Management Discussion

Diwakar Pingle - Partner and Head, Investor Relations Advisory, Strategy and Transactions, EY India

Thank you. Good afternoon. Thank you, sir. Good afternoon, everyone. Welcome to the Q1 FY27 earnings call of the Rane Group to discuss an announcement and answer your questions today. We have the management team from Rane Group represented by 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 it 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 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 in 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 risks and uncertainties that we face. These uncertainties and risks are included, but not limited to what we mentioned in the prospectus and subsequently in annual reports, which you can find on our website.With that said, I'll now hand over the call to Mr. P.A. Padmanabhan. Over to you, Pad.

P.A. Padmanabhan - President, Finance and Group Chief Financial Officer, Rane Group

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, 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 INR1050.6 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 30, 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. The 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.

Questions & Answers

Operator
Thank you very much, sir. We will now begin the question and answer session. [Operator Instructions] Ladies and gentlemen will wait for a moment while the question queue assembles. The first question is from the line of Nirmam from Unique PMS. Please go ahead.

Nirmam Mehta - Analyst, Unique PMS
Thank you for the opportunity. I have two questions on Rane Madras. So one is we had 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 - President, Finance and Group Chief Financial Officer, Rane Group
Do you want us to answer this question or wait for the second one also?

Nirmam Mehta - Analyst, Unique PMS
Yeah, if you could answer this question.

P.A. Padmanabhan - President, Finance and Group Chief Financial Officer, Rane Group
Yeah. Okay. See, we maintain our path to reach that 0.5 debt equity as we have mentioned. But as we have been mentioning earlier, the time frame 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 Mehta - Analyst, Unique PMS
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 one and a half years. So what is wrong with our margins?

S. Prasad - Associate Vice President, Corporate Planning, Rane Holdings
Yeah, so particularly there is a good momentum in terms of the export orders that we have received. 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. So there is -- 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 customer. 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. 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 Mehta - Analyst, Unique PMS
So with this cost pass through and with the improved mix and other initiatives, do you expect double digit margins this year?

S. Prasad - Associate Vice President, Corporate Planning, Rane Holdings
Yeah. So the given the current dynamics, we are definitely aspiring to go to a double digit number.

Nirmam Mehta - Analyst, Unique PMS
Okay, thank you. That's from my side.

Operator
Thank you. Next question is from the line of Rajkumar Vaidyanathan from RK Invest. Please go ahead.

Rajkumar Vaidyanathan - Analyst, RK Invest
Yeah, good afternoon. Thanks for the opportunity. Sir, first of all, congrats for this new acquisition, Hindustan Composites. Good to see that Rane is you know, taking a lot of initiative to grow. 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 has also become negative. So just wanted to know what is causing this?

S. Prasad - Associate Vice President, Corporate Planning, Rane Holdings
One second, Vaidyanathan . 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.

Rajkumar Vaidyanathan - Analyst, RK Invest
Okay, so for the current financial year the numbers are going to remain what we have seen in Q1, is that what you are saying

S. Prasad - Associate Vice President, Corporate Planning, Rane Holdings
Yes. For the current financial year, it's going to be bit muted. But from the coming financial year we will see some improvement.

Rajkumar Vaidyanathan - Analyst, RK Invest
Okay, got it, sir. And second thing, sir, this second question is on your tax rate for the Rane Holdings, this quarter you've shown almost 20% 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 - President, Finance and Group Chief Financial Officer, Rane Group
You are referring to Rane Holdings consolidated.

Rajkumar Vaidyanathan - Analyst, RK Invest
Consolidated, yeah.

P.A. Padmanabhan - President, Finance and Group Chief Financial Officer, Rane Group
One second.

Rajkumar Vaidyanathan - Analyst, RK Invest
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 - President, Finance and Group Chief Financial Officer, Rane Group
Just one second.

Rajkumar Vaidyanathan - Analyst, RK Invest
Yeah.

P.A. Padmanabhan - President, Finance and Group Chief Financial Officer, Rane Group
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 25% which is normal as per the new regime. Whatever rate is applicable is the normal rate of tax that is applicable for RMI?

Rajkumar Vaidyanathan - Analyst, RK Invest
No, for RHL, I'm asking.

P.A. Padmanabhan - President, Finance and Group Chief Financial Officer, Rane Group
Yeah, RHL also, it is 25% only.

