

On well-defined growth path, premiumisation play

About the Company: RACL Geartech Limited (RACL) is an auto ancillary player manufacturing high-precision automotive components (gears, shafts, etc.).

- Geography Mix (FY25): Europe ~52%; India & Asia pacific ~46%
- Category Mix (FY25): 2W- 39%, CV- 17%, PV- 13%, ATV/RTV – 13%

Investment Rationale:

- **Premium Play with visible order pipeline to support future growth:** RACL Geartech has evolved from a small domestic gear manufacturer into a niche global supplier of precision engineered, safety critical automotive components focusing on premium & complex parts. RACL has secured a strong orderbook with significant SOPs wins from 2026, including high value projects like BMW's EV drivetrain gears (Project Venus) & parking lock systems (Project Titan) with a lifetime value of ₹520 crores, along with electric power steering components (Project Crystal) which is in collaboration with ZF Rane for a major US OEM for pick-up truck platform. Recently it has also won a nomination for shift drum for ATV (All-terrain vehicle) made by BRP Canada & a nomination for transmission parts of a Gearbox Assembly from largest premium 2-W player (domestic). These wins embed RACL firmly into premium mobility & EV value chain, ensuring **multi-year revenue visibility targeting ~₹1,000 crores sales by FY29-30E**
- **KTM partnership: growth revival and strategic upside:** KTM has been a long-standing premium customer for RACL, contributing ~15% to the annual revenue. After a brief production halt in FY25 due to restructuring, the business outlook has improved following Bajaj auto's capital infusion and takeover. KTM's resumed production and deepened India-Europe supply chain synergies means RACL's supply of transmission gears and drivelines parts is set for a strong rebound. Other than that, RACL supplies marquee global OEMs such as BMW Motorrad, ZF, Kubota & Aprilia among others. Due to the safety-critical nature of its highly precise components with long gestation cycle of quality check, switching costs for customers are high, resulting in strong customer loyalty and long-term program wins.
- **Export driven model with margin resilience, value-added products:** With ~70% of revenues from exports (~ 52% from Europe) and a shift towards low-volume, high-value parts, RACL maintains attractive margin profiles (EBITDA margins in the range of 20-25%) even in a competitive market. Its focus on complex, precision-engineered parts and forward integration from basic components to assemblies supports margin resilience.

Rating and Target Price

- We are positive on RACL driven by its strategic presence in premium auto component space with strong orderbook visibility targeting ₹1,000 crore sales over next 4-5 years. **We assign Buy rating on the stock and value it at ₹ 1,400 i.e. 26x P/E (~0.6x PEG) on FY27-28E avg. We are cognizant that the stock has run up in the past week & at times has low trading volume, however believe that it can potentially double over the next 24-30 months. Advice staggered buying for long term investment horizon.**

Key Financial Summary

Key Financials	FY23	FY24	FY25	5 year CAGR (FY20-25)	FY26E	FY27E	FY28E	3 year CAGR (FY25-28E)
Net Sales	358.2	409.5	415.1	14.4%	478.1	573.7	688.5	18.4%
EBITDA	81.6	96.1	82.5	13.9%	98.1	123.4	151.5	22.4%
EBITDA Margins (%)	22.8	23.5	19.9		20.5	21.5	22.0	
Net Profit	37.4	39.4	23.7	6.9%	38.1	54.0	73.5	45.8%
EPS (₹)	34.7	36.5	22.0		32.3	45.8	62.3	
P/E	30.8	29.3	48.7		33.1	23.4	17.2	
RoNW (%)	22.3	19.2	10.5		11.1	13.7	15.8	
RoCE (%)	16.6	14.2	9.5		10.5	12.6	14.6	

Source: Company, ICICI Direct Research



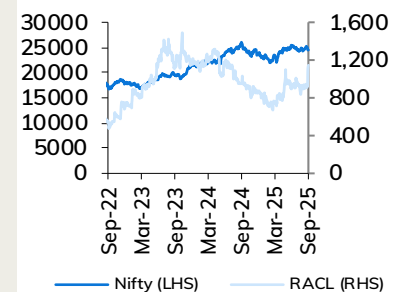
Particulars

Particulars	₹ crore
Market capitalisation	1,263
Total Debt (FY25)	302
Cash & Inv. (FY25)	3
EV (₹ crore)	1,562
52 week H/L (₹)	1120 / 648
Equity capital (FY25)	11.2
Face value (₹)	10.0

Shareholding pattern

	Sep-24	Dec-24	Mar-25	Jun-25
Promoter	53.3	53.3	51.3	42.7
FII	-	-	0.0	8.8
DII	0.0	0.1	0.1	2.9
Other	46.6	46.6	48.6	45.7

Price Chart



Recent Event & Key risks

- The company raised ₹80 crore via preferential issue @ ~ ₹800/share. To be used to reduce debt on B/S
- **Key Risk:** i) slower than built in sales growth over FY25-28E due to delay in executing orderbook (ii) lower than anticipated margin recovery amidst volatile commodity prices

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Company Background

RACL Geartech Limited is a leading manufacturer of transmission gears and shafts for automotive and industrial applications having a strong presence in Europe, Asia-Pacific, and North America. Established in 1980's, in New Delhi, as Raunaq Automotive Components Ltd. (RACL). The company was set up to manufacture precision engineered gears and transmission components for automotive OEMs in India and abroad. Over a period of time, it has built a reputation of a reliable & trusted manufacturer of high-precision automotive components serving leading premium OEMs & Tier-1 suppliers across vehicle segments.

It specializes in high-precision gears, shafts, and machined components like reduction gear trains and timing gears and have also recently expanded into electric vehicle parts to meet evolving industry demands. Additionally, it supplies tooling, gearboxes, machines, & maintenance fittings required for manufacturing and maintenance.

Their core competencies include everything starting from gear cutting to precision machining, aluminium machining, heat treatment, process R&D, concurrent engineering, laser welding & laser cutting, which are required for the manufacturing of gears and other automotive components.

