of both businesses.

The near-term outlook for the automotive industry remains positive, supported by the onset of the festive season, which is expected to sustain demand momentum following the strong performance in Q1 financial year '27. At the same time, the industry is navigating a more challenging cost environment. A sharp increase in commodity prices has emerged as a key area of concern with elevated input costs being closely monitored by the automakers.

Geopolitical tensions, particularly in West Asia, continue to place pressure on the supply chains for key commodities while also impacting energy and logistics costs. Against this backdrop, our focus will remain on sustaining growth momentum while continuing to strengthen operational efficiency, manage costs, and maintain a disciplined approach to profitability.

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

Moderator: Thank you very much, sir. We will now begin the question-and-answer session. First question is from the line of Nirmam from Unique PMS. Please go ahead.

Nirmam: Yeah, thank you for the opportunity. I have two questions on Rane Madras. So one is, we have stated a target net debt to equity of less than 0.5. But you know, with our capex plans and the recent acquisition, is this target delayed? Are we doing anything, are we accelerating plans to divest other land parcels too?

P.A. Padmanabhan: Do you want us to answer this question or wait for the second one also?

Nirmam: Yeah, if you could answer this question.

P.A. Padmanabhan: Yeah, okay. See, we maintain our path to reach the 0.5 debt-to-equity as we had mentioned. But as we have been mentioning earlier, the timeframe we are expecting for it to happen is March of '28. We expect that in 18 months, we will reach this position. As you know, we have already embarked on the Velachery property sale, and that is in process, and we are receiving the amounts in a phased manner. We will take up the sale of other land parcels as and when we get the right value for that land parcels.

As you know, we have taken the approval from the shareholders for these land parcels, but we are just exploring the market, and as and when we get the right value, we will dispose them. We remain committed to bring down our debt levels in the next 12 to 18 months and reach the desired level by March '28.

Nirmam: Okay, sir. And second is, so our exports have been doing well. The mix of exports is increasing. Even in the new business wins, our export programs account for now about 54% of LTV. Again, our LMC business has also picked up operationally, that was a drag. So with these two doing well, why are the margins still not picking up? So currency has also depreciated, if you look at in the past 1, 1.5 years. So what is wrong with our margins?

S. Prasad: Yeah, so particularly, there is a good momentum in terms of the export orders that we have received, right? So the LTV that we have actually indicated is for the future business that would kick in probably 18 to 24 months from now. If you look at the current quarter, so we, as indicated in the opening remarks, we as an industry have faced significant cost increases across various elements, material cost, logistics, and other elements. And that is what is actually the main reason for us to have this kind of a margin.

However, we continue to work on various initiatives to improve our profitability. And of course, the mix is one element of that, and of course, increasing our cost reduction initiatives, which will mature over a period of time. And we also have some commodity pass-through lead lag, right? Though there are back-to-back arrangements with most of the customers, we are also having a lead lag in terms of recovering from the customers. So that would also happen over the next couple of quarters.

So these are broadly the reason for the margin not necessarily the mix alone, right? Mix is improving in a better manner. Both exports is also improving and also the aftermarket is also improving. With that, we hope to have a better margin in the upcoming quarters.

Nirmam: So with this cost pass-through and, with the improved mix and other initiatives, do you expect double-digit margins this year?

S. Prasad: Yeah, so given the current dynamics, we are definitely aspiring to go to a double-digit number.

Nirmam: Okay. Yeah, thank you. That's it from my side.

Moderator: Thank you. Next question is from the line of Rajakumar Vaidyanathan from RK Invest. Please go ahead.

Rajakumar Vaidyanathan: Yeah, good afternoon. Thanks for the opportunity. First of all, congrats for this new acquisition, this business from Composites. Good to see that Rane is, taking a lot of initiative to grow in this segment. First of all, I want to congratulate for that. So, the first question is on the Rane Steering. I just want to know what happened this quarter because the margins have come down and even your PAT, PAT has also become negative. So, just wanted to know what is causing this.

P.A. Padmanabhan: See, as far as Rane Steering Systems is concerned, as we had already mentioned earlier, for the next 12 months or so, it's going to be muted EBITDA margins only because of the legacy reasons what the earlier orders which were taken at a low price. In the corresponding period of last year, there were some price increases, one time price increases with retrospective effect we got, which sort of helped in the same quarter of last year.