Rajkumar Vaidyanathan - Analyst, RK Invest
So go forward, we'll see a tax rate of 25%. That's what you're seeing?

P.A. Padmanabhan - President, Finance and Group Chief Financial Officer, Rane Group
Yeah. It will be 25%. If there are any loss recoveries in those quarters or period, there will be a lower tax, otherwise the standard rate applicable is 25%.

Rajkumar Vaidyanathan - Analyst, RK Invest
Okay, got it. The last question is on the warranty provision for the Lifetec JV. So I just wonder what is your closing provision that we are carrying as 30 June and did we utilize any provision since December '25 when we made a provision.

P.A. Padmanabhan - President, Finance and Group Chief Financial Officer, Rane Group
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. But the provision..

Rajkumar Vaidyanathan - Analyst, RK Invest
And what is the dollar value . Do you have the dollar value of the provision?

P.A. Padmanabhan - President, Finance and Group Chief Financial Officer, Rane Group
Dollar value is around $23 million.

Rajkumar Vaidyanathan - Analyst, RK Invest
Okay. And sir, any update on the recoverability of this with respect to the vendor and the insurance that we are working on?

P.A. Padmanabhan - President, Finance and Group Chief Financial Officer, Rane Group
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.

Rajkumar Vaidyanathan - Analyst, RK Invest
Okay, thank you so much, sir. All the best.

Operator
Thank you. [Operator Instructions] N ext question is from the line of Sunil Kotari from Unique PMS. Please go ahead.

Sunil Kothari - Analyst, Unique PMS
Thank you for opportunity. Thanks team.

P.A. Padmanabhan - President, Finance and Group Chief Financial Officer, Rane Group
One second, Sunil. On the previous one, EUR23 million , not dollars on the previous question. 23 million euro provision, not $23 million. Yeah, please go on. Sunil, yeah, please.

Sunil Kothari - Analyst, Unique PMS
Thank you. Sir, s ince last three, four quarter 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 we are 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 - Associate Vice President, Corporate Planning, Rane Holdings
Yeah. So there are, I would say two, three different things. Right. So when we look at the 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 a LCV or limited CV [Phonetic] kind of segment, there are some minor changes that happen. So largely we are actually saying that we are in line with the market 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 slightly higher growth at a OEM as well as the vehicle model level. So that could also play an impact when you look at it overall level, 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 PAT values will also change. So if you actually look at a tractor trailer, the PAT value will be slightly higher. If you look at it as a tipper, the PAT 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 - Analyst, Unique PMS
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 - Associate Vice President, Corporate Planning, Rane Holdings
We are in the segment where we were. Right. The technology migration is very small one. That is particularly in the LCV segment where the mechanical systems are moving to electric and hydraulic. So otherwise there is no big change in that 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 PAT 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 - Analyst, Unique PMS
Right. And one more, Prasad, is about last year's professional fees we paid is roughly 1450 crore compared to 35 crore 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. If you can elaborate what type of 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 - Associate Vice President, Corporate Planning, Rane Holdings
Yes, this is 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 the external agencies.

Sunil Kothari - Analyst, Unique PMS
And what type of benefits we are seeing maybe mid -- short to medium term?

S. Prasad - Associate Vice President, Corporate Planning, Rane Holdings
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 synergies by integrating the multiple aftermarket businesses. The second is the cost reduction, the cost reduction. We have lot of new ideas which we are actually pursuing in terms of identifying both direct, indirect, in terms of logistics cost, tracking costs. Every other cost element is being looked at more closely, more granularly to get its benefits. And these are some of those pathways which will actually take us to the double digit profitability in the coming year.

Sunil Kothari - Analyst, Unique PMS
And this cost will continue in same year.

Operator
Sorry to interrupt, Mr. Kothari. Maybe please, request you to rejoin.

Sunil Kothari - Analyst, Unique PMS
This is my last question and just concluding the same point. Hello?

S. Prasad - Associate Vice President, Corporate Planning, Rane Holdings
Yeah.

Sunil Kothari - Analyst, Unique PMS
Yeah, Prasad. So does this cost will continue in this current year also?

S. Prasad - Associate Vice President, Corporate Planning, Rane Holdings
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 - Analyst, Unique PMS
Right. Okay, thank you. Thank you very much.

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

Pragyam Laddha - Analyst, Omni Management LLP
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 kind of revenue growth you see in this business?

