RACL Geartech Limited (RAUINT)

CMP: ₹1,510 | Target ₹ 2,000 (33%) | Target Period: 12 months | **BUY**

August 26, 2026

Precision engineering play with strong growth outlook...

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

- Geography Mix (FY26): Europe ~69%; India & Asia pacific ~29%, USA -2%.
- Category Mix (FY26): 2W- 30%, CV- 20%, PV- 13%, ATV/RTV – 18%

Q1FY27 Results: RACL reported healthy results. On a consolidated basis, topline for the quarter came in at ₹ 132 crores, up by ~31.5% YoY. EBITDA for Q1FY27 came in at ₹32 crores, with EBITDA margins at 24.1%, up ~190 bps QoQ. PAT in Q1FY27 stood at ₹9 crores (up 8% YoY) affected by lower other income & higher tax incidence.

Investment Rationale:

- **Multi-Year Growth Visibility from New Program Ramp-Ups:** 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. It is entering a strong multi-year growth phase, supported by the ramp-up of recently won programs and recovery across key customers. KTM volumes have recovered to around pre-COVID levels, while the BMW Project Venus is nearing commercialisation, with final sign-off expected in October 2026 and commercial supplies likely from October-November 2026. The Royal Enfield program is already ramping at ~7,500–8,000 sets/month, with the company targeting higher volumes as demand sustains. Additionally, the upcoming ZF electric power steering program, expected to commence commercial supplies by late FY27/mid-FY28, provides another meaningful growth leg. With management targeting 15–20% sustainable annual growth and aiming to potentially double revenue over the next 3–4 years, the company appears positioned for sustained earnings compounding rather than one-off growth. We bake in 18% sales CAGR over FY26-28E.
- **Strong Export Franchise and Strategic Capex to Strengthen Competitiveness and Support Scale-Up:** RACL's export business remains a key competitive advantage, accounting for ~75% of sales, with Europe contributing nearly 69% of overall business. The company's critical transmission and engine components are generally single sourced at the individual product level by global OEMs, enabling RACL to remain the sole supplier through the life of a vehicle program. Additionally, RACL is undertaking ₹77 crore of FY27 capex, with ~₹40 crore allocated toward replacement/modernisation of its ageing heat-treatment infrastructure and ~₹30–35 crore toward incremental capacity. Alongside the core automotive business, the company is also incubating opportunities in aerospace, actuators, robotics, defence and industrial components, providing longer-term optionality beyond traditional automotive business.

Rating and Target Price

- RACL is a precision engineering company with strong multi-year revenue visibility alongside a healthy export franchise with robust orderbook targeting ₹1,000 crore sales over next 4-5 years. We maintain our positive view and assign **BUY** rating on RACL & value it at **₹ 2,000 (30x P/E FY28)**

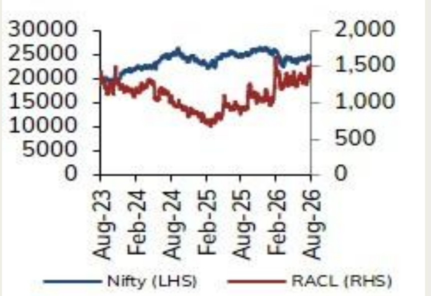
Particulars

Particulars	₹ crore
Market capitalisation	1,783
Total Debt (FY26)	225
Cash & Inv. (FY26)	14
EV (₹ crore)	1,994
52-week H/L (₹)	1,692 / 880
Equity capital (FY26)	12.2
Face value (₹)	10.0

Shareholding pattern

	Sep-25	Dec-25	Mar-26	Jun-26
Promoter	42.7	42.7	42.7	42.7
FII	8.7	9.0	9.5	9.3
DII	2.9	2.7	3.2	3.2
Other	45.8	45.6	44.6	44.8

Price Chart



Recent event & key risks

- Reports healthy Q1FY27 clocking 24.1% EBITDA margins. RACL remains well poised for a healthy and profitable growth journey ahead
- Key Risk: (i) slower than built in sales growth over FY26-28E due to delay in customer projects (ii) lower than anticipated margin gains amidst volatile RM costs

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Company Update

ICICI Securities – Retail Equity Research

Key Financial Summary

Key Financials	FY23	FY24	FY25	FY26	5-year CAGR (FY21-26)	FY27E	FY28E	2-year CAGR (FY26-28E)
Net Sales	358.2	409.5	415.1	489.9	19.2%	580.0	684.4	18.2%
EBITDA	81.6	96.1	85.0	106.9	16.0%	131.8	157.4	21.4%
EBITDA Margins (%)	22.8	23.5	20.5	21.8		22.7	23.0	
Net Profit	37.4	39.4	23.8	48.9	16.3%	61.3	79.1	27.2%
EPS (₹)	34.7	36.5	22.1	41.4		51.9	67.0	
P/E	43.5	41.4	68.3	36.4		29.1	22.5	
RoNW (%)	22.3	19.2	10.5	13.9		14.9	16.2	
RoCE (%)	16.6	14.2	9.9	12.2		13.4	14.9	