They currently have 22 active customers such as BMW, ZF, KTM, Aprilia, and Kubota, among others & more than 900 plus SKUs which they supply to high-end OEMs. With two advanced state-of-the-art manufacturing plants located in India at Noida and Gajraula, four warehouses in Europe, and a wholly owned subsidiary in Austria, they are properly networked to serve clients worldwide.

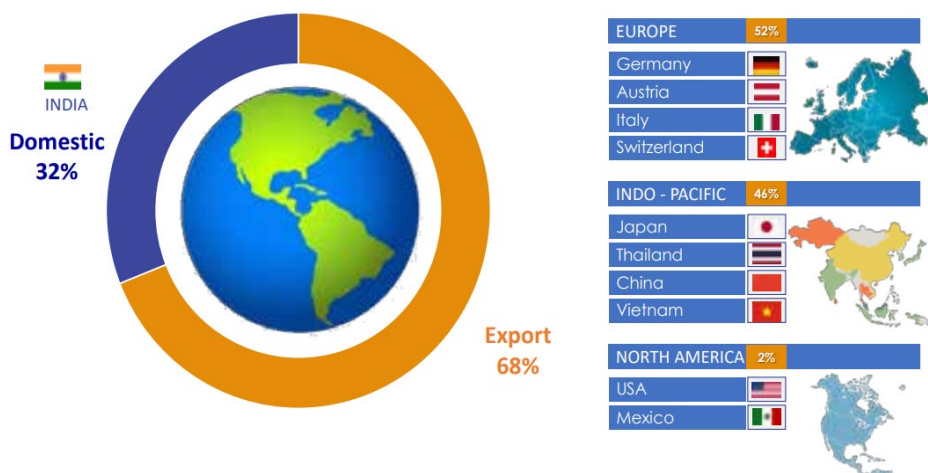
Exhibit 1: RACL Geartech- Company Overview

Established 1983 New Delhi DUNS 65-013-7086	Business Highlights FY25 Revenue INR 4.27 billion (USD 49.94 million) 832 employees	Product Application Two Wheelers, Three Wheelers, Passenger Cars, Commercial Trucks, ATV's, Agricultural Equipment, Industrial Gears 22 Active Customers ; 900+ SKU's
Headquartered in, Noida, India	Company Infrastructure 2 Manufacturing Locations 1 Corporate Office 4 Warehouses in Europe	Product Range Transmission gears and shafts, sub- assemblies, Precision machined parts, Chassis Parts and Industrial Gears

Source: Company, ICICI Direct Research

With ~ 68% of its revenue coming from international market, RACL has presence in Germany, Austria, Italy, and Switzerland (Europe), Japan, Thailand, China, Vietnam (Asia – Pacific), and USA & Mexico (North America). Their expanding market presence brings them closer to their customers.

Exhibit 2: RACL Geartech- Presence across globe



Source: Company, ICICI Direct Research

Product Portfolio

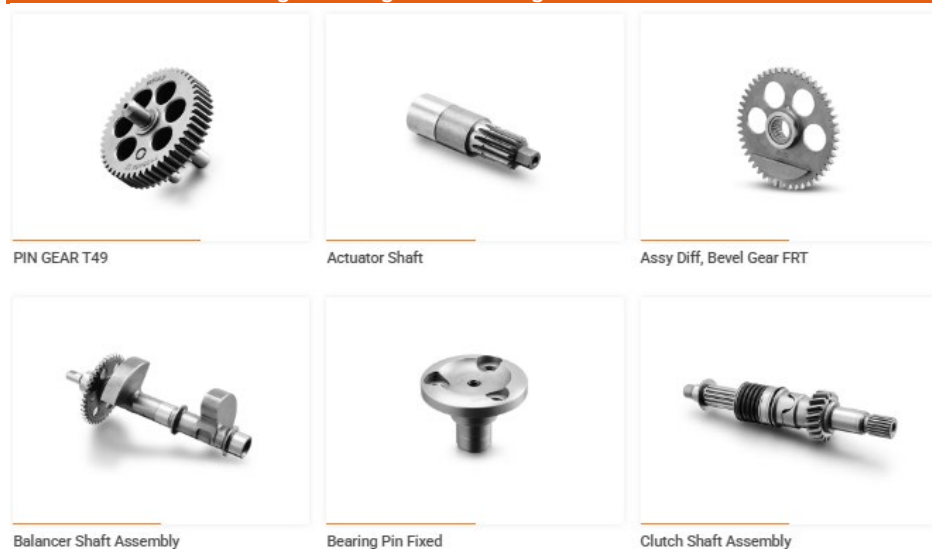
RACL Geartech offers a comprehensive product portfolio centred on transmission and driveline components spanning multiple vehicle segments. Their products primarily include transmission gears, CVT (Continuously variable transmission) reduction gears, engine and clutch gears, various shaft assemblies such as input shafts, actuator shafts, and balancer shafts.

The company has also expanded into electric vehicle components like electric drivetrain gears and specialized assemblies. With advanced manufacturing capabilities, RACL Geartech focuses on precision, durability, and meeting stringent global OEM standards to cater to both domestic and export markets.

Transmission gears

Transmission gears, including input, output and counter gears, enable controlled power transfer from the engine to the wheels by managing torque and speed variations essential for vehicle movement. The company specializes in manufacturing these gears with high precision and durability, meeting stringent automotive standards for noise, vibrations & harshness (NVH).

