Management Discussion

Sridesh Chavan - Partner in Strategy and Transactions and Head of the Investor Relations Advisory Practice, EY India
Thank you, Muskan. Good afternoon, everyone. Welcome to the Q2 FY27 earnings conference call of the Rane Group. To discuss on the announcement and answer your questions today, we have the management team from the Rane Group represented by Mr. Harish Lakshman, Chairman of Rane Group; Mr. P.A. Padmanaban, President, Finance and Group CFO; Mr. B. Nana Sambandham, Senior Executive Vice President, Finance and CFO of Rane Madras Limited; Mr. J. Anand, Executive Vice President, Finance and CFO of Rane Holdings Limited; Mr.

S. Prasad, Vice President Corporate Planning of Rane Holdings Limited. Please note that the results and presentations have already been mailed to you and you can also view it on the company's website. In case anyone does not have the copy of presentation or you are not marked in the mail, please do write to us and we will be happy to send you the same. Before we start, I would like to say that everything that is said on this call that reflects any outlook for the future or which can be constructed as a forward-looking statement must be viewed in conjunction with the risks and uncertainties that we face.

These uncertainties and risks are included but not limited to what we mention in the prospectus and subsequently in annual report, which you can find on our website. With that said, I will hand over the call to Mr. Harish Taxman. Over to you, sir.

Harish Lakshman - Chairman, Rane Group
Yeah, thank you, Sidhesh. Good afternoon, ladies and gentlemen. Thank you for dialing in and a warm welcome to all of you to this call to discuss our results for the 2nd quarter FY27. I'll now begin with a few comments on the overall industry. The Indian automotive industry had a strong 2nd quarter with domestic sales growing across all major vehicle segments. Demand was supported by healthy consumer sentiment, continued premiumization, rising EV adoption, and better affordability after the implementation of GST 2.0.

Overall, this broad-based growth reflects the resilience of the domestic demand and gives us an encouraging outlook for the industry. Some of the key highlights in, in the group: we completed the acquisitions of the friction business of Hindustan Composites Limited on August 20th, 2026. RML's consolidated results include the friction business from that date. Integration is on track with our 12 to 18 month plan. Our brake components and the Compo- newly acquired Compo team have started joint tendering and integrated procurement.

We expect the synergy benefits to come through in FY28. Rane 's total revenue for Q2 FY27 was Rs 1,242 crores against Rs 923 crores in Q2 FY26. Growth of about 35%. Organic growth was about 30%, and the balance of about 5% came through the acquisition of Hindustan Composites. The order wins continue to remain very strong for us. We secured 26 new programs in the quarter, adding about Rs 614 crore to our order book in lifetime value terms. On top of the Rs 2,040 crore we booked in Q1. Export programs accounted for approximately 59% of this value.

These programs typically begin contributing 12 to 24 months after the award, in line with the customer's start of production, and the full value is realized over the following 6 to 7 years on average. There are exceptions to it as well. Some run Some runs for 1 to 2 years, typically in a tender-based railway business, and some run longer, 8 to 9 years on exports and CV business, depending on the product refresh cycle. I would also caution that the order wins in LTV terms will be

lumpy from quarter to quarter.

The number depends on when OEMs take their sourcing decisions and on the size and life of the programs awarded in that quarter. Would encourage you to look at these order wins over 3 to 4 quarters rather than quarter on quarter. Rane margins- despite the heavy industry headwinds, RML's EBITDA margin expanded 21 bps to 9.2%. We recovered most of the commodity price increases from our domestic OE customers and and passed on some of the increases in the aftermarket. Part of this recovery will come with a lag of one quarter.

Pricing with our export customers is not indexed to commodities, so recovery there depends on negotiations and customer pushback, citing better forex realization or the tariff overhang. Some costs, such as minimum wage increase, cannot be passed on, and we are offsetting them through operational improvements. The West Asia situation has also raised freight and other costs, and the sharp rise in volumes has created inefficiencies across the supply chain, including expedited freight, which we have absorbed- which we have some of it which we have absorbed to keep our customers supplied.

We expect some of these pressures to continue into Q3. As a result, we now expect to reach double-digit EBITDA margins 1 to 2 quarters later than we had indicated earlier. Coming to CapEx in our Rane, we invested about close to Rs 75 crores in CapEx during Q2 and about Rs 150 crores in the first half, about Rs 50 crore more than the first half of last year. Most of it went into our steering and linkage business and the brake components business to add capacity for the new businesses we have won. For the full year, we plan a CAPEX of close to Rs 300 crores, at the, at the upper end of the Rs 270 to Rs 300 crores that we had indicated in August.

This is mainly due to advancement of certain customer programs. The overall debt in Rane went up during the quarter mainly because of the acquisition price we paid for the Friction business and our ongoing CapEx. RML's net debt-to-equity was 1.15 times at the end of September against 0.94 at the end of June. Working capital also went up in the first half. Strong demand meant higher raw material purchases and and supplier capacity constraints required some early payments to vendors. During the quarter, we completed the sale of 3.48 acres of land at Velachery, Chennai, for a total consideration of Rs 361.2 crores or Rs 292.1 crore net of tax, which is as shown in the exceptional item in the results.

We have received Rs 200 crores so far and the balance will come in as per the terms of the agreement. These proceeds will help our investments as well as bring down debt. Coming to the joint ventures, the warranty at ZF Lifetech Rane- at ZF Lifetech, based on further inputs and the ongoing assessment of the cost of inspecting and replacing parts on vehicles, an incremental warranty provision was made this quarter. Rane Holdings' 49% share of this is Rs. 41.5 crores, which is shown as an exceptional item in RHL's consolidated results.

Discussions with the customer and other relevant parties are underway covering the extent of the recall, the sharing of costs, and the expected vehicles that will come in for correction. Based on the assessment so far, ZF Lifetech Rane believes the cumulative provision as of September 30th, 2026 is adequate. This process will take time and we expect it to run beyond the 2nd quarter of FY27-28. We will keep our investors informed as the position becomes clearer. ZLRAI, uh, the joint venture for seat belt and airbags, grew by 56% year on year in Q2 27.