So, this is a normal steady state basis, and so that advantage was not there in this quarter. However, all efforts are on to bring down the cost as much as possible, and we are hopeful that from the coming financial year, the margins will improve much better than what it is right now.

Rajakumar Vaidyanathan: Okay. So for the current financial year, the numbers are going to remain as what we have seen in Q1. Is that what you are saying?

P.A. Padmanabhan: Yes. Yes, for the current financial year, it's going to be bit muted, but from the coming financial year, we will see some improvement.

Rajakumar Vaidyanathan: Okay. Got it, sir. And second thing, sir, this second question is on your tax rate for the Rane Holdings. This quarter you have shown almost 28% effective tax rate. So what is happening there? Because if I compare any quarters, generally the tax rate used to be very low. But why this time it is almost 28%?

P.A. Padmanabhan: You are referring to Rane Holdings' consolidated?

Rajakumar Vaidyanathan: Yeah. Yeah. Basically, I want to know what is your steady state tax rate number, because that is kind of affecting your PAT this quarter, you know, significantly?

P.A. Padmanabhan: On this point, on the tax point, last year corresponding period there was some deferred tax that was utilized, which is not the case in the current one. That's why there's a difference. But the rate is a 25%, which is normal as per the new regime, whatever rate is applicable is a normal rate of tax that is applicable for RML.

Rajakumar Vaidyanathan: So, for RHL I'm asking.

P.A. Padmanabhan: RHL also it is 25% only.

Rajakumar Vaidyanathan: We'll see a tax rate of 25%, that's what you're saying, right?

P.A. Padmanabhan: Yeah, yeah. It will be 25%. If there are any loss recoveries in those quarters or periods, there will be a lower tax, otherwise the standard rate applicable is 25%.

Rajakumar Vaidyanathan: Okay, got it. Okay, the last question is on the warranty provision for the Lifetec JV. So, I just want to know what is your total provision that you are carrying as of 30th June, and did we utilize any provision since December '25 when we made the provision?

P.A. Padmanabhan: The provision by and large remains the same, what we provided in December '25, except for only due to forex changes, that alone has increased it. Otherwise, the provision in terms of dollars remains the same. And we are still in discussions, and as of now, we don't have any updates. As and when there are updates, we will inform you.

Rajakumar Vaidyanathan: And what is the dollar value? Do you have the dollar value of the provision?

P.A. Padmanabhan: Dollar value is around $23 million.

Rajakumar Vaidyanathan: Okay, sir. And sir, any update on the recoverability of this with respect to the vendor and the insurance that we were working on?

P.A. Padmanabhan: It's a bit very early to comment. We are taking all necessary steps to mitigate the cost. As and when there is any development, we will keep you posted.

Rajakumar Vaidyanathan: Okay. Thank you so much, sir. All the best.

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

Sunil Kothari: Hi, thank you for opportunity. Thanks, team.

P.A. Padmanabhan: Sunil. One second. On the previous one, it's EUR23 million, not dollars. On the previous question. EUR23 million provision, not $23 million. Yeah, please move on, Sunil.

Sunil Kothari: Thank you, sir, since last 3-4 quarters, if you look at domestic industry, which is growing more than 15%, almost 20s nearby, and we are part of every segment, mainly passenger vehicle. But if you look at our growth rate, which is below industry level, so would like to understand, are we losing market share or we are foregoing some low-margin business? What is happening? If you qualitatively elaborate, that will be really helpful?

S. Prasad: Yeah. So there, I would say two-three different things, right? So, when we look at addressable market, right, so from a technology standpoint, when you look at steering, there are migration of technology within the steering happening. And if you look at it from an LCV or a M&HCV kind of a segment, there are some minor changes that happen.

So, largely we are actually saying that we are in line with the market's growth, both in terms of the served from a technology perspective as well as from the served customer perspective. However, there are few customers and few vehicle models which actually increase little higher than the industry growth as well, right, what we have seen with some customers like Mahindra and few other customers.

There has been a slightly a higher growth at an OEM as well as a vehicle model level. So that could also play an impact when you look at it overall level, right? Whether we are present in that model, not present in that model. There is no loss of share in all the segments that we have actually supplied.

There could be some changes here and there in terms of the technology as well as -- if you look at it from some of the models within heavy and medium heavy commercial vehicles, the pack values will also change. So if you look -- if you actually look at a tractor trailer, the pack value will be slightly higher. If you look at it as a tipper, the pack value will be different.