S. Prasad - Associate Vice President, Corporate Planning, Rane Holdings
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 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 - Analyst, Omni Management LLP
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 - Associate Vice President, Corporate Planning, Rane Holdings
Okay.

Pragyam Laddha - Analyst, Omni Management LLP
Hello.

S. Prasad - Associate Vice President, Corporate Planning, Rane Holdings
Just a minute.

Pragyam Laddha - Analyst, Omni Management LLP
Yeah, sure.

S. Prasad - Associate Vice President, Corporate Planning, Rane Holdings
This is about 40% of the friction business of Hindustan Composites is into railways.

Pragyam Laddha - Analyst, Omni Management LLP
Even after such a huge railway business, the company is having like EBITDA margins of around say 11%, 12% if I back calculate it somehow. So do you think that these margins would be sustainable for the company?

S. Prasad - Associate Vice President, Corporate Planning, Rane Holdings
I didn't get your comment on the EBITDA margin. The EBITDA margin is healthy in terms of the Hindustan Composite friction business.

Pragyam Laddha - Analyst, Omni Management LLP
No, I mean sir, like what would be the level, what would be the approximate margins for this business? Around 11%, 12%?

P.A. Padmanabhan - President, Finance and Group Chief Financial Officer, Rane Group
Yeah, it will be in the range of 11%, 12% and we intend to run it as a independent activity, so independent division. So we are hopeful of sustaining the same margins going forward as well.

Pragyam Laddha - Analyst, Omni Management LLP
Okay, sir, thank you. Thank you sir. That were my questions.

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

Manish Goyal - Analyst, Thinqwise Wealth Managers LLP
Yeah, thank you so much. I have a few questions. First on -- coming back on the margin, sir. So you said there was a material cost increase and energy cost and various cost increase. So if you have pass through clause, by when do you think that we will able to recover the 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 - Associate Vice President, Corporate Planning, Rane Holdings
Yes, 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 a 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 element is where there is a lag

P.A. Padmanabhan - President, Finance and Group Chief Financial Officer, Rane Group
See, Manish, to the extent of commodity prices, we will be able to recover it with the lag. But when it comes to certain operating expenses where there has been increased things like premium price and overtime, they are saying how we can reduce it. So hopefully these expenses should come down as we move on. Partly the increase in expenses is also because of this kind of operating expenses.

Manish Goyal - Analyst, Thinqwise Wealth Managers LLP
So like if there is a energy cost increase, then is it possible to pass on?

S. Prasad - Associate Vice President, Corporate Planning, Rane Holdings
Yes, some of it they are agreeing, some of it -- f or 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 - Analyst, Thinqwise Wealth Managers LLP
Right. No. So where I'm coming from is that when in Q4 at 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 like the lag is of monthly basis or a quarterly basis?

S. Prasad - Associate Vice President, Corporate Planning, Rane Holdings
It 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 - Analyst, Thinqwise Wealth Managers LLP
Okay. So when you said we -- at RML we aspire for double digigit margin. So are we looking at quarter three or quarter four as possibly quoting those kind of numbers?

P.A. Padmanabhan - President, Finance and Group Chief Financial Officer, Rane Group
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 - Analyst, Thinqwise Wealth Managers LLP
Okay. And this is factoring the merger of Hindustan Composite, right?

J. Ananth - Executive Vice President, Finance & Chief Financial Officer, Rane Holdings Limited
Yeah.

P.A. Padmanabhan - President, Finance and Group Chief Financial Officer, Rane Group
That we put together. Manish, see, we said 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 slightly better margin we are hopeful that that will also help us to reach this targeted number.

Manish Goyal - Analyst, Thinqwise Wealth Managers LLP
Okay. And can you please tell us about the capex plan for each for the current year and what is the roughly capacity utilization? And also for Hindustan Composite what is the capacity utilization?

J. Ananth - Executive Vice President, Finance & Chief Financial Officer, Rane Holdings Limited
The capex plan f or Rane Madras for this year will be around INR270 crores to INR300 crores.

Manish Goyal - Analyst, Thinqwise Wealth Managers LLP
Okay.

J. Ananth - Executive Vice President, Finance & Chief Financial Officer, Rane Holdings Limited
And for RSSL, it is INR70 crore.

