

Strong orderbook driving sustained growth ahead

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%

Q3FY26 Result: On a consolidated basis, topline for the quarter came in at ₹ 137 crores, up by ~22% YoY. EBITDA for Q3FY26 came in at ₹31 crores, with EBITDA margins at 22.8%, up ~250 bps QoQ. PAT in Q3FY26 stood at ₹16 crores (up 148% YoY). Exports constitute 70% of its sales for the quarter.

Investment Rationale:

- **Premium Order Book with Multi-Year Revenue Visibility:** 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. The Q3FY26 performance highlights clear earnings acceleration, with 22% YoY revenue growth and nearly 23% EBITDA margins. Management has guided ~15–20% growth for FY27, supported by visible program ramp-ups including BMW EV components, domestic premium 2-W client breakthrough (expanding production from 10,000 to 20,000 units due to high demand), and gradual KTM recovery. With partial contribution from new programs in FY27 and fuller impact in FY28, the company appears positioned for sustained earnings compounding rather than one-off growth. These wins ensure **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 after India-EU FTA means RACL's supply of transmission gears and drivelines parts is set for a strong rebound. KTM's dealer-level stock has normalized, indicating that old inventories are cleared and company now aptly poised for better production days ahead.
- **Strategic Capex Strengthening Long-Term Competitiveness:** RACL has recently announced an ambitious capex plant amounting to ~₹77 crore for FY27E, largely focused on upgrading heat treatment facilities and selective capacity expansion. It is aimed at improving efficiency rather than just adding volume. The transition from LPG to electric-based systems is expected to reduce operating costs. These initiatives reinforce RACL's positioning in premium, export-oriented segments while supporting margin resilience and scalable growth over the next 2–3 years.

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. **Having captured the recent up-move, we maintain BUY rating on the stock & value it at ₹ 1,615 i.e. 25x P/E-FY28E.**

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%	480.5	564.8	677.8	17.8%
EBITDA	81.6	96.1	82.5	13.9%	100.8	123.1	152.5	22.7%
EBITDA Margins (%)	22.8	23.5	19.9		21.0	21.8	22.5	
Net Profit	37.4	39.4	23.7	6.9%	48.4	55.4	76.2	47.6%
EPS (₹)	34.7	36.5	22.0		41.0	46.9	64.6	
P/E	38.6	36.7	61.0		32.7	28.6	20.7	
RoNW (%)	22.3	19.2	10.5		13.7	13.7	15.9	
RoCE (%)	16.6	14.2	9.5		11.1	12.3	14.2	

Source: Company, ICICI Direct Research



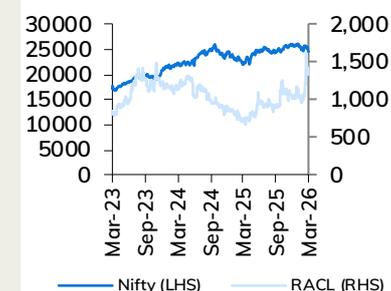
Particulars

Particulars	₹ crore
Market capitalisation	1,581
Total Debt (FY25)	302
Cash & Inv. (FY25)	3
EV (₹ crore)	1,880
52 week H/L (₹)	1,692 / 648
Equity capital (FY25)	11.2
Face value (₹)	10.0

Shareholding pattern

	Mar-25	Jun-25	Sep-25	Dec-25
Promoter	51.3	42.7	42.7	42.7
FII	0.0	8.8	8.7	9.0
DII	0.1	2.9	2.9	2.7
Other	48.6	45.7	45.8	45.6

Price Chart



Recent Event & Key risks

- Reports healthy Q3FY26 clocking 22.8% EBITDA margins
- **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 RM costs