So from a value perspective, those kind of differences will always be there in terms of which part of that segment actually grows faster or grows slower. So these are the only changes which is actually reflected in our overall value number. Otherwise, the market share and the new business that we are continuing to win remains the same.

Sunil Kothari: Right. So basically what you are saying, there is some different technology or maybe some models where we are not present, and those are growing higher. So are we trying to follow up those new technology, new vehicles, new customer, new products, or we are in a segment where we were?

S. Prasad: We are in the segment where we were, right? The technology migration is a very small one, that is particularly in the LCV segment, where the mechanical systems are moving to a electric and hydraulic. So otherwise, there is no big change in the technology. Even in the tractor, the hydraulic technology penetration, the steering is also at a reasonable level where we are also in a steady market share position. So the change is not mainly because of that.

Change is because of change within the vehicle segments. Within the vehicle segment, there could be some changes in terms of which portion of that grows faster, based on that, our pack value to that segment will also be different. And the second reason is from a passenger vehicle segment where model and OEM combination will grow much better than the normal other vehicle and models. These are the two broad reasons.

Sunil Kothari: Right. And one more, Prasad, is about the last year's professional fees. That is we paid roughly [INR49-50 crores compared to INR45 crores in a previous year. And what I understand is we are taking the help of some consultant also to reduce cost and all these things. So can you elaborate what type of this, this charges we paid? Is one time, up to which year we are going to pay those and what are the benefits, by when, a little bit will be really helpful?

S. Prasad: Yeah, this is a general professional services that we take from an external agency. And they have actually helped us in, one is related to the merger of three companies, the other one is related to helping us in reimagining the structure for the aftermarket products team, and there are also some areas where we are taking help in terms of cost reduction and cost transformation related initiatives. So there are multiple initiatives where we are actually taking support of external agencies.

Sunil Kothari: And what type of benefits we are seeing maybe mid, short to medium term?

S. Prasad: Yeah, so of course the aftermarket project, our growth rate you would have seen, it is slightly better and we have a good aspiration to increase sales in the aftermarket, so that is one benefit and synergy by integrating the multiple aftermarket businesses. The second is the cost reduction.

The cost reduction, we have a lot of new ideas which we are actually pursuing in terms of identifying both direct, indirect, in terms of logistics cost, packing cost, every other cost element is being looked at more closely, more granularly to get us benefits. And these are some of those pathways which will actually take us to the double-digit profitability in the coming year.

Sunil Kothari: And this cost will continue in current year -- this is my last question. This is my last question, just concluding the same point. Hello?

S. Prasad: Yeah.

Sunil Kothari: Yeah, Prasad. So just this cost will continue in this current year also?

S. Prasad: Yeah, this year it will continue. The expenses will continue, and the benefits of this on a full year basis will happen in the year next year, which would be FY28.

Sunil Kothari: Right, right. Okay, thank you. Thank you very much.

Moderator: Thank you. Next question is from the line of Pragyam Laddha from Omni Management LLP. Please go ahead.

Pragyam Laddha: Good evening, sir. Congratulations for the merger. Sir, I would like you to throw a bit more light on the merger, how it would be like margin accretive? What is the EBITDA margin of the current business, and what and what kind of revenue growth do you see in this business?

S. Prasad: Yeah, so this acquisition of the friction business of Hindustan Composites is very, very complementary to the existing brake component division. So brake component division has a very good, healthy share in both passenger vehicle as well as two-wheeler, whereas friction business of Hindustan Composites is having a strong share in commercial vehicle as well as railway.

And this, this will definitely help us to scale up our business much faster. That is one benefit. The second benefit is, there are a lot of synergies that we can actually see, we have a new footprint that we are getting in two new plant locations in Maharashtra. And as railway as a segment, we see good opportunities to grow, and which will further help us to expand and penetrate into railways.

From a margin perspective, the acquired business margin is accretive, they have a higher EBITDA margin than our business. And that will actually help us once we actually start planning for the integration. And there are other avenues in terms of looking at how we will bring in their brand in terms of the aftermarket, and what could be the synergies in terms of new formulations that we can actually take from there.