Exhibit 3: Transmission gears, Engine & clutch gears for 2Ws

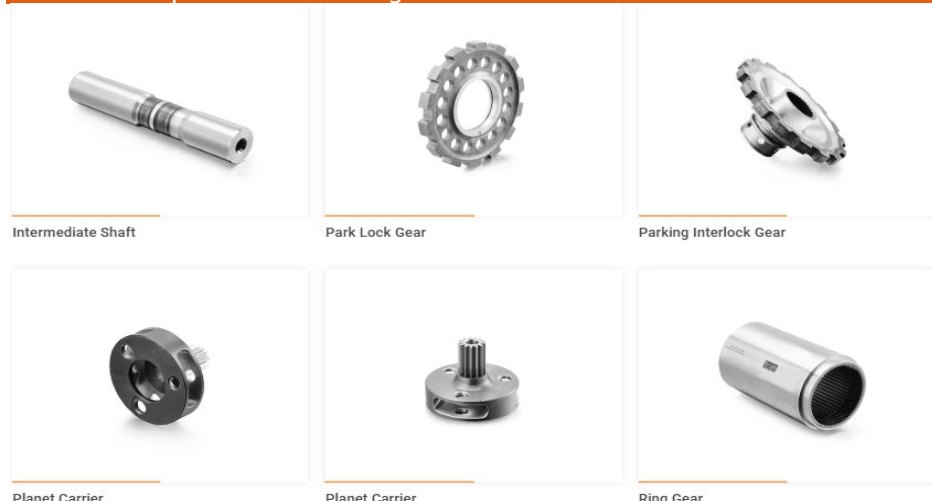


Source: Company, ICICI Direct Research

Shaft assemblies

Shaft assemblies such as input shafts, actuator shafts and balancer shafts are vital for transmitting rotational motion and balancing engine vibrations to enhance ride quality and reduce wear. RACL's capability in producing complex shafts assemblies with tight dimensional accuracy and advanced surface treatments have earned it recognition as a reliable supplier for both ICE and electric mobility solutions.

Exhibit 4: Components for Passenger Vehicles

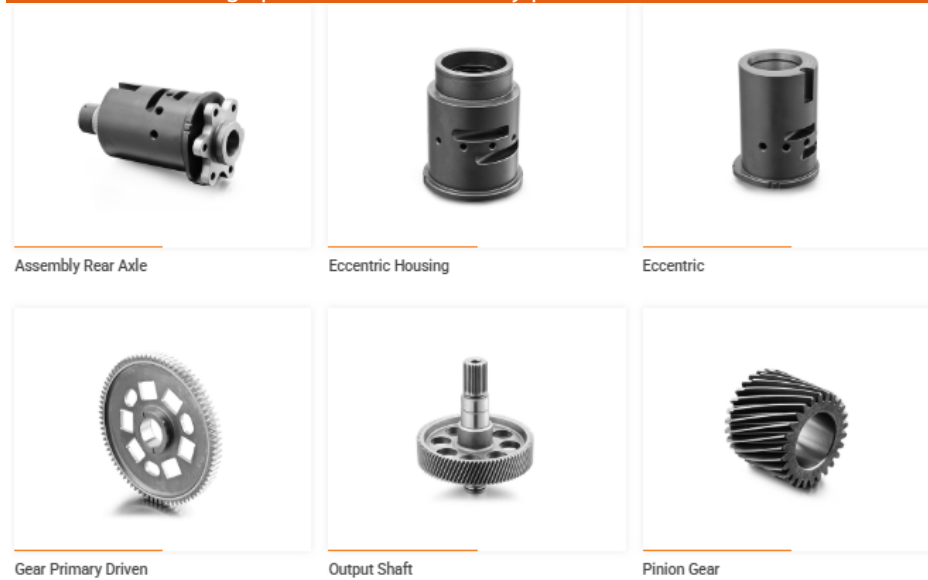


Source: Company, ICICI Direct Research

E-mobility products

RACL Geartech's high-performance e-mobility products, including assembly rear axle, eccentric housings and pinion gears are critical precision components used in electric vehicle powertrains and drivetrains. These parts are essential for efficient torque delivery, smooth transmission function, and reliable power transfer in EV platforms. The company excels in manufacturing these components given its advanced machining capabilities, stringent quality controls and expertise in safety & critical parts.

Exhibit 5: RACL- High performance E-mobility products

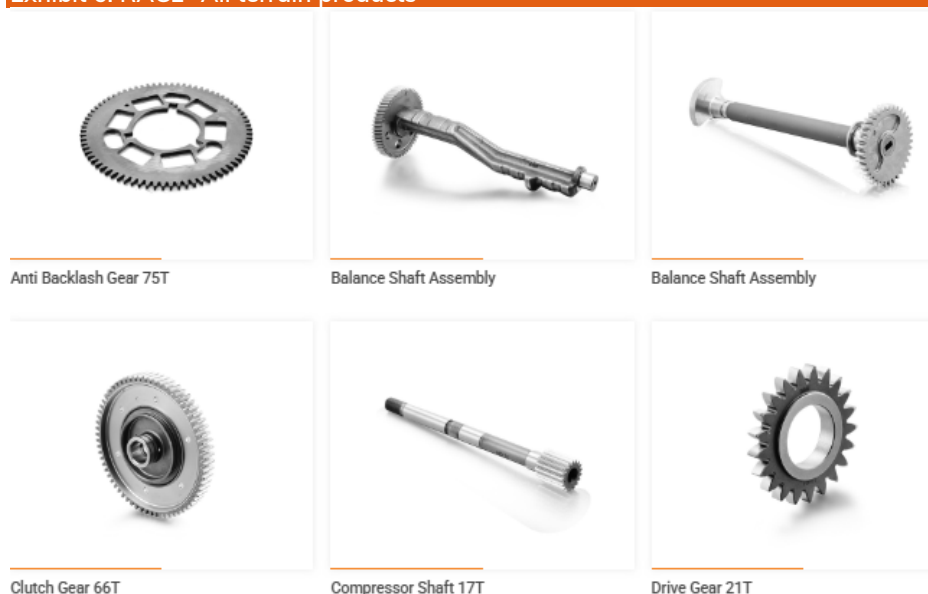


Source: Company, ICICI Direct Research

All-terrain vehicle components

RACL Geartech supplies a comprehensive range of all-terrain vehicle components such as anti-backlash gear, balance shaft assemblies and drive gears. These parts are engineered to withstand harsh environment and variable load conditions found in off-road and utility vehicle, providing reliable performance, torque management, and smooth vehicle operations.