To fund the growth in this business, the JV partners decided to invest in equity through a rights issue. Rane Holdings have invested Rs 80.85 crores towards this. Looking ahead, we expect the positive momentum to continue in the second half, although great growth rates may moderate as the

base normalizes. We remain mindful of the supply chain disruptions and cost escalations. The current priority is to turn the business momentum into sustainable margin improvement by improving operational efficiency and enhancing cost reduction.

Equally important will be managing working capital and steadily improving our net debt-to-equity. With these remarks, I will now open it for your questions. Thank you very much.

Operator
Thank you very much. Thank

Shubham Jain - Analyst, NV Alpha Fund
You very much.

Questions & Answers

Operator
We will now begin the question and answer session. Anyone who wishes to ask a question may press star and 1 on the touchtone telephone. If you wish to remove yourself from question queue, you may press star and 2. Participants are requested to use senses while asking a question. Ladies and gentlemen, will wait for a moment while the question queue assembles. The first question is from the line of Pratik Kothari from Unique PMS, please go ahead.

Pratik Kothari - Analyst, Unique PMS
Hi, good afternoon, thank you. Sir, couple of questions on Rane Madras. One on margins, if I mean, disp still margins are around 9. So if you can just highlight- I mean, last, I think, couple of calls you also highlighted we had appointed a few professionals to kind of solve for this. So one, where are we in that journey? And when you say 1-2 quarters delay, I mean, what was the earlier target and what is the target now for double digit?

Harish Lakshman - Chairman, Rane Group
Yeah, I mean, the earlier target, as I had mentioned earlier, was that towards the end of this financial year we were hoping to start doing double-digit EBITDA margins consistently, but now given all the challenges that we are having, uh, you know, we see a pushback on this by a couple of quarters. As far as the initiatives are concerned, uh, you know, they are progressing quite well. Of course, there are some, you know, minor delays in some implementation of some cost-saving projects, but But by and large, I would say that it's progressing in the right direction.

And I must tell you that initiatives like those are playing a significant role in helping us maintain our margins. You know, when I look at the industry, the auto component industry generally, both, both Q1 and Q2 results, most companies have dropped their margins. Of course, there's many of them might be higher than us, but they're all struggling to maintain margins. But I think some of the initiatives that we have taken in terms of cost savings as well as recovery is what has helped us to maintain or slightly improve our margins.

Pratik Kothari - Analyst, Unique PMS
Okay. So second, on exports, I think we did exceptionally well this quarter. So anything to call out? The momentum has started I think for the last 4-6 quarters, but this was exceptionally strong.

Harish Lakshman - Chairman, Rane Group
Yeah, I mean, I think basically that there is a strong pull from some new programs and some of the existing programs also, the volumes, you know, doing slightly better than what we had planned as well as better than last year. So that is what is driving the growth. But as I said, overall we remain- continue to remain optimistic on exports. Our order booking is strong. As well as the outlook forecast on programs that are currently under production is also looking good.

Pratik Kothari - Analyst, Unique PMS
And lastly on debt, right, so our plan was to bring it down to a certain level. Now the money that we received from Velachery kind of got utilized in the acquisition we did. So what plans now because the money- I mean continuing on this Rs 250-300 crores of CapEx also kind of utilizes the cash that we might be generating going forward. So how do we solve for this? I mean, do we accelerate those 4-5 other land parcels that we have left? But that I believe was a very small, not very large number. So how else do we bring this down?

Harish Lakshman - Chairman, Rane Group
Yes, I mean, for sure, I think our original plan of using the Vailacherry proceeds completely to pay off the debt did not happen because of this opportunity for acquisition that came up. Which was of course done partly through debt and partly through some internal accruals. So obviously therefore the debt remains at similar levels as, you know, compared to the earlier times. So this continues to be a focus area. I think of course there is active work going on in terms of selling a couple of other parcels of land.

But as and when I think we reach too close to the transaction happening and the probability increases, of course we will share with the investors. So definitely that is one initiative. I mean, the other is we'll continue to focus on improving our working capital. If you can see, actually some inefficiency has also crept into the system when it comes to working capital management. So I think a lot of the debt that has increased is also driven by that. So they were, you know, the last 2 quarters have been chaotic in terms of trying to cope with demand as well as all the supply chain disruptions.

So therefore automatically some inefficiencies have crept in. So we are looking to tighten some of those areas in the next couple of quarters and hopefully, you know, that can try and bring down the debt by 100-150 crores. But of course the growth is also happening, so the CapEx beyond a point will not- we can't postpone. So we don't have full guidance on when the debt levels will come down significantly. I mean, we are very confident that the net debt to equity will continue around this, over around 1, but we would like to see it go down further.

We're still evaluating, and we thought once Q3, Q4 performance becomes clear, we will, we will take a view on what we want to do next year.

Pratik Kothari - Analyst, Unique PMS
Correct. So this couple of parcels of land that you talked about, I mean, are these material in size?

Harish Lakshman - Chairman, Rane Group
Uh, very difficult to estimate, uh, but yeah, there- it's not very, very small either. It will not be in the scale of Velachery, but it could be, uh, all that- all the- both the parcels put together can be over 100 crores, any, any 100 plus. I- it could be anything, I don't know.

Pratik Kothari - Analyst, Unique PMS
Yeah, fair enough. Okay, great. Thank you, sir. Thank you.

Operator
Thank you. A reminder to all the participants, you may press star and 1 to ask question. The next question is from the line of Rishabh Sherdil from Praveen Retail Wealth, please go ahead.

Rishabh Sherdil - Analyst, Praveen Retail Wealth
Yeah, hi, good afternoon. Am I audible? Yes. So sir, uh, of the roughly 46% growth that we are seeing in steering and linkages at Rane and about 36% in the Rane steering systems, how much of this is related to the new program ramp-up and what part of that is related to the existing programs. Uh, also at Rane Steering Systems, is the extra volume coming from legacy or is it coming from the new business? Uh, the- so the order wins at Rane Steering Systems continue to be very weak, sir. It's around Rs 5 crores for this quarter.