So there are multiple things that we can potentially do in terms of evaluating the synergy. The direct benefit is the immediate growth that comes in, and over a period of time, we will actually plan to absorb these synergies as part of the integration plan, which will be run over a 12 to 18 months kind of a window.

Pragyam Laddha: Okay. And sir, for this business, for the business like we are acquiring, what is the share of railways in the current revenue?

S. Prasad: Share of Railways okay.

Pragyam Laddha: Hello?

S. Prasad: Yeah, just a minute, yeah.

Pragyam Laddha: Yeah, sure, sure.

S. Prasad: This is about 40% of the friction business of Hindustan Composites is into railways.

Pragyam Laddha: Sir, even after such a huge railway business, the company is having like EBITDA margins of around say 11%-12%, if I back calculated somehow. So do you think that these margins would be sustainable for the company?

S. Prasad: I didn't get your comment on the EBITDA margin. The EBITDA margin is healthy in terms of the Hindustan Composites friction business.

Pragyam Laddha: No, I mean like what would be the approximate margins for this business? Around 11%-12%?

P.A. Padmanabhan: Yeah, it will be in the range of 11%-12%. And we intend to run it as an independent activity, so independent division. So we are hopeful of sustaining the same margins going forward as well.

Pragyam Laddha: Okay, sir. Thank you. Thank you, sir. That were my questions.

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

Manish Goyal: Yeah. Thank you so much. I have a few questions. First on coming back on the margins, sir. So, you said there was a material cost increase and energy cost and various cost increase. So if we have pass-through clause, by when do you think that we will able to recover or may get the price hike? Will it start reflecting from Q2 and will you be able to pass on the full cost increase? That was my first question, sir. And probably, has it happened across the three companies? Yeah. Thank you.

S. Prasad: Yeah, so we have already started passing on the price increases. So some amount of that is already in Q1 itself. So there is some which will actually get recognized in Q2, but it is a ongoing activity as and when there is an increase in terms of raw materials which are indexed and then it is very clearly agreed with the customer.

So we will actually lodge a claim and then they will actually give that price corrected into our thing, and then that will flow in. So this is an ongoing exercise. So the lag portion comes only on wherever we are actually doing it towards the end of the quarter, which actually moves to the next quarter. That kind of an element is where there is a lag.

P.A. Padmanabhan: Manish, to the extent of commodity prices, we'll be able to recover it with a lag, but when it comes to certain operating expenses, where there've been increase, things like premium freight and overtime, we are seeing how we can reduce it. So hopefully, these expenses should come down as we move on. Partly the increase in expense is also because of these kind of operating expenses.

Manish Goyal: So like if there is an energy cost increase, then is it possible to pass on?

S. Prasad: Yeah, some of it they are agreeing, some of it, for example, because of the West Asian crisis, we had a situation of LPG, so which many of the customers have actually agreed. Right? So these are all changes based on the customer to customer, element to element. So our intent is to actually try and get as much recovered from the customer.

Manish Goyal: Right. No, so where I am coming from is that when in Q4, I think EBITDA level, we were at 9.5% margin or maybe if I remove other income, it is 9.3%, and this quarter it is 8.4%, so 90 bps decline. So is it possible to recover entirely in the coming quarters? That is a, like, is the lag of monthly basis or a quarterly basis?

S. Prasad: Varies from customer to customer. Some of them on a monthly, some of them on a quarterly. The operational expenses, some of it we will not be able to recover, right? So, for example, if there is a minimum-wages, we will not be able to recover, so that we will have to actually internally work on various initiatives to mitigate that cost.

Manish Goyal: Okay. So when you said at RML we aspire for double-digit margin, so are we looking at Q3 or Q4 as a as possibly reporting those kind of numbers?

S. Prasad: Yeah, so the aspiration is on a full year basis this should be a double-digit number, right? So based on the volume and the demand that we are seeing currently for the Q2, right, I think we should be able to actually try and achieve it in Q3.

Manish Goyal: Okay. And this is factoring the merger of Hindustan Composites, right? Without that.

P.A. Padmanabhan: Yeah, Put together, Manish, see, this is a slump sale, so from now onwards this sale will start featuring in Rane Madras from now onwards till the end of the year. And since that is a slightly better margin, we are hopeful that, that will also help us to reach this targeted number.

Manish Goyal: Okay. And can you please tell us about the capex plan for each company for the current year? And what is the roughly capacity utilization, and also for Hindustan Composites, yeah, what is the capacity utilization?