Exhibit 6: RACL- All terrain products



Source: Company, ICICI Direct Research

Investment Rationale

Strong Project Portfolio Driving Multi-Year Growth Visibility

RACL Geartech possesses a well-diversified and forward-looking portfolio anchored by marquee long-term projects with leading global automotive OEMs. One of the standout projects is **Project Venus**, where RACL is supplying precision gears and shafts for BMW's upcoming electric sports car drivetrain.

Another significant program is **Project Titan**, for which RACL is nominated as a direct Tier-1 supplier to BMW for a parking lock mechanism designed specifically for EV platforms. Parking locks are critical safety components that prevent the vehicle from moving when in "Park Mode". RACL's role involves manufacturing precision gear components that provide robust locking functionality with high reliability since electric drivetrains provide instant torque and silent operation, making parking lock integrity paramount.

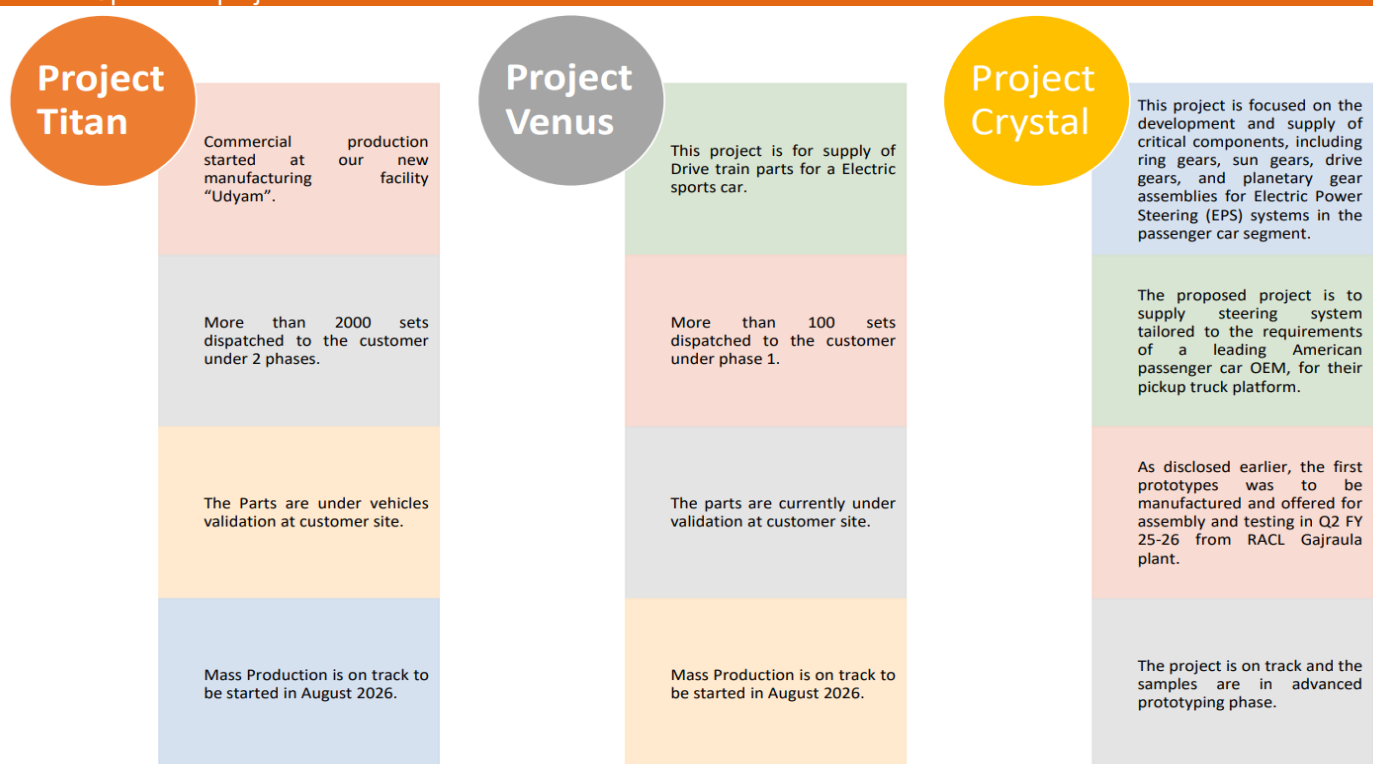
Additionally, RACL Geartech is engaged with **Project Crystal**, involving electric power steering (EPS) components for a major US OEM for pickup truck platform, through ZF Rane, a globally reputed automotive systems supplier. The project includes supplying high-precision, compact reduction gearsets critical for EPS systems that replace traditional hydraulic steering, providing torque assistance.

SOP for Project Venus is expected in August 2026, marking a strategic milestone that embeds RACL into BMW's luxury EV supply chain for years to come, ensuring high content value

Project Titan's SOP is also targeted for August 2026 and represents RACL's expansion into new safety-critical component domains in premium EVs.

Given the large US pickup truck market, this program represents a new geographic and product segment expansion for RACL with high margin potential.

Exhibit 7: Update on projects



Source: Company, ICICI Direct Research

Beyond these marquee projects, RACL is supplying shift drums for BRP Canada's ATV programs, which is a key growth vertical. Supply of these drivetrain parts expands RACL's portfolio from motorcycles into recreational vehicles, diversifying its end-market exposure.