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Key Tables & Charts

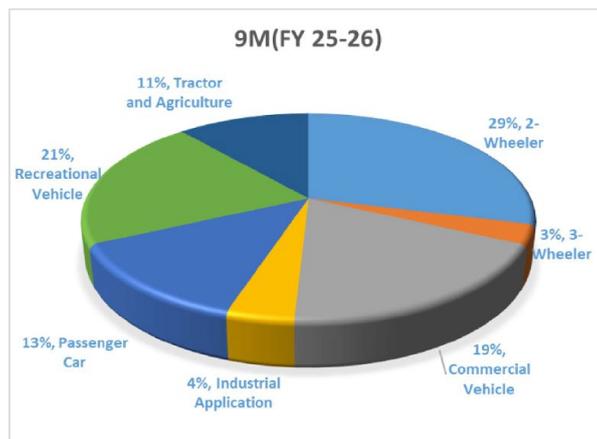
Exhibit 1: Quarterly variance

	Q3FY26	Q3FY25	YoY%	Q2FY26	QoQ%
Total Operating Income	137.3	112.8	21.7	120.3	14.1
Raw Material Expenses	37.6	37.1	1.5	34.3	9.7
Employee Expenses	14.7	12.0	22.7	14.2	3.5
Other Expenses	53.7	39.8	34.8	47.4	13.2
EBITDA	31.3	23.9	30.9	24.4	28.3
EBITDA Margin (%)	22.8	21.2	159 bps	20.3	251 bps
Depreciation	8.5	7.7	10.7	8.3	2.0
Interest	5.3	7.4	-28.0	5.5	-2.9
Other Income	3.9	0.3	1,380.8	5.6	-30.6
PBT (before exceptional)	21.4	9.2	133.6	16.2	32.1
Total Tax	5.1	2.6	95.4	4.1	23.0
Reported PAT	16.3	6.6	148.7	12.1	35.2

Source: Company, ICICI Direct Research

Exhibit 2: RACL Geartech – Sales mix

Business Segment Distribution



Source: Company, ICICI Direct Research

Q3FY26 Conference call highlights

Business mix & exports: The company continues to remain export-led, with around 60–70% contribution from overseas markets. The revenue mix is becoming more diversified, with commercial vehicles increasing meaningfully in share, alongside steady contributions from two-wheelers, passenger vehicles, and recreational vehicles.

Capex & Strategic Investments: The company plans ₹77 crore capex for FY27E, largely toward upgrading and replacing its heat treatment facility and adding capacity. The shift from LPG-based systems to electric will lower operating costs, improve efficiency, and enhance sustainability.

Growth Outlook & FY27 Guidance: Management has guided FY27 revenue at ₹565 crore (±5%), implying ~15–20% growth. Growth will be driven by BMW’s upcoming EV program, ramp-up in premium two-wheeler orders, and a new entry into electric power steering for the U.S. truck segment via ZF. While management remains conservative, visibility over the next two years appears strong.

Others: KTM had major recovery wherein inventory has reduced from ~2 lakh units to 20K units. Other than that, the recent RoDTEP cut means a ₹1 crore impact from next year as export incentive will reduce from ~1.3% to 0.65%.

Financial summary

Exhibit 3: Profit and loss statement		₹ crore			
(Year-end March)	FY25	FY26E	FY27E	FY28E	
Net Sales	415.1	480.5	564.8	677.8	
Other Operating Income	0.0	0.0	0.0	0.0	
Total Operating Income	415.1	480.5	564.8	677.8	
Growth (%)	1.4	15.8	17.6	20.0	
Raw Material Expenses	120.5	133.3	155.3	186.4	
Employee Expenses	47.5	56.4	63.3	74.6	
Other Operating Expense	164.5	190.0	223.1	264.3	
Total Operating Expenditure	332.5	379.7	441.7	525.3	
EBITDA	82.5	100.8	123.1	152.5	
Growth (%)	-14.1	22.1	22.2	23.9	
Depreciation	29.9	33.6	38.4	43.4	
Interest	29.9	22.5	24.3	23.4	
Other Income	9.9	19.8	13.9	16.7	
PBT	32.7	64.5	74.3	102.3	
Others	0.0	0.0	0.0	0.0	
Total Tax	9.0	16.2	19.0	26.1	
PAT	23.7	48.4	55.4	76.2	
Growth (%)	-40.2	104.2	14.4	37.7	
EPS (₹)	22.0	41.0	46.9	64.6	