J.Ananth: The capex plan for Rane Madras for this year will be around INR270 crores to INR300 crores.

Manish Goyal: Okay.

J.Ananth: And for RSSL it will be around INR70 crores.

Manish Goyal: Sorry, your voice was breaking.

J.Ananth: And for RSSL, our subsidiary company, it will be around INR70 crores.

Manish Goyal: Okay. And for ZF Group, sir?

J.Ananth: ZF Group, this will be around -- this will be around close to INR250 crores to INR280 crores.

Manish Goyal: Okay. And at Hindustan Composites, what would be the capacity utilization?

J.Ananth: For which entity?

Manish Goyal: Hindustan Composites, the business what we are acquiring, probably acquiring the assets. So what is the capacity utilization we have at the two plants in Maharashtra? And also on railways, is it a tender-driven business or it's how is the railways business? Yeah, these are the two questions.

S. Prasad: Yeah, railways is a tender-driven business with a visibility of about 12 to 14 months.

P.A. Padmanabhan: The capacity utilization of Hindustan Composites business that we don't have readily available with us.

Manish Goyal: Okay, okay. And last question on ZF Rane, sir, the margin decline sequentially is quite sharp. So, just wondering what could have, is it again the similar cost increase or how is it, sir, if you can clarify on that?

S. Prasad: Yeah, this is mainly driven by the adverse mix in terms of the product mix.

Manish Goyal: Sorry, can you specify that, like in what terms?

S. Prasad: Yeah. As you know we manufacture two products in the joint venture. One is steering, the other one is also this thing...

Manish Goyal: Occupant safety. Yeah.

S. Prasad: In occupant safety, we have steering wheel, we have seat belts, and then we have airbags. So in that mix, there is a challenge, so that is why we have this drop.

Manish Goyal: Okay. I will come back in the queue, sir. I have couple of more, I will come back in the queue. Thank you so much.

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

Manzil: Good evening, gentlemen. Just one clarification. One is regards to capex of RML, mentioned is INR270 crores to INR300 crores?

P.A. Padmanabhan: Yes.

Manzil: For financial year '27?

P.A. Padmanabhan: Correct, correct.

Manzil: And sir, earlier I, if I remember well, it was close to some INR200 crores, okay. So now we have increased RML capex also, and we are going to pay INR370 crores for Hindustan Composites acquisition also in this year?

P.A. Padmanabhan: Yes.

Manzil: So it will be close to INR600 crores of outflow from the company's balance sheet. And roughly we have yet to receive close to INR150 crores, INR170 crores from land, the Velachery land?

P.A. Padmanabhan: Yeah.

Manzil: And the balance would be funded by debt. Is it fair to assume?

P.A. Padmanabhan: Yeah. It will be funded partially by debt and partially by our own internal accruals. So internal accruals for the current financial year also will be used for this, and also the amount received towards the Velachery land. Balance will be met out of debt.

Manzil: Sure. And what is the peak debt that you are assuming, sir, after this, all this outflow in rupees crores?

P.A. Padmanabhan: It should be around INR1,100 crores for a brief period of time, but by year end, we should come below INR1,000 crores.

Manzil: And this you are expecting will be 0.5 debt-to-equity by end of financial year '28?

P.A. Padmanabhan: Yes.

Manzil: Correct? Is fair to assume that?

P.A. Padmanabhan: Yeah. Correct.

Manzil: Sir, I have couple of questions if I may squeeze. Why is this increase in capex in RML by almost INR70 crores, INR100 crores in financial year '27 and capex for financial year '28?

P.A. Padmanabhan: There was an order advancement due to which we had to pull some capex advanced, what was otherwise to be spent in the next financial year, we have advanced it to current financial year, and that's why in this year it has slightly gone up compared to the previous estimates.

Manzil: Sure. And sir, on this EBITDA margin you mentioned this friction business of Hindustan Composites the EBITDA margins are 11%, 12%?

P.A. Padmanabhan: Yeah.

Manzil: Sir, but if I see the numbers, so you have reported INR315 crores of turnover and INR40 crores of PBT. So that's itself PBIT margin is 13%. So...

P.A. Padmanabhan: This number is from the annual report of the company for the last financial year '25-'26. When they do the segment reporting, there are some unallocated costs also. There is some direct cost of the respective business segments, and then there is some element of unallocated cost. So that also needs to be allocated to this business to arrive at this business EBITDA and profit margin. We believe the current EBITDA of this business is around 13% to 14%.

