

Company Name: The Hi-Tech Gears Ltd.

Management Participants :

Mr. Kapil Rajora - Chief Commercial Officer

Mr. Kawal Jain- Non Executive Director

Mr. Bidadi Anjani Kumar - Non Executive Director

11th Annual Valorem Conference Highlights :

- The company continues to strengthen its positioning as a precision engineering player, with strong capabilities in manufacturing high-quality gears, shafts and transmission components for automotive and industrial applications.
- Operating as a technology-driven manufacturer, with deep expertise in design, forging, machining and heat treatment, enabling superior product quality and cost efficiencies.
- Established as a trusted Tier-1 supplier to leading global and domestic OEMs, supported by long-standing relationships and high entry barriers due to stringent qualification requirements.
- Diversified presence across passenger vehicles, commercial vehicles, off-highway and industrial segments, reducing dependence on any single end market.
- Global manufacturing footprint across India, USA and Canada, enabling proximity to key customers and strengthening export competitiveness.
- Strong focus on operational excellence through Lean manufacturing and TPM practices, driving continuous improvements in productivity, quality and cost control.
- Demonstrated healthy profitability profile, with EBITDA margins broadly in the range of ~12–15%, reflecting niche positioning in precision components.
- Delivered robust profit growth over the medium term, supported by operating leverage, improved efficiency and better product mix.
- Balance sheet has gradually strengthened with reduction in debt levels, improving financial stability and resilience across cycles.
- Near-term performance impacted by muted revenue growth and cyclical slowdown in the auto sector, leading to some pressure on margins and profitability.
- Strategically positioned to benefit from long-term growth in automotive and industrial demand, though execution and demand recovery remain key monitorables.

Key Questions & Answers discussed during the Conference:

- **Who are the marquee customers in the PV segment?** Our key international customers in the passenger vehicle (PV) segment include BorgWarner and Dana. In addition, we supply shafts to reputed global OEMs and Tier-1 suppliers such as Audi, Magna, and American Axle, which reflects our strong positioning within the global automotive supply chain.

- **What kind of shafts does the company manufacture?** We primarily manufacture powertrain shafts, including both input and output shafts. These components are critical to automotive transmission systems and play a key role in efficient power delivery.
- **Who are the customers of the company in the EV segment?** Currently, we have two customers in the electric vehicle (EV) segment—HMCL and Dana. We are supplying assemblies for EV applications, which marks our initial but growing presence in this space.
- **What proportion of revenues comes from the US business?** Approximately 35% of our consolidated revenues are derived from our US operations, highlighting the strategic importance of the North American market for us.
- **What is the value of new business wins from BorgWarner and IFA?** We have secured new business worth approximately USD 12 million from BorgWarner and IFA. Additionally, we have reduced the break-even point of our US operations by nearly 50%, which positions us well for improved profitability going forward.
- **Have you compromised on margins to secure these new business wins?** No, we have secured all new business purely on merit and have not compromised on margins. We remain focused on maintaining disciplined and sustainable profitability.
- **Why the revenue has been decreased compared to previous years?** Our revenue has remained muted over the past couple of years as we consciously focused on strengthening our internal operations. We prioritized five key areas: strengthening our balance sheet, turning around our North America business, preparing for EV opportunities, securing new business wins, and refurbishing our machinery along with optimizing our manpower operating model. These initiatives are aimed at building a stronger foundation for future growth.
- **How frequently are manufacturing machines refurbished?** We typically refurbish our manufacturing machinery every 6–8 years to ensure optimal efficiency, productivity, and consistent quality standards.
- **What competitive advantages do you have over other ancillary players?** Our competitive edge is driven by five key strengths: We offer end-to-end capabilities, making us a comprehensive solution provider. We function as a one-stop shop from a customer’s perspective. We have a presence across multiple segments of the automotive supply chain. We operate with a dual-shore manufacturing footprint. We maintain strong in-house capabilities along with a partnership-driven approach with our customers. These factors collectively enhance our ability to win and sustain business.
- **What is the peak revenue potential from existing capacities?** With marginal incremental capex, we believe we can achieve a revenue potential of approximately INR 1,600 crore from our existing capacities.
- **What is the expected EV business contribution going forward?** Currently, our EV-related business contributes a small portion of our overall revenues. However, with key customers such as HMCL and ongoing developments in EV-related products, we expect this segment to scale up meaningfully over time.

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- **What differentiates your manufacturing capabilities from peers?** We operate as a technology-driven manufacturer with deep expertise across the entire value chain, including design, forging, machining, and heat treatment. This integrated capability enables us to deliver superior product quality while maintaining cost efficiencies.
- **How strong is your relationship with OEM customers?** We have established ourselves as a trusted Tier-1 supplier to leading global and domestic OEMs. Our long-standing relationships, combined with stringent qualification requirements, create high entry barriers and reinforce our position within the supply chain.
- **How diversified is your business across end markets?** We have a well-diversified presence across passenger vehicles, commercial vehicles, off-highway, and industrial segments. This diversification helps us reduce dependence on any single segment and provides greater resilience across cycles.

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