Source: Company, ICICI Direct Research

Exhibit 4: Cash flow statement		₹ crore			
(Year-end March)	FY25	FY26E	FY27E	FY28E	
Profit after Tax	23.7	48.4	55.4	76.2	
Add: Depreciation	29.9	33.6	38.4	43.4	
(Inc)/dec in Current Assets	-37.0	-41.1	-60.1	-80.5	
Inc/(dec) in CL and Provisions	8.2	7.6	16.0	21.5	
Others	29.9	22.5	24.3	23.4	
CF from operating activities	54.7	71.0	74.0	84.0	
(Inc)/dec in Investments	-1.4	0.0	0.0	0.0	
(Inc)/dec in Fixed Assets	-46.9	-48.0	-78.0	-60.0	
Others	6.9	-0.2	-0.4	-0.8	
CF from investing activities	-41.4	-48.2	-78.4	-60.8	
Issue/(Buy back) of Equity	0.0	1.0	0.0	0.0	
Inc/(dec) in loan funds	20.3	-77.0	31.0	5.0	
Interest and Dividend outgo	-31.5	-24.5	-26.8	-26.4	
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	-22.0	4.2	-21.4	
Net Cash flow	1.8	0.8	-0.2	1.8	
Opening Cash	0.8	2.6	3.4	3.2	
Closing Cash	2.6	3.4	3.2	5.0	

Source: Company, ICICI Direct Research

Exhibit 5: 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	340.3	393.1	466.4	
Total Shareholders funds	226.6	352.5	405.3	478.6	
Total Debt	301.6	224.6	255.6	260.6	
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	602.8	687.2	766.0	
Assets					
Gross Block	445.1	492.7	570.7	630.7	
Less: Acc Depreciation	122.5	156.1	194.5	237.9	
Net Block	322.6	336.6	376.2	392.8	
Capital WIP	4.6	5.0	5.0	5.0	
Total Fixed Assets	327.2	341.6	381.2	397.8	
Investments & Goodwill	1.4	1.4	1.4	1.4	
Inventory	153.3	177.7	208.9	250.7	
Debtors	125.2	138.2	162.5	195.0	
Loans and Advances	0.0	0.0	0.0	0.0	
Other Current Assets	22.8	26.4	31.0	37.2	
Cash	2.6	3.4	3.2	5.0	
Total Current Assets	303.8	345.7	405.6	487.9	
Current Liabilities	72.5	79.4	93.3	112.0	
Provisions	11.1	11.8	13.9	16.7	
Current Liabilities & Prov	83.6	91.2	107.3	128.7	
Net Current Assets	220.2	254.5	298.3	359.2	
Others Assets	4.7	5.4	6.3	7.6	
Application of Funds	553.4	602.8	687.2	766.0	

Source: Company, ICICI Direct Research

Exhibit 6: Key ratios					
(Year-end March)	FY25	FY26E	FY27E	FY28E	
Per share data (₹)					
EPS	22.0	41.0	46.9	64.6	
Cash EPS	49.7	69.5	79.5	101.4	
BV	209.8	298.7	343.5	405.6	
DPS	0.0	1.7	2.1	2.5	
Cash Per Share (Incl Invst)	2.4	2.9	2.7	4.2	
Operating Ratios (%)					
EBITDA Margin	19.9	21.0	21.8	22.5	
PAT Margin	5.7	10.1	9.8	11.2	
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	13.7	13.7	15.9	
RoCE	9.5	11.1	12.3	14.2	
RoIC	9.6	11.3	12.5	14.4	
Valuation Ratios (x)					
P/E	61.0	32.7	28.6	20.7	
EV / EBITDA	22.8	17.9	14.9	12.0	
EV / Net Sales	4.5	3.8	3.2	2.7	
Market Cap / Sales	3.8	3.3	2.8	2.3	
Price to Book Value	6.4	4.5	3.9	3.3	
Solvency Ratios					
Debt/EBITDA	3.7	2.2	2.1	1.7	
Debt / Equity	1.3	0.6	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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Hold: -5% to 15%;

Reduce: -15% to -5%;

Sell: <-15%

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