So, uh, can you please, uh, throw some light on these 2 aspects?

Harish Lakshman - Chairman, Rane Group
Because of the overall industry boom that is happening, there is some new program, but we don't have the split-up readily available, so I don't want to give any numbers. But I can tell you that most of it is driven by the organic growth at the overall domestic market. See, as far as Rane Steering Systems is concerned, definitely the The poor, you know, the low margin continues to bother us. As I said, this is a legacy problem that will take time to overcome. Now, we have all the new businesses that we are booking, they are at a higher margin with all the customers, whether it is a Maruti or a Renault-Nissan or Mahindra, etc.

But those programs to see the full impact of that is going to be only the FY28-29. So while we will see small improvements in margins in the next 18 to 24 months, uh, to see a, you know, a recognizable improvement in margin is still going to take that 18 to 24 months.

Rishabh Sherdil - Analyst, Praveen Retail Wealth
Right, right, sir. And, uh, just again, in terms of highlighting, uh, the provisions that we are taking in ZF Rane. So I think it started somewhere in Q3 FY26, and, uh, uh, what, uh, and it was revised upwards once. So, uh, you have already said in your opening remarks that, uh, you don't see, uh, any more revision, but can you just throw some light on, like, uh, uh, you haven't specified a timeline on when this pro- uh, when this problem for us will actually end. So Every quarter we are always in a kind of a dismiss whether the new provisions will come or not.

P.A. Padmanaban - President of Finance and Group Chief Financial Officer, Rane (Madras) Limited
So

Rishabh Sherdil - Analyst, Praveen Retail Wealth
That's a very worrying

P.A. Padmanaban - President of Finance and Group Chief Financial Officer, Rane (Madras) Limited
Thing

Rishabh Sherdil - Analyst, Praveen Retail Wealth
For us as investors.

Harish Lakshman - Chairman, Rane Group
Yeah, all I can say is that at this point in time, given all the information, further provisions is very unlikely. I, I mean, I cannot say 100% guarantee they will be- it will not be, but I am reasonably confident given what has been going on on that issue, it is very, very unlikely that there will be any further provision. And also as I explained in my opening comments, these are only provisions at this point in time. There is no cash outflow. Discussions are still going on and there are again- it is a complex process with multiple agencies.

I mean, the customer is in US and then it's a- but it's a Korean-origin customer and then we have our partners. So discussions are going on. I don't expect clarity on what the final number will be till Q2-Q3 of next financial year. But in all probability it will be the amount that we have provided for or lower. At this point in time it doesn't look like it will be higher,

Rishabh Sherdil - Analyst, Praveen Retail Wealth
Right? So just one follow-up question on what you said. So what is the actual payment against the provision that we have done? So currently we have done Rs 120 crores of provision, right, which was Rs 80 earlier and then Rs 40. But how much of it is provided? And, uh, in your best assessment, uh, can we, uh, see some write-back of provisions if you say that, uh, we don't see any, uh, incremental provisions being taken?

Harish Lakshman - Chairman, Rane Group
Yeah, so right now what has been paid out is zero, and I don't see anything being paid out till Q2 of next financial year. Uh, but I'm not able to comment whether, uh, you know, whether there will be any writeback. It is possible, um, but as of today, we don't think it will be higher than what we have provided for. So it will be what we have provided for or lower, in which case there will be a writeback. Yeah,

Rishabh Sherdil - Analyst, Praveen Retail Wealth
Right, right. But, uh, in terms of the operational debt, so I think, as if my memory serves me right, we had earlier, uh, asked for a callback of around 9.5 lakh vehicles, right? Uh, how much of those would have come back? Can you give some operational number which gives us some clarity that what gives you the confidence that there will be no more provisions?

Harish Lakshman - Chairman, Rane Group
Yeah, that has been based on the estimates that have been drawn up with the customer. So on the basis of that, I don't have the exact number with us because the customer also does not fully share with us out of that 9.5 lakhs, how many have come, how many have changed, etc. We also keep pushing them, so it's a It's a complex process by the time we get that information, so we don't have it. So,

Rishabh Sherdil - Analyst, Praveen Retail Wealth
Exactly. But I assume that when you say that you are very reasonably confident that there will be no, uh, no upward revision, so I'm sure that you have some basis to say that, right?

Harish Lakshman - Chairman, Rane Group
Yeah, based on the discussions with the customer.

Rishabh Sherdil - Analyst, Praveen Retail Wealth
Okay, okay. I have more questions. I'll come back in the queue.

P.A. Padmanaban - President of Finance and Group Chief Financial Officer, Rane (Madras) Limited
Sure.

Operator
Thank you. Thank you. The next question is from the line of Rajakumar Vaidyanathan from RK Invest. Please go ahead.

Rajkumar Vaidyanathan - Analyst, RK Invest
Yeah, good afternoon. Thanks for the opportunity. So I sent out my questions to the EYT. I don't know whether you've received it.

Harish Lakshman - Chairman, Rane Group
No, I, I have not seen it.

Rajkumar Vaidyanathan - Analyst, RK Invest
Okay, no problem. So the first question is, uh, I just want to know, uh, the Rane LifeTech, uh, performance for this quarter. It's been really good. So just want to know, is there any one-off, or this is more like, uh, going to be the current performance? Rane LifeTech JV?

Harish Lakshman - Chairman, Rane Group
Yes. Well, I didn't understand. What is it? No,

Rajkumar Vaidyanathan - Analyst, RK Invest
I want to know whether that performance is going to be steady state now, go forward, because you have shown a significant bump up in top line.

Harish Lakshman - Chairman, Rane Group
Yeah, yeah, we expect this kind of growth and the margin to get- growth to continue and the margins to get sustained.

