

November 19, 2025

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Bandra (E), Mumbai - 400 051

BSE Limited (BSE)
Phiroze Jeejeebhoy Towers,
Dalal Street, Fort,
Mumbai - 400 001

NSE Scrip Code: ELGIEQUIP

BSE Scrip Code: 522074

Dear Madam/ Sir,

Subject: Transcript of Q2 - 2025-26 Analyst/ Investor Con-call held on November 13, 2025

In furtherance to our earlier intimation dated November 13, 2025 regarding the presentation of Q2 2025-26 Analyst/ Investor Con-call and pursuant to Regulation 30 read with Para A of Part A of Schedule III of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 ("Listing Regulations"), please find enclosed herewith the transcript of the Q2 2025-26 earnings conference meet for the analysts/ investors held on Thursday, November 13, 2025, at 10:00 AM (IST) through Microsoft Teams Meeting.

The aforesaid information is also being made available on the Company's website at <https://www.elgi.com/in/analyst-conferences/>.

The above is for your information and record.

Thanking you,

Yours faithfully

FOR ELGI EQUIPMENTS LIMITED

ROHIT GUPTA
COMPANY SECRETARY AND COMPLIANCE OFFICER
MEMBERSHIP NO.: A12422

Encl.: as above

Q2 2025-26 – INVESTOR MEET CALL

MANAGEMENT: MR. JAIRAM VARADARAJ – MANAGING DIRECTOR.

MODERATOR: MR. KAMLESH KOTAK – ASIAN MARKETS SECURITIES LIMITED

MODERATOR:

Good morning everyone, on behalf of Asian markets, we welcome you all to 2Q FY26 Earnings webinar of ELGi Equipments Limited. We have with us today Mr. Jairam Varadaraj, Managing Director representing the company. We'll start with Mr. Jairam giving a presentation on the quarterly and six-monthly performance of the company. Followed by Q&A session. I hand it over to Mr. Jai. Thank you, Sir. Over to you.

MANAGEMENT:

Thank you, Kamlesh. Thank you, Asian Market Securities, for organizing this call, as always, appreciate it. Ladies and gentlemen, thank you for taking time to be with us this morning.

I will follow the same format that I normally do, which is start with an EBITDA reconciliation for the quarter compared to last year's Q2. So, moving to that slide, you will notice that EBITDA is relatively flat and I have given the reason sales grew by 11%, so there's been a good volume contribution, but in spite of it EBITDA is relatively flat. Employee cost seems to have gone up by 15%, but there is some explanation to that; 6% is the normal increase, increase in the euro exchange and the dollar exchange has contributed 4% to the employee cost increase and we have added 3% in headcount. This is something that I had explained even earlier. Strategically, we are spending close to about 1% to 1.5% of our EBITDA on special initiatives to build the foundational capabilities in finance and in IT and HR and this has been towards that. So, similarly on other expenses, the significant increase has been primarily coming from the initiatives, so overall initiatives have taken away 1.2% of the EBITDA. So, the EBITDA in its current value is 14.9% of revenue compared to 16.3% last year and if I add this 1.2%, which is our initiatives that we're running, our EBITDA percentage is very close to last year. So, the point is, there is no major concern in terms of profitability structure of the business, the focus really is on growing the top line. So, moving on to sales, all the regions have pretty much grown at various levels. Europe has been muted, we have taken some very strong action in Europe in terms of streamlining costs further and I'm reasonably confident that in the balance of the year, our P&L of Europe is going to look better. I'll come back and talk a little bit about both North America and Europe growth in these two regions. So, the financial highlights are; revenue is compared to the various quarters of prior quarters versus the previous year quarter and the PBT. The PBT growth, if you'll notice, has grown by 28% even though EBITDA has been flat and the primary reason for that is we had a one-off income in the sale of property in the US.

So, if I eliminate that, PBT is roughly the same as the previous year. Moving on to the sales mix, pretty stable in terms of split between compressors and automotive and India versus the rest of the world, structurally there is no change in the revenue and the revenue contributions. So overall this is the consolidated P&L right down to PAT levels. So, if I include the one-off gain on sale of property, PAT is about INR 947 million for the quarter, which is roughly similar to what it was the previous year, previous quarter.