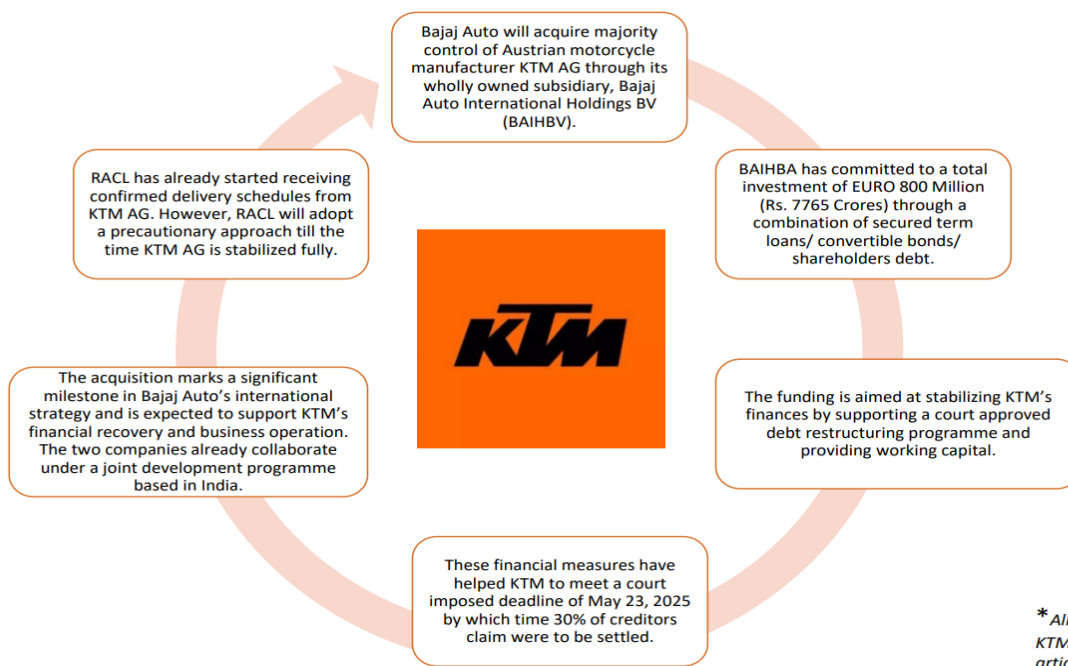
It has also received a nomination for transmission parts of a Gearbox Assembly from one of the largest domestic premium 2-Wheeler manufacturers, marking a significant milestone for RACL. This project falls under a high-volume business segment with SOP from January 2026.

These high-value, multi-year projects collectively contribute to RACL's expected revenue milestone of ~₹1,000 crore by FY29-30E, anchored by its advanced manufacturing capabilities, robust validation processes, and close strategic collaboration with premium OEMs.

Strategic Partnership with KTM Enhances Growth Prospects

KTM, a key premium 2W customer accounts for ~15% of RACL's revenues, represents an important growth lever. RACL was impacted in FY25 due to production disruptions at KTM on account of cash flow issues. With Bajaj Auto recapitalizing KTM and taking the driver seat, RACL is poised to benefit from its revival in production volumes and new model launches. This includes ramp-up in existing programs of transmission and driveline components and potential new project wins aided by strengthened India-Europe supply chain integration.

Exhibit 8: KTM turnaround update



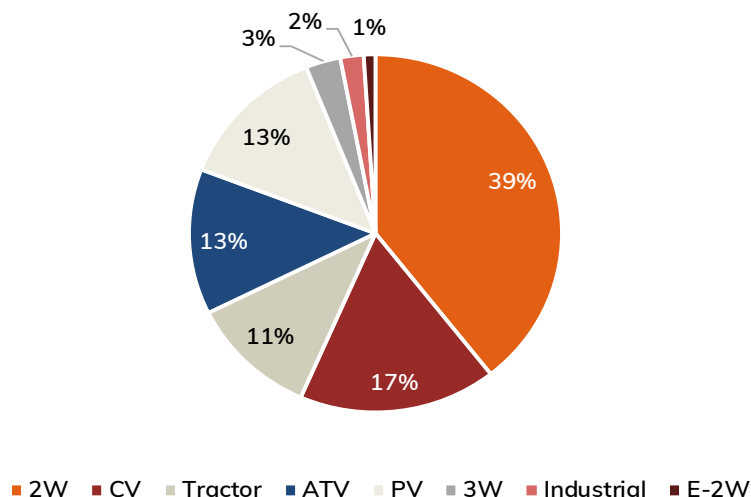
**All above information related to KTM Group is based on various news articles of renowned groups.*

Source: Company, ICICI Direct Research

Provides services across segments enabling risk diversification

RACL's diversified revenue stream across multiple automotive and industrial segments enhances its resilience and reduces dependence on any single market. This broad segmental mix allows RACL to capitalize on growth opportunities in various vehicle categories while cushioning the business against sector-specific downturns. Such diversity not only balances cyclical demand fluctuations but also demonstrates RACL's engineering adaptability across traditional and emerging vehicle platforms strengthening long-term growth outlook.

Exhibit 9: RACL revenue classification



Category Mix for FY25 is as follows:

Sales to 2Ws made up 39% of the revenue followed by CVs with 17% contribution, PVs at 13% along with ATV which also contributed 13%, and tractors with 11% contribution. Other minor segments like 3Ws, industrial & E-2Ws contributed 3%, 2% & 1% respectively.