Rajkumar Vaidyanathan - Analyst, RK Invest
Okay, great, sir. Sir, and you also mentioned this warranty provision, there is no cash flow as of now. So just want to know, what is this rights issue that we have done in LifeTech? What is this? Uh, I missed your initial comment, sorry about that.

Harish Lakshman - Chairman, Rane Group
Yeah, so we have done a rights issue. Both the partners have brought in close to 165 crores, that is mainly towards funding the future growth of the business. Okay, okay.

Rajkumar Vaidyanathan - Analyst, RK Invest
And you also have this money on this warranty also, right? So

Harish Lakshman - Chairman, Rane Group
I mean, that is a provision in the books as of now. There has been no cash outflow so far. So this equity investment is more to fund the future growth.

Rajkumar Vaidyanathan - Analyst, RK Invest
Okay, and do you expect this funding to be bumped up further in the days to come, or this is going to be sufficient for the next 1 or 2 years?

Harish Lakshman - Chairman, Rane Group
So we have- no, so we might- there might be some more, we don't know at this stage. It all depends on what kind of growth we see in the joint venture, because as you know, a lot of this growth in the joint venture is not only through the domestic demand but also the export, which a lot of it comes through mutual discussions with our partners, NF Lifetech. So if there is more opportunities to increase the exports which calls for additional investments, then, you know, we might bring in some more capital into the business.

The debt levels in the joint venture are still high, so we definitely don't want to take on more debt in the joint joint venture. So in which case the 2 shareholders will continue to bring in equity. So discussions are still going on whether there will be more investment next year.

Rajkumar Vaidyanathan - Analyst, RK Invest
Okay, and how that will be funded, sir? Because we are already, uh, you know, plans, plans to reduce debt on the Rane side. So how will you fund those equities?

Harish Lakshman - Chairman, Rane Group
Yeah, so I mean, this investment comes through Rane Holdings Limited. And not in Rane Madras. So in Rane Madras, the lot of the focus, entire focus is on reducing the debt. Rane Holdings, there is very, very little debt in the books of Rane Holdings.

Rajkumar Vaidyanathan - Analyst, RK Invest
Okay, okay, got it, sir. So, and there was a talk that ZF will hive off this LifeTech division at some point, and I think in the last conference they mentioned that they have kind of put that plan in advance. So, so is that, is that a correct understanding?

Harish Lakshman - Chairman, Rane Group
That, that is correct. So what ZF did was they carved out their global business into a separate legal entity, which is why we also split our joint venture into 2 separate entities. After having done that, ZF has now put the sale- I'm given to understand that ZF has put the sale of either ZF LifeTechs either a complete sale or an IPO or a capital raise on hold. So, so as far as we are concerned, it is business as usual. The 2 joint ventures continue to run the way they've always been running.

Rajkumar Vaidyanathan - Analyst, RK Invest
Okay, got it, sir. So moving to the next question on Rane Steering, uh, you, you mentioned one of the calls that even though the margins are less, uh, you are still making ROC of more than 15%. I just want to understand, see, because the bottom line is very meager, so just want to know how they are making 15% ROCE. If you could just clarify that.

Harish Lakshman - Chairman, Rane Group
No, I think maybe there's a communication gap. We will be reaching 15% plus ROCE in the next 3 years. So in FY29, we are, we are confident of going above 15%, not right now.

Rajkumar Vaidyanathan - Analyst, RK Invest
Okay, got it, sir. So lastly, on the warranty provision, can you tell me what is the euro number closing provision?

Harish Lakshman - Chairman, Rane Group
Euro?

Rajkumar Vaidyanathan - Analyst, RK Invest
Ah, because it is made in euro, right? Currency.

P.A. Padmanaban - President of Finance and Group Chief Financial Officer, Rane (Madras) Limited
31 million.

Harish Lakshman - Chairman, Rane Group
So will it keep changing every quarter? We'll be doing- yeah, that's what he's asking. So we are Thirty, thirty-one, thirty-one million.

Rajkumar Vaidyanathan - Analyst, RK Invest
This is the total provision, right? Total provision, right?

Harish Lakshman - Chairman, Rane Group
Correct.

Rajkumar Vaidyanathan - Analyst, RK Invest
Yeah. No. Okay, sir. I have few more questions. I'll join back.

Harish Lakshman - Chairman, Rane Group
Just to clarify, thirty-one million is the total provision. Rane holding share is forty-nine percent.

Rajkumar Vaidyanathan - Analyst, RK Invest
Okay, sir. So I have few more questions. I'll join back.

Operator
Thank you. Thank you. The next question is from the line of Manish Goyal from Thinkwise Wealth Managers LLP. Please go ahead.

Manish Goyal - Analyst, ThinQwise Wealth Managers LLP
Uh, yeah, thank you so much. A couple of questions on Rane Madras first. Uh, so, uh, you did mention that 5% of the growth was from Hindustan Composite. So can you just quantify that number and how were the margins into it and How should we look at overall, uh, the Hindustan Composites friction business growing in FY27 over FY26? And, uh, like, if you can also give a breakup of the revenue between Indian Railways, CV, and aftermarket, basically related to Hindustan Composites.

Harish Lakshman - Chairman, Rane Group
Sorry, so but the sales was how much? 43 crores. 43 crores, Manish, was the-

Manish Goyal - Analyst, ThinQwise Wealth Managers LLP
Okay, okay, okay. And on the margin side, like, uh, last time you had indicated EBITDA margin is in range of 13 to 14%, so, uh, that is first question, how are the margins? And second is, uh, in FY27, do we expect this business to see growth over FY26? Like what kind of growth and what kind of margins?

Harish Lakshman - Chairman, Rane Group
Yeah, so the margins continue to be in double digit. Obviously the margins have come down due to the material cost pressures. Just like every other business, it's hit the friction business as well. But the margins continue to be double-digit. As far as the business growth is concerned, uh, you know, uh, both, both our friction business as well as the Hindustan Composites put together, we are

looking at about a 10% growth.