Looking at the cash position, we have definitely improved this number. These are all numbers stated in rupees and when I take the net cash position, I have to net off the loans in Europe and the US where with the depreciated rupee, the value of those loans go up. So, the net cash position that we have presented is actually a little skewed. So, you need to look at the cash position in September in the table below. We have really improved our cash position, and we continue to improve it by better management of our receivables as well as inventory. So, I'm very optimistic that going forward we will have continued to improve our cash position. So, this is really the presentation on the numbers.

I would like to talk a little bit about revenue. Australia grew and it's not up to our expectation, but definitely better than last year, last year was a weak year and therefore the growth has been good this year. We continue to remain optimistic about Australia. There are some good improvements in the economy, and we are hopeful, but in any case, it's a very small market in terms of our contribution; I mean contribution to our revenue. Southeast Asia continues to be a challenge; the contribution again is very, very small to our overall level. Coming to India, India has done well in pockets. We had this go to market initiative that we kicked off a year and a half ago. It is gaining traction, but we are yet to see the full-blown results of it. There are some marginal improvements in performance in different segments and we remain hopeful. I believe the third quarter we will see a lot more impact of that initiative than we have seen in the second quarter. Middle East continues to remain strong. We had some pricing challenges, which we have corrected, but otherwise the demand profile looks quite strong, and we are continuing to grow. Europe has been a disappointment and a challenge for us. We expect it to grow despite the Ukraine war and the energy problems there. I think it's time for us to reset our strategy, which is what we are doing. I will combine both that conversation after I discuss what we have done in the US. North America has grown very well for us across all verticals of the business except our distribution operation. But, there also we are beginning to see some green shoots. We think the third quarter will be strong. So by and large, the US market has been very strong for us. But both in Europe and the US, we are going back to the drawing board in terms of rejigging our strategy. The real problem definition earlier was how to gain entry and grow, which we have done successfully. Now the problem statement is how do we increase the rate of our growth in these two markets and therefore the strategy that got us to where we are today is not going to take us to where we want to

go. So that's the conversation internally in the company and we are hoping in the next couple of quarters we'll be able to arrive at certain directions that will give us very clear growth path in both these large regions. One point that I would like to spend some time on is this whole tariff impact. In the second quarter, there was no impact. Like I explained in the call for the first quarter, we are bleeding out our inventory and that's what we did in Q2. So, the impact was not much. In Q3, we expect that there will be an impact, but at an overall consolidated P&L level. So that could be an impact at the contribution margin in the US specific to industrial Product vertical, but at a consolidated level at the P&L, we don't see any impact. We have already done enough of cost mitigation measures across both variable cost as well as our fixed cost and we are confident that we will not have an impact on our P&L and as we continue to grow our sales. So just to summarize, if you look at a steady state one year, so let's take for example next financial year which is 2026-27, assuming a certain growth rate, the impact of tariff both from the exports from India to the US as well as from Italy to the US, the combined impact would be \$ 9 million at an EBITDA level if we didn't do anything and what we have done in terms of cost reduction at the material cost level, cost reduction at certain overhead levels, price increases that we've been able to get in the market without affecting our competitiveness, all of it gives us actually a surplus. So, we are quite confident that even at the current tariff rate, we will not have any impact on our profitability. Now the way the tariff conversations are going, there is a realistic possibility that 50% will drop further down and if that were to happen, we will be on a good wicket from a profitability perspective. So, this is really the summary of the performance of the company for the second quarter. Now, I will open the floor for questions. Thank you very much for your patience.

MODERATOR:

Thank you, Mr. Jairam. Participants, if you have any questions, please use the raise hand option or drop your questions in the chat or the Q&A box. We'll take it accordingly. We'll wait for a couple of minutes for the queue to assemble Sir, before we take the first question.

MANAGEMENT:

Sure.

MODERATOR:

First question, we'll take it from the line of Harshit Patel. Harshit, you may unmute yourself and go ahead with your question.

HARSHIT PATEL:

I thank you very much for the opportunity, Sir, firstly you have mentioned that we have had a challenging first half in Europe and you have also talked about certain mitigation strategies. So, are we confident about a recovery in the second-half and also in the case that the end markets don't improve over there, how do we plan to conduct our operations given that we have invested quite a lot towards fixed cost in that region over the last 6-7 years?