Source: Company, ICICI Direct Research

Premium customer base with worldwide presence

RACL has a loyal customer base that trusts the company as a dependable supplier. The Company serves a diverse customer base across multiple industries and geographies, catering to the auto component needs of two-wheelers, electric scooters, agricultural machinery, commercial vehicles, and passenger vehicles. It is a customer-centric organisation obsessed with world-class benchmarking and is supplying to top Global OEMs like BMW Motorrad (Germany), Kubota Corporation (Japan, Thailand, and USA), IT Switzerland (Same Group Company), KTM AG (Austria) Schneider Electric (Germany), Dana (Italy and China) amongst others

Exhibit 10: RACL Customer profile



Source: Company, ICICI Direct Research

Export-Led Growth with Margin Durability from High-Value Products

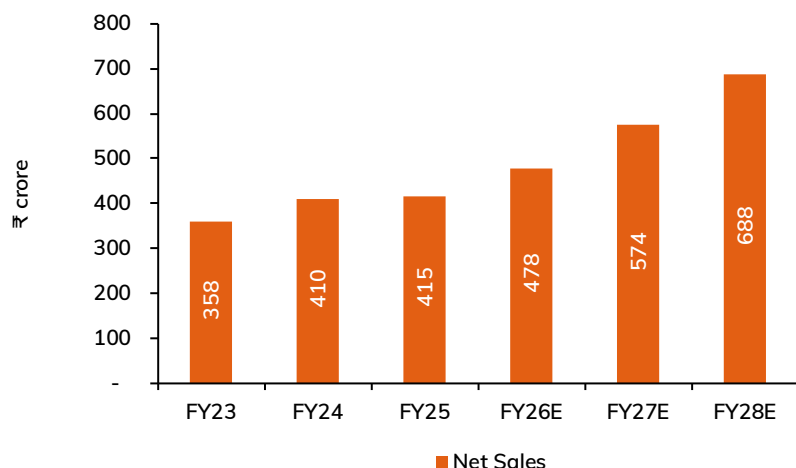
With ~70% of revenues coming from exports, primarily Europe, RACL Geartech operates in diversified global markets, shielding it from regional demand volatility. This export orientation also aligns with higher content, value-added, and low-volume product segments—ranging from premium motorcycle transmission gears to EV and safety-critical assemblies—that command superior margins relative to commoditized components. RACL's investments in precision machining, process controls, and forward integration (moving from basic gears to assembled modules) support this premium product mix. Additionally, its wholly owned Austrian subsidiary and multiple European warehouses serve as logistical and customer service hubs, enhancing responsiveness and program wins.

Key Financial Summary

RACL Geartech's topline witnessed a steady CAGR of ~14.4% in the past 5 years. This growth has been propelled by the company's diversification efforts and product innovation. For RACL, multi-year order inflow from marquee clients is expected to contribute to the revenue milestone of ~₹1,000 crores by FY29-30E.

Going forward, we expect steady topline growth in FY26E with recovering international markets (incl. KTM) & regular order inflows. We expect RACL to report topline growth of ~18.4% CAGR over FY25-28E reaching ₹688 crore by FY28E.

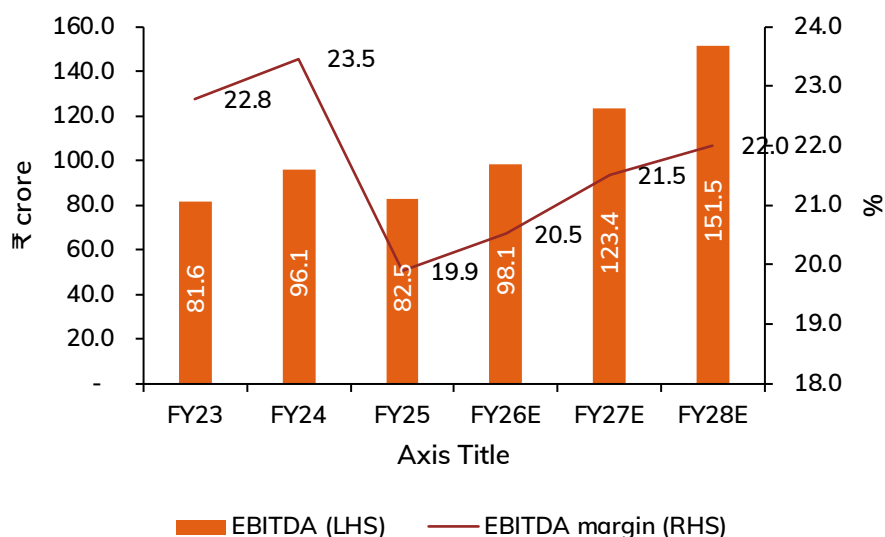
Exhibit 11: Trend in Topline



Source: Company, ICICI Direct Research

Being an export heavy business (~70% of revenues) with premium product profile, RACL has been consistently posted healthy margins at ~20%+. Going forward with steady growth along with favourable product mix and operational leverage, EBITDA margins are likely to expand to ~22% by FY28E.

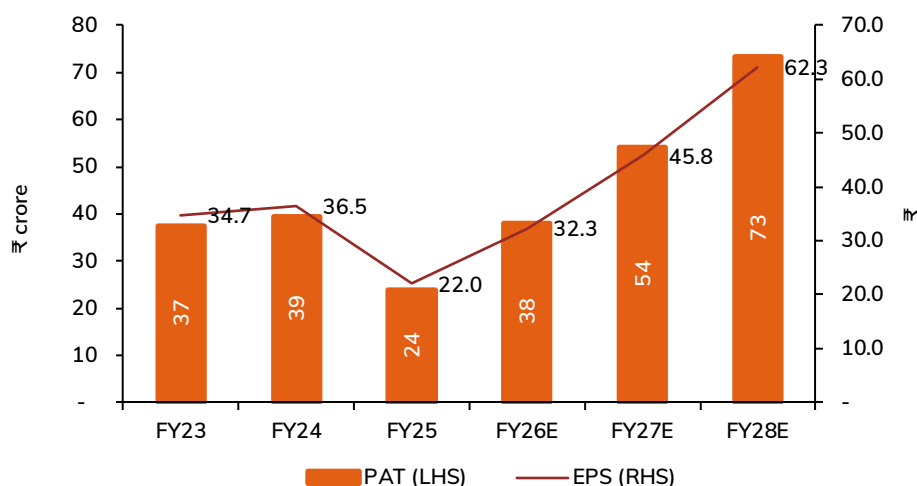
Exhibit 12: Trend in EBITDA & EBITDA Margins