Manish Goyal - Analyst, ThinQwise Wealth Managers LLP
Okay, okay. And, uh, would it be possible to just broadly give the breakup? How is the Hindustan Composites revenue breakup between railways, CV, and aftermarket, and whatever, right?

Harish Lakshman - Chairman, Rane Group
Unfortunately, we don't have that information right now.

Manish Goyal - Analyst, ThinQwise Wealth Managers LLP
Okay, okay, okay, okay. And the second question on the light metal casting- that piece of the business has also seen very strong growth, both domestic and exports. So how much was-

Pratik Kothari - Analyst, Unique PMS
How

Manish Goyal - Analyst, ThinQwise Wealth Managers LLP
Much is it due to the high aluminium prices and how much is due to volume-driven? And, uh, have we seen improvement in margins for this business, especially at the PBT level? And do we expect any capacity increase in the light metal casting?

Harish Lakshman - Chairman, Rane Group
Yeah, one second. Yeah, yeah. As far as the, uh, top line is concerned, uh, There is definitely good sales growth, not driven just by aluminium, but of course aluminium has also contributed. We don't have that split-up, how much is aluminium and price and volume. I don't think- no, I don't have the exact split-up, Manish, on how much is driven by price, but definitely there is a significant volume growth. As far as the profitability of the business You know, I would like to say that there is definitely a significant improvement compared to last year.

At an EBIT level, uh, the business has become positive, but at PBT level, we are, we are getting there. We're almost there at a PBT level too. So this kind of growth sustains and our operational improvement performance improves, I am hopeful that we will start breaking even on this business, and we may be generating a profit soon.

Manish Goyal - Analyst, ThinQwise Wealth Managers LLP
Okay. And are we looking to increase capacity or any plans on it?

Harish Lakshman - Chairman, Rane Group
Uh, no, there is no significant increase in capacity that we are planning. There is some very little bit, uh, some marginal increase that is planned and some replacement CapEx. So we have- we are not making any big capital commitments in the business. At this point in time.

Manish Goyal - Analyst, ThinQwise Wealth Managers LLP
Sure. And, uh, on, on, on Rane sharing, like you did mention that we are getting new business from other customers. So now is it meaningful in terms of that probably in the next 1 or 2 years we have, uh, new customers or non-Maruti customers contributing meaningfully fully to our revenue, uh, maybe say in FY28 and '29 on the order wins, what we have and what is there in the pipeline?

Harish Lakshman - Chairman, Rane Group
Yeah, definitely, definitely. We, you know, there will be one customer has started, the second one is

going to start, and the third one starts sometime in '28. So we'll definitely be having 3 new customers by the time we get to '28-'29.

Manish Goyal - Analyst, ThinQwise Wealth Managers LLP
But will it be, uh, say, Arish, will it be meaningful for us to kind of de-risk from Maruti?

Harish Lakshman - Chairman, Rane Group
No, see, when you say de-risk Maruti, uh, definitely from 85- today 85% of the sales is Maruti. That will still come down, but Maruti will be- continue to be a significant customer. And, and by the way, that's not a bad thing at all. Maruti is also doing quite well. And see, we have a specific margin problem on legacy products, which also we have solved, at least going forward, even with, with customers like Maruti.

Manish Goyal - Analyst, ThinQwise Wealth Managers LLP
Okay, okay, okay. And, uh, on, on, on our RML's Mexican subsidiary, is there any progress, uh, in terms of some of the programs we've got delayed? So are we likely to see any progress on Mexican substitute? No,

Harish Lakshman - Chairman, Rane Group
That's what unfortunately the delay has happened, but other than that there is no change from what we've been telling earlier. So we do expect, uh, you know, some small production to start towards end of this year and ramping up next year.

Manish Goyal - Analyst, ThinQwise Wealth Managers LLP
Okay, okay, fine, sir. I'll, I'll come back in the queue. I have a couple of more questions. I'll come back. Thank you so much.

P.A. Padmanaban - President of Finance and Group Chief Financial Officer, Rane (Madras) Limited
Yeah, thank you so much.

Operator
Thank you. The next question is from the line of Shubham Jain from NV Alpha Fund. Please go ahead.

Shubham Jain - Analyst, NV Alpha Fund
Uh, thank you for the opportunity. Uh, my question was an extension of the previous participant's question on Rane steering. Uh, the new customer wins that we've had and the new order wins that we've had, you know, what's sort of scale do we expect to achieve in the next couple of years? Will Maruti come down to about 60% or do we see this ramping up a little more slowly?

Harish Lakshman - Chairman, Rane Group
I think the ramp-up will be quite slow. See, not many customers in India can give the kind of volume that Maruti gives.

Shubham Jain - Analyst, NV Alpha Fund
So while definitely

Harish Lakshman - Chairman, Rane Group
We will reduce the dependence, I don't have an exact amount But definitely it won't be 60% in the

next 12 months, it'll be over a much longer duration if at all.

Shubham Jain - Analyst, NV Alpha Fund
Okay, and what's the size of business win or order win that we've won from these 3 new customers that are going to SOP over the next say 12 months or so?

Harish Lakshman - Chairman, Rane Group
So 2 customers only the business win has been there, the 3rd one is yet to happen. I maybe around 200-250 crore, 220 plus. Sara one maybe for 250-260 crore per annum, when, when they are going to production in full

Shubham Jain - Analyst, NV Alpha Fund
Volume, yes. Good, so it will take us two to three years for us to get to a reasonable rampup, once it starts.

Harish Lakshman - Chairman, Rane Group
Correct, correct, correct.

Shubham Jain - Analyst, NV Alpha Fund
Got it. And the reason for us to win this business is because we are gaining market share because of cost, or is it just because diversification at the end customer level?

Harish Lakshman - Chairman, Rane Group
Yeah, it's about diversification at the end customer level. I mean, cost in our industry, unless you are very competitive, you won't win any business. But yeah, I think it is mainly diversification and the renewed focus with which we are pursuing other customers after the full ownership, after having taken full ownership of the joint venture.