Source: Company, ICICI Direct Research

Key tables & Charts

Exhibit 1: Quarterly results table

	Q1FY27	Q1FY26	YoY%	Q4FY26	QoQ%
Total Operating Income	132.4	100.7	31.5	131.7	0.5
Raw Material Expenses	29.8	27.8	7.5	43.8	-31.9
Employee Expenses	15.6	12.8	21.8	12.0	30.7
Other Expenses	54.9	41.2	33.2	46.6	17.9
EBITDA	31.9	18.8	69.7	29.3	9.1
EBITDA Margin (%)	24.1	18.7	543 bps	22.2	190 bps
Depreciation	9.2	8.1	14.0	8.7	6.2
Interest	6.2	7.5	-18.1	8.5	-27.5
Other Income	0.3	8.1	-96.9	5.0	-95.0
PBT (before exceptional)	16.8	11.3	49.2	16.9	-0.5
Total Tax	7.9	3.0	163.1	4.6	73.7
Reported PAT	8.9	8.3	7.7	12.4	-27.9

Source: Company, ICICI Direct Research

Q1FY27 Conference call highlights

- **KTM recovery is a key near-term positive:** Management said KTM has effectively bounced back to around pre-COVID levels, with model-year 2027 production plans looking strong and volumes expected to be at normal or slightly above-normal levels. RACL's relationship is primarily with KTM Austria, where the company has been supplying from India for around 15 years. Importantly, RACL is already receiving new business opportunities for KTM's upcoming models.
- **Royal Enfield provides a meaningful domestic growth opportunity**: Commercial supplies began in January, with the company currently operating at around 7,500–8,000 motorcycle sets per month, against an initial nomination of roughly 10,000 sets per month. The program relates to a 350cc motorcycle platform, while several additional projects involving upcoming variants and new engines remain under development but are subject to confidentiality.
- **ZF recovery and multiple future opportunities:** The ZF business is showing signs of recovery after being impacted by sluggish demand for the underlying premium vehicle platform. Management said volumes are now improving as the program has shifted toward the BMW X5 platform, and RACL is currently operating at around 50–60% utilisation of installed capacity for this project. The peak revenue opportunity for the project, earlier expected around 2028, has now shifted toward 2030 because of the intervening delays.
- **BMW Project Venus progressing as planned:** The BMW program, referred to as Project Venus, remains firmly on track. Level-1 PPAP approval has already been completed and conditional shipments have commenced. RACL has started pilot supplies, with components now being supplied for customer vehicles rather than merely validation, testing or demonstration cars. BMW's team is expected to visit on 24 October 2026 for final sign-off, following which commercial supplies are expected to begin around October-November 2026.
- **Revenue guidance maintained; management sees a sustainable 15–20% growth trajectory**: Despite the positive KTM recovery and ramp-up of Royal Enfield and BMW, management did not revise its FY27 revenue guidance. The earlier benchmark of around ₹570 crore, implying roughly 16–17% growth, remains in place, with management generally viewing a ±5% variation around guidance as normal. Management also emphasised that individual customers do not account for more than roughly 15–20% of revenue, limiting the impact of any single customer's volume growth on consolidated numbers
- **Non-auto diversification provides a longer-duration optionality:** RACL is actively evaluating several non-automotive opportunities to supplement its automotive growth. The company has identified civil aerospace, small motors/actuators, humanoid robotics, defence and industrial applications as potential areas. In robotics and humanoids, RACL believes its existing gear-making capabilities are relevant, with Europe being the primary geography it is exploring.

Financial summary

Exhibit 2: Profit and loss statement ₹ crore

(Year-end March)	FY25	FY26	FY27E	FY28E
Net Sales	415.1	489.9	580.0	684.4
Other Operating Income	0.0	0.0	0.0	0.0
Total Operating Income	415.1	489.9	580.0	684.4
Growth (%)	1.4	18.0	18.4	18.0
Raw Material Expenses	120.5	143.5	150.7	184.8
Employee Expenses	47.6	53.8	65.8	75.3
Other Operating Expense	161.9	185.8	231.8	266.9
Total Operating Expenditure	330.1	383.1	448.3	527.0
EBITDA	85.0	106.9	131.8	157.4
Growth (%)	-11.5	25.7	23.3	19.5
Depreciation	29.9	33.5	38.3	43.1
Interest	32.2	29.9	24.7	22.9
Other Income	9.9	22.5	13.5	14.8
PBT	32.8	65.9	82.3	106.2
Others	0.0	0.2	0.0	0.0
Total Tax	9.0	16.8	21.0	27.1
PAT	23.8	48.9	61.3	79.1
Growth (%)	-39.8	105.4	25.3	29.1
EPS (₹)	22.1	41.4	51.9	67.0