Source: Company, ICICI Direct Research

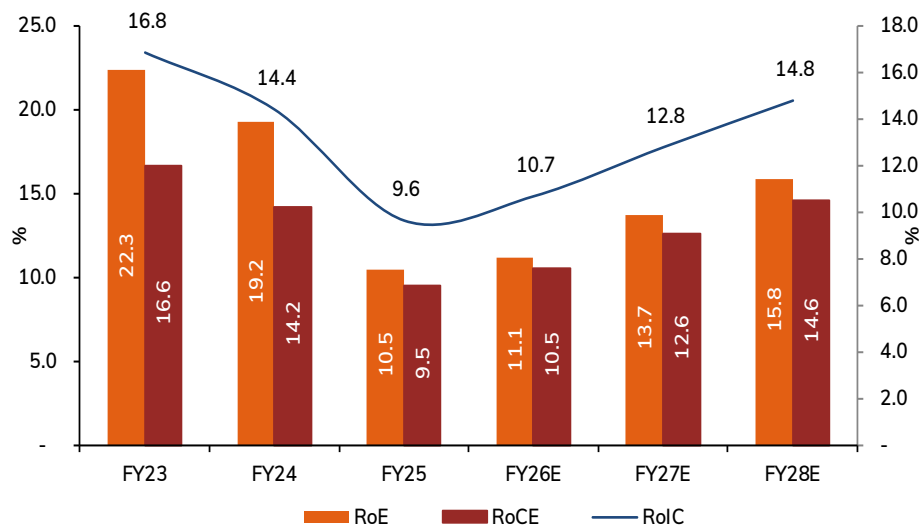
Absolute EBITDA for RACL is expected to reach ~₹150 crores by FY28E vs. the current levels of ~₹82 crores in FY25, supported by value added products, thereby improving operating performance.

Going forward, with healthy growth in EBITDA and stable leverage on B/S, we expect PAT at RACL to grow at a CAGR of ~46% over FY25-28E to ₹73.5 crore by FY28E, translating into an EPS of ₹62.3 in FY28E vs. ₹22 levels clocked in FY25.

Exhibit 13: Trend in Bottom Line & EPS


Source: Company, ICICI Direct Research

With double-digit PAT growth and calibrated capex execution underway (~₹ 50 crore per annum), headline RoE/RoCE at RACL are expected to improve to ~16% & 14.6% respectively in FY28E. Moreover, its core return ratio, i.e., RoIC, is expected to improve to ~15% in FY28E.

Exhibit 14: Trend in Return Ratios


Source: Company, ICICI Direct Research

Risk and Concerns

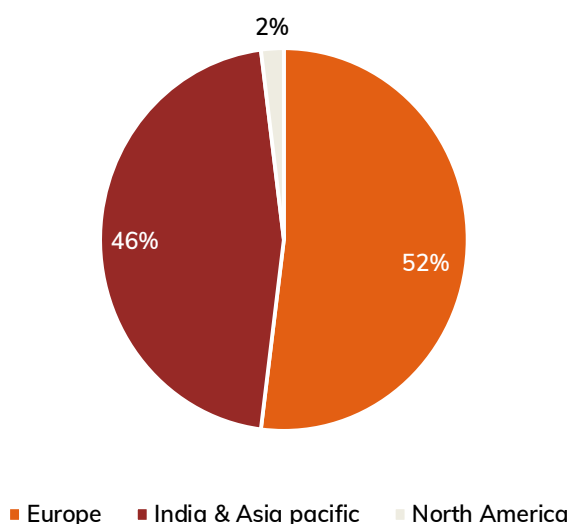
Client Concentration risk

RACL Geartech derives a significant share of its revenue from a few marquee clients, primarily in the premium and performance automotive segment in Europe. While these long-standing relationships have underpinned growth, they also expose the company to disproportionate revenue and margin risks. Any disruption in business with a top customer—whether due to OEMs' vendor consolidation, product design changes, or adverse financial conditions—can meaningfully impact RACL's topline and is a risk to our forward estimates for the company. This concentration risk is amplified by the high entry barriers to onboard new global Tier-1/OEM clients, which lengthens the sales cycle for diversification.

Exposure to Global Automotive Cyclical and Regulatory Transitions

RACL's revenues are closely linked to premium passenger vehicles and high-performance two-wheelers, categories that are inherently more cyclical and sensitive to macroeconomic downturns compared to mass-market mobility. A slowdown in Europe, RACL's key market, or weakening demand in North America could dampen order flows, pressuring capacity utilization and profitability. Moreover, tightening global emission and safety regulations, coupled with the industry-wide pivot towards electrification, pose medium-term challenges. While RACL is working on building EV-ready components, the transition of OEM portfolios towards electrified drivetrains could compress the addressable market for legacy transmission and engine components. The pace of RACL's technological adaptation versus that of global peers will be a critical determinant of its growth sustainability.

Exhibit 15: Revenue mix as of FY25 (Geography wise)



Source: Company, ICICI Direct Research

Execution and Scaling Risks Amidst Capex-Heavy Growth

RACL's growth strategy hinges on sustained capacity expansions and higher wallet share with global clients, necessitating elevated levels of capital expenditure. This raises risks on two fronts: (a) execution delays in commissioning new facilities, and (b) inability to fully sweat new capacities due to softer demand or slower-than-expected order ramp-ups. In addition, as RACL ramps up operations in international markets through subsidiaries and JVs, integration challenges, cost competitiveness, and adherence to global quality standards will be key monitorable. Any missteps in execution could compress margins and delay the realization of operating leverage benefits that underpin the current growth narrative.