Shubham Jain - Analyst, NV Alpha Fund
Understood. And what sort of wallet share would we have won in the programs that we have won with these 3 new customers? Or potential 2 customers?

Harish Lakshman - Chairman, Rane Group
What do you mean wallet share?

Shubham Jain - Analyst, NV Alpha Fund
As in, if for a platform they have 100 steering packages that they take, have we gotten 20-25%? Have we gotten 50-60%? So generally

Harish Lakshman - Chairman, Rane Group
In the industry, for one platform it is one single source. So we win the volume for that entire platform. Yeah, yeah,

Shubham Jain - Analyst, NV Alpha Fund
Understood. Perfect. Uh, another question on the margins. You know, a couple of quarters back we've mentioned that we would start seeing sort of green shoots in FY28 itself, and probably closer to mid-single digits is where we would, uh, reach. You know, how have you seen this journey of margin improvement? And Raneesh, what part of the business today is already at a reasonable margin, or like a mid to high single-digit margin, what's at a compressed margin. So give some

direction, color, quantify some of this, that would be very helpful.

Harish Lakshman - Chairman, Rane Group
No, I mean, I, I continue to maintain that, you know, there are some legacy businesses that are still a significant portion which are, you know, uh, very, very low margin and even at a PBT level even negative. Uh, and then, but all the new businesses are more profitable. But so therefore these legacy businesses have to ramp down and the new businesses have to ramp up. So all this will happen over the next 2-3 years. I don't have the breakup of the split up on how much it will come down, how much the new program will go up.

It's also difficult to predict because it's a function of which car does well in the market, how a Baleno does versus how a Swift does, etcetera. So

Shubham Jain - Analyst, NV Alpha Fund
The general trend

Harish Lakshman - Chairman, Rane Group
Continues to be positive. Yeah,

Shubham Jain - Analyst, NV Alpha Fund
Got it. How much of our current revenue would still be at the legacy levels, which might be like TBT negative, like a broad range? I don't

Harish Lakshman - Chairman, Rane Group
Know, I'm guessing around 50%,

Shubham Jain - Analyst, NV Alpha Fund
But it'll be

Harish Lakshman - Chairman, Rane Group
More than that is what my team is telling. So I don't know the, you know, I'd like to take that back. I don't want to just guess some numbers. So it's a significant portion.

Shubham Jain - Analyst, NV Alpha Fund
Understood. And do we have the capacity to ramp up for these new programs in the Rane Care business?

Harish Lakshman - Chairman, Rane Group
Yes, we have also made some investments in the last 12 months to cater towards this.

Shubham Jain - Analyst, NV Alpha Fund
Understood. Got it. My second question was on Rane Madras. Sure, thank you. Thank you.

Operator
Thank you so much. Thank you. Ladies and gentlemen, in order to ensure that management is able to address questions from all the participants in the conference, please limit your question to 2-3 questions per participant. Do you have follow-up question? We request you to rejoin the queue. The next question is from the line of Vishal Shah from Praveen Retail. Well, please go ahead.

Vishal Shah - Analyst, Praveen Retail Wealth
Yeah, thanks for giving me an opportunity, sir. So how much of the editing is the net new business and how much replaces or induces programs that are ending? So for the H1B of Rs 2,654 crore, how much will be the net new and how much will be the replacement program?

Harish Lakshman - Chairman, Rane Group
Yeah, I'm sorry, unfortunately we don't have that number with us now.

Vishal Shah - Analyst, Praveen Retail Wealth
Any ballpark number,

P.A. Padmanaban - President of Finance and Group Chief Financial Officer, Rane (Madras) Limited
Sir?

Harish Lakshman - Chairman, Rane Group
One second. No, unfortunately we don't have the number. We don't want to give something that's not correct, so maybe we will look at bringing this in in the future.

Vishal Shah - Analyst, Praveen Retail Wealth
Okay. And second question, like, sir, based on that previous participant's question that, uh, we went 330 crore new Order for the Rane steering system in the H1 FY26, Q1 Rs 325 crore. So that includes the new OEM win, that revenue will start from the next year onwards. So Rs 325 crore, like how much contribution from the new OEM and how much for the old legacy contract? If you can quantify the Q1 new order win for the Rane steering system.

Operator
Hello hello

Harish Lakshman - Chairman, Rane Group
Hello, where are you getting this 320 crore [Foreign Speech] I not clear [Foreign Speech]

Vishal Shah - Analyst, Praveen Retail Wealth
Overall for the H1 new order win new business win for the Rane steering system will be 330 crore so 5 crore in Q2 and 325 crore in the Q1

Harish Lakshman - Chairman, Rane Group
Yes, so that's you're asking for the breakup of

Vishal Shah - Analyst, Praveen Retail Wealth
Yes asking for the legacy and the new

P.A. Padmanaban - President of Finance and Group Chief Financial Officer, Rane (Madras) Limited
Yes

Harish Lakshman - Chairman, Rane Group
No when you say legacy see the legacy is what is already in production all of this is with you you know replacement it could be replacement programs also I don't know if I'm answering your question All the new businesses that we are winning, the profitability is better. So if your question is a concern on profitability, all this is at a higher margin. It could either be an existing customer or new customer. Just go to that.

Vishal Shah - Analyst, Praveen Retail Wealth
Okay, if you can quantify how much is your new OEM that will start contributing from the next year onwards. So

P.A. Padmanaban - President of Finance and Group Chief Financial Officer, Rane (Madras) Limited
One second.

Harish Lakshman - Chairman, Rane Group
Yes no I think more this particular quarter in Q1 is entirely existing

Vishal Shah - Analyst, Praveen Retail Wealth
Customer. OK Thank

Operator
You. Thank you. Thank you. The next question is from the line of Aditya M from MK Global. Please go ahead.

Aditya M - Analyst, MK Global
Sorry,

Harish Lakshman - Chairman, Rane Group
I'm not able to hear you clearly at all. Your voice is not audible.

Aditya M - Analyst, MK Global
Sorry, is it better? Sorry, is it better?