Manzil: Okay. And sir, one of the competitor of Hindustan Composites, they are reporting EBITDA margin of almost, if I remember, 20% plus. So do we have such aspirations for this business?

P.A. Padmanabhan: As you know, we will constantly be endeavoring to keep improving the margins.

Manzil: That is also, that is also listed entity, okay.

P.A. Padmanabhan: Yes. Understand. See, to some extent this margins will depend on the product profile also. Here there is a mix of railways and commercial vehicle friction products as well as aftermarket. So we will keep maintaining our pressure to keep improving the margins. But company to company, it could vary depending on their product profile as well.

Manzil: Sir, just last one clarification. The EBITDA margin for this year you are expecting to be close to double digit for financial year '27, right?

P.A. Padmanabhan: Yes.

Manzil: For the year as a whole.

P.A. Padmanabhan: For the year as a whole, yeah.

Manzil: Yeah. Okay. Thanks a lot, sir. Thank you very much.

Moderator: Thank you. Next follow-up question is from the line of Rajakumar Vaidyanathan from RK Invest. Please go ahead.

Rajakumar Vaidyanathan: Yeah. Thanks for the follow-up, sir. Just two more questions. The first question is on this merger at Rane Holdings level. Just want to know where are we on that? Are we looking at merging all the entities up to Rane Holdings?

P.A. Padmanabhan: See, as of now we don't have any such plans. This restructuring we'll be doing in the interest of the all the stakeholders at appropriate time if at all is required. As of now we don't have any such plans.

Rajakumar Vaidyanathan: Okay. Okay. And second question is, in the recent ZF conference, they mentioned that they have shelved the plans to hive off the LIFETEC division, which is, you know, it's a bit capital intensive. So given this new decision of ZF, I just want to know whether there are any change in the capex plan of the ZF.

P.A. Padmanabhan: As you know, even when both the steering gear division and occupant safety division were housed under a single entity, ZF Rane, they were acting as independent businesses and then meeting their capex requirement on a need basis. Now those two independent businesses within an entity have become two separate entities. So from a capex investment standpoint, I believe there is no change. It is just that instead of being a part of a larger entity, they are individual companies. So as and when there is a need for capex, these individual companies will reach out for any debt requirement as may be required.

Rajakumar Vaidyanathan: Okay, sir. Thank you so much.

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

Sunil Kothari: Yeah, thanks for opportunity again. Sir, two questions. You said there is a one or some order preponement to the current year from the next. Hello?

P.A. Padmanabhan: Yeah, yeah.

Sunil Kothari: So, so that is related to exports or domestic? And what type of -- because exports is growing really well. So how do you see this sustainability of steering division exports and this new orders which you spoke about? That's the first question.

And second is on our Rane Brake Lining segment, removing keeping aside Hindustan Composites. We are, I mean, almost last three, four quarters almost static between 135 crores plus/minus 3 crores, 4 crores, 5 crores. So what is stopping us from growing because the two-wheeler and the other industries are also growing? So, if you can explain why this is not growing?

S. Prasad: Okay. So, I'm not very clear on the second question. Which division are you actually talking about in terms of?

Sunil Kothari: Rane Brake, Rane Brake, Rane Brake division, braking division.

S. Prasad: Okay, okay, got it. Yeah, so see Rane Brake division, we see a lot of opportunities in terms of growth, right? So one is, of course, two-wheeler there'll be a growth and then with Hindustan Composites friction business, we see progressing well on both railways as well as commercial vehicle. And on top of it, our aftermarket, aftermarket is a sizable portion within that, so that is the manufacturing entity.

So there again, the friction related products, we see growth. So we are definitely positive on that particular division in terms of the overall growth over the next two to three years. And in terms of the first question, which is related to the steering, this is related to the steering products, so where we have some advancement in terms of the timeline, so that is why we are actually increased the capex.

And particularly when it actually comes to exports, and we have a good aspiration in growing our steering products, particularly the rack and pinion as well as the ball joint. And many of the programs what we are actually seeing as export, there is also a element of deemed exports, where the billing is in Indian Rupees. So we don't actually get the benefit of any forex movements.