Manish Goyal - Analyst, Thinqwise Wealth Managers LLP
Sorry, your voice was breaking.

J. Ananth - Executive Vice President, Finance & Chief Financial Officer, Rane Holdings Limited
For RSSL subsidiary company it will be around INR70 crore.

Manish Goyal - Analyst, Thinqwise Wealth Managers LLP
Okay. And for ZF Group, sir?

J. Ananth - Executive Vice President, Finance & Chief Financial Officer, Rane Holdings Limited
ZF Group, this will be around. This will be around close to INR250 crore, INR28 0 crore.

Manish Goyal - Analyst, Thinqwise Wealth Managers LLP
Okay. And at Hindustan Composite, what would be the utilization, sir? Capacity utilization? , Hindustan Composite the business what we are acquiring probably covering the asset. 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 how is the railway? Yeah, these are the two questions.

S. Prasad - Associate Vice President, Corporate Planning, Rane Holdings
Yeah. Railways is a tender driven business with a visibility of about 12 to 14 months

P.A. Padmanabhan - President, Finance and Group Chief Financial Officer, Rane Group
Capacity utilization of Hindustan Composite business that we don't have readily available with us.

Manish Goyal - Analyst, Thinqwise Wealth Managers LLP
Okay. And last question on ZF Rane, sir, the margin decline sequentially is quite sharp. So just wondering what could have -- i s it again the similar cost increase or how is it, sir. If you can clarify.

S. Prasad - Associate Vice President, Corporate Planning, Rane Holdings
Yeah. This is mainly driven by the adverse mix in terms of the product mix.

Manish Goyal - Analyst, Thinqwise Wealth Managers LLP
Sorry, can you specify that like in what terms?

S. Prasad - Associate Vice President, Corporate Planning, Rane Holdings
Yeah. So this is a -- a s you know we manufacture two products in the joint venture. One is steering, the other one is also this thing occupant. 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 - Analyst, Thinqwise Wealth Managers LLP
Okay. I'll come back in the queue. I have couple of more. I'll come back in the queue. Thank you so much.

Operator
Thank you. Next question is from the line of Munjal from NSFO. Please go ahead.

Munjal Shah - Analyst, NSFO
Good evening, gentlemen. Just one clarification. One is regards to capex of RML, you mentioned is INR270 crores to INR300 crores.

S. Prasad - Associate Vice President, Corporate Planning, Rane Holdings
Yes.

Munjal Shah - Analyst, NSFO
For financial year '27.

S. Prasad - Associate Vice President, Corporate Planning, Rane Holdings
Correct.

Munjal Shah - Analyst, NSFO
And so earlier I -- i f 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.

S. Prasad - Associate Vice President, Corporate Planning, Rane Holdings
Yes.

Munjal Shah - Analyst, NSFO
So it will be close to INR600 crores of outflow from the company's balance sheet. And roughly we are -- w e have yet to receive close to INR150 crores, INR170 crores from land, the Velachery land.

P.A. Padmanabhan - President, Finance and Group Chief Financial Officer, Rane Group
Yeah.

Munjal Shah - Analyst, NSFO
And the balance would be funded by debt. Is it fair to assume?

P.A. Padmanabhan - President, Finance and Group Chief Financial Officer, Rane Group
Yeah. It will be funded partially by debt and partially by our own internal accruals. So our internal accrual for the current financial year are also will be used for this. And also the amount received towards the Velachery land, balance will be met out of our debt.

Munjal Shah - Analyst, NSFO
Sure. And what is the peak debt that you are assuming sir after this you know all this outflow in rupees, crores?

P.A. Padmanabhan - President, Finance and Group Chief Financial Officer, Rane Group
One second. Should be around INR1,100 crore for a brief period of time. But by year end we should come below INR1,000 crore .

Munjal Shah - Analyst, NSFO
And this you are expecting will be 0.5 debt equity by end of financial year '28?

P.A. Padmanabhan - President, Finance and Group Chief Financial Officer, Rane Group
Yes.

Munjal Shah - Analyst, NSFO
Correct. It is fair to assume, right?

P.A. Padmanabhan - President, Finance and Group Chief Financial Officer, Rane Group
Correct.

Munjal Shah - Analyst, NSFO
I have a couple of questions, if I may, please . Why is this increase in capex in RML by almost INR70-INR110 crores in financial at '27 and capex for financial year ' 28?