Harish Lakshman - Chairman, Rane Group
Yeah, now it's better.

Operator
The party will leave the queue. The next question is from the line of Rishabh Sher Dalar from Praveen Retailer Wealth. Please go ahead. Yes, Mr. Rishabh, go with the question please.

Vishal Shah - Analyst, Praveen Retail Wealth
Hello,

Rajkumar Vaidyanathan - Analyst, RK Invest
Hello,

Vishal Shah - Analyst, Praveen Retail Wealth
Am I audible?

Rajkumar Vaidyanathan - Analyst, RK Invest
Yes,

Operator
Yes,

Rajkumar Vaidyanathan - Analyst, RK Invest
Please, you are.

Vishal Shah - Analyst, Praveen Retail Wealth
So sir, can you quantify that, uh, revenue growth in the Rane of 46% in Q2 and with that export up 70%? So can you quantify on that how much will be the on the volume and value? And second, how much will be on the currency part?

P.A. Padmanaban - President of Finance and Group Chief Financial Officer, Rane (Madras) Limited
Q2, you're asking for Q2,

Harish Lakshman - Chairman, Rane Group
Right?

P.A. Padmanaban - President of Finance and Group Chief Financial Officer, Rane (Madras) Limited
Yes, yes.

Harish Lakshman - Chairman, Rane Group
What is 16 crores? Exchange gain is 16 crores

P.A. Padmanaban - President of Finance and Group Chief Financial Officer, Rane (Madras) Limited
Over

Harish Lakshman - Chairman, Rane Group
Previous year. And volume and price. Yeah, unfortunately we don't have the exact split up. The forex is 16 crores, the other 2 is the combination of both.

Vishal Shah - Analyst, Praveen Retail Wealth
And how much was the forex gain in the last Q2 FY26?

Harish Lakshman - Chairman, Rane Group
Sorry, can you repeat the question?

Vishal Shah - Analyst, Praveen Retail Wealth
So you mentioned that sixteen crore gain effect over the previous year. So what was the gain in previous year? Like in you are mentioning Q1 FY27 or Q2 FY26?

P.A. Padmanaban - President of Finance and Group Chief Financial Officer, Rane (Madras) Limited
Q2

Harish Lakshman - Chairman, Rane Group
Q2 FY27 over Q2 FY26.

Vishal Shah - Analyst, Praveen Retail Wealth
So what was gain in Q2 FY23?

Harish Lakshman - Chairman, Rane Group
Oh, that we wouldn't have at this- no, last year.

P.A. Padmanaban - President of Finance and Group Chief Financial Officer, Rane (Madras) Limited
Yeah,

Harish Lakshman - Chairman, Rane Group
We don't have that information. Yeah, the Rs 16 crore is incremental over whatever we gained last

year.

Vishal Shah - Analyst, Praveen Retail Wealth
Hello. Like, sir, there are couple of more data points and we also requested a meeting through IR on any other. Can we connect post one call for the more data points?

Harish Lakshman - Chairman, Rane Group
Yeah, you can reach out to our IR team. Let's see what they can and they cannot do. Yeah, they can, they can assess. Yeah,

Vishal Shah - Analyst, Praveen Retail Wealth
Yeah. Thank you, thank you so much. Thank you so much.

Operator
Thank you. Thank you. The next question is from the line of Raja Kumar Vaidyanathan from RK Investments. Please go ahead.

Rajkumar Vaidyanathan - Analyst, RK Invest
Yeah, thanks for the follow-up. So this question is on the LifeTech JV. Uh, I just see that the margins, uh, for this quarter is almost similar to the previous year quarter margin, even though the revenues have jumped almost 50%. So just the question is why the operating leverage is not kicking in and the margins are not showing up. That is the first question.

P.A. Padmanaban - President of Finance and Group Chief Financial Officer, Rane (Madras) Limited
One second, can you show? Hello? Hello? Just hold on one second. Yeah, you're asking Zedala, the LifeTech, right? Yeah, yeah. Oh, okay,

Harish Lakshman - Chairman, Rane Group
Okay. No, no, I think, see, you have to look at it as a combined joint venture because last year it was a single joint venture. You need Including the steering business.

Rajkumar Vaidyanathan - Analyst, RK Invest
Oh, okay, okay, okay. Yeah, then sir, can you give us what is the outlook for this business in terms of, uh, how much revenue you are expecting the next 2 quarters, and also outlook for '27-'28, and also the margin, EBITDA margin?

Harish Lakshman - Chairman, Rane Group
So I mean, both these businesses will continue at double-digit EBITDA margins.

Rajkumar Vaidyanathan - Analyst, RK Invest
Okay, the current margins will be maintained or there is an opportunity to increase further?

Harish Lakshman - Chairman, Rane Group
No, it's all largely volume driven, so depending on the volumes there will be a fixed cost benefit. Yeah,

Rajkumar Vaidyanathan - Analyst, RK Invest
Okay. And on the top line, sir, this Rs 635 crore will be the base revenue go forward now?

Harish Lakshman - Chairman, Rane Group
Sorry, I didn't understand.

Rajkumar Vaidyanathan - Analyst, RK Invest
The, the Rs 635 crores top line which you have done in Q2, will that be the base revenue, uh, go forward?

Harish Lakshman - Chairman, Rane Group
Yes, yes, yeah.

Rajkumar Vaidyanathan - Analyst, RK Invest
And how much you will grow from this? Because you said you are investing further, so just want to know.

Harish Lakshman - Chairman, Rane Group
We are looking at this business continuously growing 25 upwards of 25% year on year.

Rajkumar Vaidyanathan - Analyst, RK Invest
Okay, okay. And, and also, sir, can you tell me what is the current interest cost this business and what is the outlook for that line item? Interest

P.A. Padmanaban - President of Finance and Group Chief Financial Officer, Rane (Madras) Limited
Cost. Yeah, the interest cost- no, that is So it's about 2%, 2 to 2.5% of sales.