Sunil Kothari: Right. And sir, last question is, Manish had asked about this Rane Holdings, this JV, the margin falling from -- our normal margin was also always between 11 and a half, 12, last quarter Q4 we reached to 13 and a half-14, but again fallen and you explained somewhat, not able to understand. If you can a little bit more clarity on the fall in margin of first quarter of this JV?

S. Prasad: One second, we'll just…

Sunil Kothari: Please.

P.A. Padmanabhan: Sunil, we had already addressed this point in the previous question itself. It's basically to do with the product mix. Within occupant safety, we have got seat belts, airbags, and in that seat belts is comparatively lesser margin compared to airbags. So if there is more of sale of seat belts, because of that product mix also this margin gets impacted.

Sunil Kothari: Understood. And sir, if I can squeeze one more question, after long years in this light metal segment really growing well, exports grown almost 50%, domestic has also grown 20% plus. Is there any new order or new products, new customer? What is happening, if you can say something more about this aluminum casting division?

S. Prasad: Yes, structurally light weighting as a theme is very favorable, right? And the metal price, which is aluminum price, has also increased. So some portion of that growth is related to the aluminum price also. The volume growth is also reasonably good and the metal price is also higher, so that is why you are seeing that kind of a growth.

Sunil Kothari: Thank you very much. Thank you.

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

Pratik Kothari: Hi, good afternoon, sir. Just one clarification. We have changed the until last quarter we used to give order wins, and from this quarter we are mentioning some lifetime value. If you can explain what this is and how do we compare to what it was earlier?

S. Prasad: Yeah, so this is similar to what we have been giving, like earlier we were actually giving it as a per annum value. However, when we actually benchmarked with other peer companies, both India as well as globally, they have actually mentioned it as a in a lifetime value, so which is, which indicates the -- because most of the projects that we have are for more than six years, six and a half years kind of a timeframe. Just to reflect upon that, we have actually moved to this lifetime value.

Pratik Kothari: And so this would be about five, six years each?

S. Prasad: Yeah. So the -- if you look at it from the current revenue perspective, right, so this lifetime value will be 6.2x, 6.4x.

Pratik Kothari: Okay, great. Thank you. Okay, thank you.

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

Manish Goyal: Thank you so much, sir. Sir, on aftermarket, sir, over there also, have we taken the price hikes in the current quarter or we are planning to take? And also, second question. Yeah, sorry, go ahead. Yeah.

S. Prasad: We have, we have taken price increase.

Manish Goyal: Okay. And so, just on the, like, with revenue contribution increasing for aftermarket, how much of that sales would be in-house manufacturing and something which would be outsourced? Because probably that will also have an impact on the gross margins or raw material cost content?

S. Prasad: Yeah. Something around 20%, 22% would be outsourced.

Manish Goyal: Okay, okay, okay. So it will have some impact on the gross margins. Fine, sir. And sir, this quarter in Rane Holdings, we don't see the revenue breakup and the group sales number and revenue breakup for Q1. So, is there any particular reason not to share that?

S. Prasad: One second.

Manish Goyal: Because you have given FY20 -- till now, you were probably giving every quarter the group sales and the revenue breakup. This quarter it is missing. And no doubt, we stopped giving revenue breakup of ZF Rane, so?

S. Prasad: No, we have actually given this in our Rane Holdings, we have the revenue breakup.

Manish Goyal: No, but that is presentation is saying FY26. It is not saying Q1 FY27.

S. Prasad: Yeah, that is a static slide, so that is updated once every year. That is just a group positioning of the sales number. But the respective quarter-wise numbers are given in the subsequent slide. Rane Madras we have given subsequently, and then Rane Steering as well as the JVs.

Manish Goyal: No, I agree, sir. What I'm saying, at a group level, the revenue breakup for say vehicle-wise and business-wise, those?

S. Prasad: One which is closest to the format, we have actually thought this is more appropriate representation, because we are not talking at a group sales in any other metric. The group sales is to indicate the group size and position, and that we will update once a year.

Manish Goyal: Okay. Great, sir. Thank you so much.

S. Prasad: Thank you.

Moderator: Thank you. As there are no further questions, I now hand the conference over to the management for the closing comments.

P.A. Padmanabhan: Thank you all for joining today. And, we are as committed, we will do our best to keep improving our margins as we move on and look forward to the next call after the half yearly performance. Thank you.

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