Source: Company, ICICI Direct Research

Exhibit 3: Cash flow statement ₹ crore

(Year-end March)	FY25	FY26	FY27E	FY28E
Profit after Tax	23.8	48.9	61.3	79.1
Add: Depreciation	29.9	33.5	38.3	43.1
(Inc)/dec in Current Assets	-37.0	-33.7	-71.8	-73.2
Inc/(dec) in CL and Provisions	4.7	17.8	17.2	20.7
Others	32.2	29.9	24.7	22.9
CF from operating activities	53.6	96.5	69.6	92.7
(Inc)/dec in Investments	-1.4	0.0	0.0	0.0
(Inc)/dec in Fixed Assets	-46.9	-51.5	-78.0	-60.0
Others	6.9	-0.2	-0.6	-0.8
CF from investing activities	-41.4	-51.7	-78.6	-60.8
Issue/(Buy back) of Equity	0.0	1.0	0.0	0.0
Inc/(dec) in loan funds	23.9	-80.6	35.0	-5.0
Interest and Dividend outgo	-33.8	-31.4	-27.2	-25.9
Inc/(dec) in Share Cap	0.0	0.0	0.0	0.0
Others	-0.4	77.4	0.0	0.0
CF from financing activities	-10.4	-33.6	7.8	-30.9
Net Cash flow	1.8	11.2	-1.2	0.9
Opening Cash	0.8	2.6	13.8	12.7
Closing Cash	2.6	13.8	12.7	13.6

Source: Company, ICICI Direct Research

Exhibit 4: Balance sheet ₹ crore

(Year-end March)	FY25	FY26	FY27E	FY28E
Liabilities				
Equity Capital	11.2	12.2	12.2	12.2
Reserve and Surplus	215.4	340.2	399.0	475.2
Total Shareholders funds	226.6	352.4	411.3	487.4
Total Debt	305.1	224.6	259.6	254.6
Deferred Tax Liability	15.7	18.2	18.2	18.2
Minority Interest / Others	9.6	8.5	9.0	9.5
Total Liabilities	557.1	603.7	698.0	769.6
Assets				
Gross Block	445.1	498.5	574.2	634.2
Less: Acc Depreciation	122.5	156.0	194.3	237.4
Net Block	322.6	342.6	379.9	396.8
Capital WIP	4.6	2.6	5.0	5.0
Total Fixed Assets	327.2	345.2	384.9	401.8
Investments & Goodwill	1.4	1.4	1.4	1.4
Inventory	153.3	147.4	174.8	206.3
Debtors	125.2	146.0	182.8	215.6
Loans and Advances	0.0	0.0	0.0	0.0
Other Current Assets	22.8	41.6	49.2	58.1
Cash	2.6	13.8	12.7	13.6
Total Current Assets	303.9	348.8	419.5	493.6
Current Liabilities	69.0	86.2	101.3	119.6
Provisions	11.1	11.7	13.7	16.2
Current Liabilities & Prov	80.1	97.9	115.1	135.8
Net Current Assets	223.8	250.9	304.4	357.8
Others Assets	4.7	6.2	7.3	8.6
Application of Funds	557.1	603.7	698.0	769.6

Source: Company, ICICI Direct Research

Exhibit 5: Key ratios

(Year-end March)	FY25	FY26	FY27E	FY28E
Per share data (₹)				
EPS	22.1	41.4	51.9	67.0
Cash EPS	49.8	69.9	84.4	103.6
BV	209.8	298.7	348.5	413.0
DPS	0.0	1.3	2.1	2.5
Cash Per Share (Incl Invst)	2.4	11.7	10.7	11.5
Operating Ratios (%)				
EBITDA Margin	20.5	21.8	22.7	23.0
PAT Margin	5.7	10.0	10.6	11.6
Inventory days	134.8	109.8	110.0	110.0
Debtor days	110.1	108.8	115.0	115.0
Creditor days	43.5	45.4	45.0	45.0
Return Ratios (%)				
RoE	10.5	13.9	14.9	16.2
RoCE	9.9	12.2	13.4	14.9
RoIC	10.0	12.5	13.7	15.2
Valuation Ratios (x)				
P/E	68.3	36.4	29.1	22.5
EV / EBITDA	24.5	18.7	15.4	12.9
EV / Net Sales	5.0	4.1	3.5	3.0
Market Cap / Sales	4.3	3.6	3.1	2.6
Price to Book Value	7.2	5.1	4.3	3.7
Solvency Ratios				
Debt/EBITDA	3.6	2.1	2.0	1.6
Debt / Equity	1.3	0.6	0.6	0.5
Current Ratio	5.0	4.6	4.8	4.8
Quick Ratio	2.4	2.6	2.7	2.7

Source: Company, ICICI Direct Research

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Hold: -5% to 15%;

Reduce: -15% to -5%;

Sell: <-15%

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