Rajkumar Vaidyanathan - Analyst, RK Invest
Okay, and, uh, it will be maintained or it will come down because you're funding, uh, if you've done rights issues? So you just want to,

Harish Lakshman - Chairman, Rane Group
Uh, I mean, it will hover around this level, around, you know, 2%.

Rajkumar Vaidyanathan - Analyst, RK Invest
Okay, got it. So lastly, one request, sir. Sorry, it would be helpful if you upload the JV financials also in your portal so that the investors will get a better visibility of the JV numbers, because JVs are now significant to Rane Holdings profitability.

Harish Lakshman - Chairman, Rane Group
I mean, right now we are giving the combined numbers. I think we will review this.

Rajkumar Vaidyanathan - Analyst, RK Invest
Yeah, but we would need the balance sheet and cash flows actually. That would be really helpful. My humble request.

Harish Lakshman - Chairman, Rane Group
We'll review, we'll examine this.

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

Harish Lakshman - Chairman, Rane Group
Thank you so much.

Operator
The next question is from the line of Manish Goyal from Thinkwise Wealth Managers LLP. Please go ahead.

Manish Goyal - Analyst, ThinQwise Wealth Managers LLP
Uh, yeah, thank you so much. Uh, sir, on Rane Madras, the- as we have, uh, preponed the CapEx, now we are guiding for Rs 300 crores in the current year. So 2 questions on related to this. So now with this, uh, increased capacity, is it largely for the export, export order wins what we have seen in the first half? And we should be able to grow strong double-digit Exports in FY 27, 28, and beyond because in first half of the current year we have seen 36% growth in exports. So how should we understand that?

Will it continue to grow strong double digits and lead to overall double digit growth for Rane Madras going forward?

P.A. Padmanaban - President of Finance and Group Chief Financial Officer, Rane (Madras) Limited
Rane Madras performance export S D P

Manish Goyal - Analyst, ThinQwise Wealth Managers LLP
Harish, I'm probably referring to the CapEx. No, I was on

Harish Lakshman - Chairman, Rane Group
Mute. No, I said the growth is definitely going to be very strong. I, I'm not sure whether it will sustain at this 35% level, but it will be strong double digit. Yeah, it will for sure be strong double digit. The CapEx is going for both, Manish, both export as well as for domestic.

Manish Goyal - Analyst, ThinQwise Wealth Managers LLP
And, uh, presumably exports will have a better margin, right?

Harish Lakshman - Chairman, Rane Group
Yes.

Manish Goyal - Analyst, ThinQwise Wealth Managers LLP
Okay. And, uh, sir, on the- what, like, on the CapEx strategy, like last year we had done some leasing and sale and leaseback of the assets. And what I understand, we have also taken some area on leasing from Horizon Industrial Park as well in first half. So despite this, we are seeing a CapEx intensity to be so high. Like, if you can just talk about like how are we approaching towards this CapEx, like are we looking for both leasing as well as actual cash inflows? Outflow from the balance sheet?

Harish Lakshman - Chairman, Rane Group
Yeah, I think the CapEx number that we share of Rs 300 crores, that's the total CapEx. That could be a combination of internal resources, debt, or sale and leaseback. And I think today approximately Rs 100 crores, around Rs 100 crores in the balance sheet is through sale and leaseback. We will not- I mean, we will continue to do some, but we will not drastically increase it.

Manish Goyal - Analyst, ThinQwise Wealth Managers LLP
Okay, okay. And on the price hike, like, are you- like, in Q2, like, whatever cost increase we have seen in first half, are we able to take all the price corrections by Q2 end, or we will probably still need some more price hike and we'll see, uh, some, some result or benefit of that in quarter 2?

Harish Lakshman - Chairman, Rane Group
No, sir, definitely there is some more to be recovered which will spill into Q3. And also all the commodity prices, if there are further increases, then there will again be some lag. And as I explained in my opening comments, the challenge has been in getting these increases passed on to our export customers. We have not been able to do that because the contracts do not allow in many cases, and it has to be negotiated. So that is becoming a challenge, as I said, given the forex, uh, you know, rupee depreciation also.

So, so therefore domestic, we are confident whatever, you know, we will, we will recover from customers. But then of course there is always a numerator-denominator effect which impacts the margin.

Manish Goyal - Analyst, ThinQwise Wealth Managers LLP
Sure. Okay. And last question on the Rs 41.5 crore provision, what we have Is it net of tax or gross provision? Because earlier we had given a number of some 80-odd crores was net of tax. So is this net of tax or gross number?

Harish Lakshman - Chairman, Rane Group
Net of tax.

Manish Goyal - Analyst, ThinQwise Wealth Managers LLP
Okay, this is also net of tax. Okay, thank you so much.

Operator
Thank you. Thank you. The next question is from line of Rajakumar Vaidyanathan from RK Investments. Please go ahead. Please go ahead.

Rajkumar Vaidyanathan - Analyst, RK Invest
Yeah, so just one question on the RML. You said that the double-digit EBITDA will take 2 more quarters to achieve. So the current margins of 9 points which you've shown in Q2, that will be maintainable, or do you see some pressure on this margin?

Harish Lakshman - Chairman, Rane Group
No, no, we are hopeful of maintaining it and maybe even slightly improving it.

Rajkumar Vaidyanathan - Analyst, RK Invest
Okay. Yeah, that's all. Thank you.

Harish Lakshman - Chairman, Rane Group
Thank

Operator
You. Thank you. As there are no further questions

Rajkumar Vaidyanathan - Analyst, RK Invest
From the participants,

Operator
I now hand the conference over to the management for closing comments.

Harish Lakshman - Chairman, Rane Group
Thank you everyone for your questions and time. You know, we will continue to do our best, and I think while the growth opportunities look very very exciting. There are multiple challenges in terms of managing costs due to, you know, the various disruptions that are happening globally and the commodity prices. So, so we will continue to do our best. Thank you.

Operator
Thank you. Thank you. On behalf of Rane Group Limited, that concludes this conference. Thank you for joining us, and you may now disconnect your line.