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

Munjal Shah - Analyst, NSFO
Sure. And sir on this EBITDA margin you mentioned this friction business of Hindustan Composite, the EBITDA margins are 11%, 12%.

P.A. Padmanabhan - President, Finance and Group Chief Financial Officer, Rane Group
Yes.

Munjal Shah - Analyst, NSFO
So. But if I see the number, so you have reported it INR315 crores of turnover and INR 40 crores of PBT. So that itself PBIT margin is 13%. So what is...

P.A. Padmanabhan - President, Finance and Group Chief Financial Officer, Rane Group
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 businesses segments and then there is some 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%.

Munjal Shah - Analyst, NSFO
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 - President, Finance and Group Chief Financial Officer, Rane Group
As you know we will constantly be endeavoring to keep improving the margin, to some extent...

Munjal Shah - Analyst, NSFO
That is also a listed entity. Okay, so it not...

P.A. Padmanabhan - President, Finance and Group Chief Financial Officer, Rane Group
Yeah, 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 margin. But company to company it could vary depending on their product profile as well.

Munjal Shah - Analyst, NSFO
So just last one clarification. The EBITDA margins for this year you're expecting to be close to double digit, financial year ' 27, right?

P.A. Padmanabhan - President, Finance and Group Chief Financial Officer, Rane Group
Yes.

Munjal Shah - Analyst, NSFO
Or for the year as a whole?

P.A. Padmanabhan - President, Finance and Group Chief Financial Officer, Rane Group
For the year as a whole. Yeah.

Munjal Shah - Analyst, NSFO
Yeah. Okay. Thanks a lot sir. Thank you very much.

Operator
Thank you. Next follow up question is from the line of Raja Kumar Vaidyanathan from RK Invest. Please go ahead.

Rajkumar Vaidyanathan - Analyst, RK Invest
Yeah, thanks for the follow up. I just have two more questions. The first question is on this merger at Rane Holdings level. I just want to know where are the -- are we looking at merging all the entities up to Rane Holdings?

P.A. Padmanabhan - President, Finance and Group Chief Financial Officer, Rane Group
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 the appropriate time if at all this required. As of now we don't have any such plans.

Rajkumar Vaidyanathan - Analyst, RK Invest
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 will be any change in the capex plan of the ZF?

P.A. Padmanabhan - President, Finance and Group Chief Financial Officer, Rane Group
See, as you know, even when both the steering gear division, the 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 this individual companies will reach out for any debt requirement as may be required.

Rajkumar Vaidyanathan - Analyst, RK Invest
Okay sir, thank you so much.

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

Sunil Kothari - Analyst, Unique PMS
Thanks for opportunity again. Just two questions. You say that there is a one or some other preponement to the current year from the next. Hello.

P.A. Padmanabhan - President, Finance and Group Chief Financial Officer, Rane Group
Yeah.

Sunil Kothari - Analyst, Unique PMS
So that is related to exports or domestic and what type of -- b ecause exports is growing really well. So how you see this sustainability of steering division exports and this new orders features. That's the first question and that is on our Rane brakelining segment removing -- keeping aside Hindustan Composite, we are I mean almost last three four quarters almost static between 135 crore plus minus 345 crore. So what is stopping us from growing? Because the two wheeler and the other industries also growing.

So you can explain why this is not growing.

J. Ananth - Executive Vice President, Finance & Chief Financial Officer, Rane Holdings Limited
Okay so I am not very clear on the second question. Which division are you actually talking about?

Sunil Kothari - Analyst, Unique PMS
Rane brake division -- breaking division.

P.A. Padmanabhan - President, Finance and Group Chief Financial Officer, Rane Group
Okay, got it. Yeah. So see Rane break division we see a lot of opportunities in terms of growth, right. So one is of course pillar, it will be a growth. And then with Hindustan Composite friction business we see progressing well on both railways as well as commercial vehicle. And on top of it our aftermarket -- a ftermarket is a sizeable for 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 projects. 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 joints and many of the programs, what we are actually saying 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 - Analyst, Unique PMS
Right. And sir last question is Manisha had asked about this Rane Holdings, this JVT, the margin falling from . Our normal margin was also always between 11.5, 12. Last quarter Q4 we reached to 13.5, 14. But again Pa [Phonetic] and you explained, somewhat not able to understand. If you can little bit more clarity on the fall in margin of first quarter of this JV.