Financial summary

Exhibit 16: Profit and loss statement

₹ crore

(Year-end March)	FY25	FY26E	FY27E	FY28E
Net Sales	415.1	478.1	573.7	688.5
Other Operating Income	0.0	0.0	0.0	0.0
Total Operating Income	415.1	478.1	573.7	688.5
Growth (%)	1.4	15.2	20.0	20.0
Raw Material Expenses	120.5	133.4	157.8	189.3
Employee Expenses	47.5	54.4	63.1	75.7
Other Operating Expense	164.5	192.2	229.5	271.9
Total Operating Expenditure	332.5	380.0	450.4	537.0
EBITDA	82.5	98.1	123.4	151.5
Growth (%)	-14.1	18.8	25.8	22.8
Depreciation	29.9	34.7	39.6	44.8
Interest	29.9	23.7	23.4	21.7
Other Income	9.9	12.4	13.6	15.7
PBT	32.7	52.2	74.0	100.7
Others	0.0	0.0	0.0	0.0
Total Tax	9.0	14.1	20.0	27.2
PAT	23.7	38.1	54.0	73.5
Growth (%)	-40.2	60.8	41.7	36.1
EPS (₹)	22.0	32.3	45.8	62.3

Source: Company, ICICI Direct Research

Exhibit 17: Cash flow statement

₹ crore

(Year-end March)	FY25	FY26E	FY27E	FY28E
Profit after Tax	23.7	38.1	54.0	73.5
Add: Depreciation	29.9	34.7	39.6	44.8
(Inc)/dec in Current Assets	-37.0	-39.4	-68.1	-81.8
Inc/(dec) in CL and Provisions	8.2	7.2	18.2	21.8
Others	29.9	23.7	23.4	21.7
CF from operating activities	54.7	64.2	67.0	80.0
(Inc)/dec in Investments	-1.4	0.0	0.0	0.0
(Inc)/dec in Fixed Assets	-46.9	-50.0	-50.0	-50.0
Others	6.9	-0.2	-0.6	-0.8
CF from investing activities	-41.4	-50.2	-50.6	-50.8
Issue/(Buy back) of Equity	0.0	1.0	0.0	0.0
Inc/(dec) in loan funds	20.3	-65.0	10.0	-5.0
Interest and Dividend outgo	-31.5	-25.7	-25.9	-24.7
Inc/(dec) in Share Cap	0.0	0.0	0.0	0.0
Others	-0.3	78.5	0.0	0.0
CF from financing activities	-11.5	-11.2	-15.9	-29.7
Net Cash flow	1.8	2.9	0.6	-0.5
Opening Cash	0.8	2.6	5.4	6.0
Closing Cash	2.6	5.4	6.0	5.4

Source: Company, ICICI Direct Research

Exhibit 18: Balance Sheet

₹ crore

(Year-end March)	FY25	FY26E	FY27E	FY28E
Liabilities				
Equity Capital	11.2	12.2	12.2	12.2
Reserve and Surplus	215.4	330.0	381.5	452.0
Total Shareholders funds	226.6	342.2	393.7	464.2
Total Debt	301.6	236.6	246.6	241.6
Deferred Tax Liability	15.7	15.7	15.7	15.7
Minority Interest / Others	9.6	10.1	10.6	11.1
Total Liabilities	553.4	604.6	666.6	732.6
Assets				
Gross Block	445.1	494.7	544.7	594.7
Less: Acc Depreciation	122.5	157.1	196.7	241.5
Net Block	322.6	337.5	348.0	353.2
Capital WIP	4.6	5.0	5.0	5.0
Total Fixed Assets	327.2	342.5	353.0	358.2
Investments & Goodwill	1.4	1.4	1.4	1.4
Inventory	153.3	176.8	212.2	254.6
Debtors	125.2	137.5	165.0	198.1
Loans and Advances	0.0	0.0	0.0	0.0
Other Current Assets	22.8	26.3	31.5	37.8
Cash	2.6	5.4	6.0	5.4
Total Current Assets	303.8	346.1	414.7	496.0
Current Liabilities	72.5	79.0	94.8	113.8
Provisions	11.1	11.8	14.1	17.0
Current Liabilities & Prov	83.6	90.8	108.9	130.7
Net Current Assets	220.2	255.3	305.8	365.2
Others Assets	4.7	5.4	6.4	7.7
Application of Funds	553.4	604.6	666.6	732.6

Source: Company, ICICI Direct Research

Exhibit 19: Key ratios

(Year-end March)	FY25	FY26E	FY27E	FY28E
Per share data (₹)				
EPS	22.0	32.3	45.8	62.3
Cash EPS	49.7	61.7	79.3	100.2
BV	209.8	290.0	333.6	393.4
DPS	0.0	1.7	2.1	2.5
Cash Per Share (Incl Invst)	2.4	4.6	5.1	4.6
Operating Ratios (%)				
EBITDA Margin	19.9	20.5	21.5	22.0
PAT Margin	5.7	8.0	9.4	10.7
Inventory days	134.8	135.0	135.0	135.0
Debtor days	110.1	105.0	105.0	105.0
Creditor days	43.5	40.0	40.0	40.0
Return Ratios (%)				
RoE	10.5	11.1	13.7	15.8
RoCE	9.5	10.5	12.6	14.6
RoIC	9.6	10.7	12.8	14.8
Valuation Ratios (x)				
P/E	48.7	33.1	23.4	17.2
EV / EBITDA	18.9	15.2	12.2	9.9
EV / Net Sales	3.8	3.1	2.6	2.2
Market Cap / Sales	3.0	2.6	2.2	1.8
Price to Book Value	5.1	3.7	3.2	2.7
Solvency Ratios				
Debt/EBITDA	3.7	2.4	2.0	1.6
Debt / Equity	1.3	0.7	0.6	0.5
Current Ratio	5.0	5.3	5.3	5.3
Quick Ratio	2.4	2.6	2.6	2.6

Source: Company, ICICI Direct Research

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Buy: >15%

Hold: -5% to 15%;

Reduce: -15% to -5%;

Sell: <-15%



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