P.A. Padmanabhan - President, Finance and Group Chief Financial Officer, Rane Group
One second we'll just.

Sunil Kothari - Analyst, Unique PMS
Please.

S. Prasad - Associate Vice President, Corporate Planning, Rane Holdings
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 airbag. So if there is more of sale of seat belts because of that core product mix also this margin gets impacted.

Sunil Kothari - Analyst, Unique PMS
And sir, if I can switch one more question. After long we have seen this light metal segment really growing w ell, exports grown almost 50%. Domestic has also grown 20%. Thus is there any new order or new products, new customer? What is happening? If you can say something more about this aluminium casting region.

S. Prasad - Associate Vice President, Corporate Planning, Rane Holdings
Yes. Structurally lightweighting as a theme is very favorable. Correct. And the metal price which is aluminum price has also increased. So some portion of that growth is related to the aluminium 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 growth.

Sunil Kothari - Analyst, Unique PMS
Thank you very much. Thank you.

Operator
Thank you. [Operator Instructions] N ext question is from the line of Pratik Kothari from Unique PMS . Please go ahead.

Pratik Kothari - Analyst, Unique PMS
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 it to what it was earlier.

S. Prasad - Associate Vice President, Corporate Planning, Rane Holdings
Yeah. So this is similar to what we have been giving. Right. Earlier we were actually giving it as a per annum value. However, when we actually benchmark with other peer companies, both India as well as globally, they have actually mentioned as a -- in a lifetime value. So which is -- w hich indicates the -- b ecause most of the projects that we have are for more than six years, six and a half years kind of a time frame. Just to reflect upon that we have actually moved to this lifetime value.

Pratik Kothari - Analyst, Unique PMS
This would be about five, six years each?

S. Prasad - Associate Vice President, Corporate Planning, Rane Holdings
Yeah. So, if you look at it from the current revenue perspective, right. So this lifetime value will be 6.2, 6.4x.

Pratik Kothari - Analyst, Unique PMS
Okay, great. Thank you. Okay, thank you.

Operator
Thank you. Next follow up question is from the line of Manish Goyal from ThinQwise Wealth Managers LLP. . Please go ahead.

Manish Goyal - Analyst, Thinqwise Wealth Managers LLP
Thank you so much. Sir, on aftermarket, over there also have we taken the price hikes in the current quarter or we are planning to take. And also the second question yeah, sorry, go ahead.

P.A. Padmanabhan - President, Finance and Group Chief Financial Officer, Rane Group
We have taken price increase.

Manish Goyal - Analyst, Thinqwise Wealth Managers LLP
Okay. 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 ma rgins or raw material cost contract.?

S. Prasad - Associate Vice President, Corporate Planning, Rane Holdings
Yeah, something around 20%, 22% would be outsourced.

Manish Goyal - Analyst, Thinqwise Wealth Managers LLP
Okay. So it will have some impact on the gross margin, 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 -- in for quarter one. So is there any particular reason not to share that? 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 - Associate Vice President, Corporate Planning, Rane Holdings
We have actually given this in our Rane Holdings we have the revenue breakup.

Manish Goyal - Analyst, Thinqwise Wealth Managers LLP
No, but that is -- the presentation is saying FY26. It is not saying quarter one FY27.

S. Prasad - Associate Vice President, Corporate Planning, Rane Holdings
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 slides. Rane Madras we have given subsequently and then Rane steering as well as JVs.

Manish Goyal - Analyst, Thinqwise Wealth Managers LLP
No, I agree sir. What I am saying at a group level the revenue breakup for say vehicle wise and business wise...

S. Prasad - Associate Vice President, Corporate Planning, Rane Holdings
No, once we have -- this format, we have actually thought this is more appropriate representation because we are not talking at a group sales in any other metric. So group sales indicate the group size and position and that we will update once a year.

Manish Goyal - Analyst, Thinqwise Wealth Managers LLP
Okay. Great sir. Thank you so much.

S. Prasad - Associate Vice President, Corporate Planning, Rane Holdings
Thank you.

Operator
Thank you. [Operator Instructions] As there are no further questions, I now hand the conference over to the management for the closing comments.

P.A. Padmanabhan - President, Finance and Group Chief Financial Officer, Rane Group
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 pe rformance. Thank you.

Operator
[Operator Closing Remarks]