MANAGEMENT:

OK, So fair question. So, we are planning on the basis that the second-half will be roughly similar to the first half even though our performance towards the end of the second quarter was actually better than the prior months, so but we're not taking that in, we are assuming it will be at the same levels. So, what we have done is really gone back and cut deeply on some of our costs and resized the organization to the most realistic level of revenue considering our experience in the last 1.5 years. So those costs are going to be taken out during the rest of the quarters of this year, but we will not see an immediate P&L impact because there is a certain, you know, cost of letting people go and you know, the resettlement Costs are going to be involved. So even though there will be a significant reduction in people cost, there will be the exit cost that will be there. So next year we will be starting the organization at a much lower cost structure. So that's on the cost side. We need to grow our top line to be able to recover the investments that we have made in Europe so far. And that is where I said the current strategy that has taken us to a 3% to 4% share of the European market is not going to take us to, let's say, to go to 6%, 7% share of the US market and we are looking at what should be the revised go to market strategy for ELGi in Europe, similarly in the US as well. But focusing on Europe, we believe that a hybrid model of going direct in partnership with distributors is going to get us, put us more often in front of the customers and we have found that when we are in front of the customers, we win, right. So that's really the goal that we're working on. We are not going to increase any cost because of doing that within the existing cost structure. We are going to try and leverage a different strategy so that we are able to improve the top line.

HARSHIT PATEL:

Understood. Is this model would be more similar to what we are already doing in the North American market where we take the control of the distributorship?

MANAGEMENT:

No, no, no. That's an acquisition, Harshit. We're not looking at acquisition at all, right. What we are trying to do is we have now split our entire sales organization into a channel and direct in Europe. So, while the channel organization will continue to manage the relationship of existing channel partners, the direct organization will start to connect with end users directly, but in partnership with distributors in those regions, so that the distributors are able to deliver service, we do the sales.

HARSHIT PATEL:

Understood. Just a bookkeeping follow-up on that one. How much EBITDA and PAT we have generated from European and North American operations in the first half of this year?

MANAGEMENT:

I don't have the number in front of me, Harshit, but Europe was negative, and North America was almost break even, yeah.

HARSHIT PATEL:

So, so you are talking about at the EBITDA level or at the final bottom line level?

MANAGEMENT:

At the EBITDA level, I'm not taking in the property sale and the other income.

HARSHIT PATEL:

Understood. Just lastly from my side, on the stabilizer front, since we have already launched the product commercially in the market, how has been the customer and the competition response to this innovation and how much incremental revenues we can garner in the second-half and the full year FY27, considering both the opportunities, the new product sales as well as the retrofit that you have mentioned before.

MANAGEMENT:

Yeah. So first is, I'm glad you brought that up. We don't call it stabilizer anymore. It is called Demand = Match. That's the brand name that we have created. Now we've launched it. We launched it in October in different parts of the country in India and the response has been very, very good from the customers now. We have standardized this product across our products, so we are making it as a standard offering, so it's not an option. So, the response from the market has been very positive, but it's still early days. It's just been a month since we put it out into the market. So, we have not really gauged any reactions from competitors. We have not really assessed it yet. I will be able to give you a better sense of it in probably the third quarter call or most likely the year end call, but we will try and see what we can do in the third quarter call. Now as far as a retrofit is concerned, we have not, we have kept it ready. But we have not launched the program yet. So, all our energy is focused on launching this system for the new machines. So maybe in the last quarter we will launch the retrofit program.

HARSHIT PATEL:

Understood. Thank you very much, Sir, for taking my questions and all the very best.

MANAGEMENT:

Yeah. Thank you.

MODERATOR:

The next question, we'll take it from the line of Mr. Ravi Swaminathan. Ravi, you may unmute yourself and go ahead with your question.

RAVI SWAMINATHAN:

Hi, Sir. Very good morning.

MANAGEMENT:

Hi, Ravi. How are you?

RAVI SWAMINATHAN:

Yeah, doing great, Sir. Sir, my first question is with respect to the standalone business, which is largely a representation of India. If you see the past four quarters growth average, it's somewhere around 7 – 7 1/2% vis-a-vis the strong double digit, but that we used to see post just post COVID. My question is at what rate is the industry growing? Which are the sectors which are doing well as of now? How is the inquiry pipeline and is there a reasonable visibility that this high single digit growth can move into the double-digit growth similar to what we had seen just after COVID.

MANAGEMENT:

OK. So, what you're seeing, Ravi, is a growth consolidated across all products. So, if you look at the industrial products, the growth has been higher compared to our construction and mining and whatever, yeah? So that's point No.1. So therefore, the 7% or 7 - 8% growth looks a little muted, but if I de-segregate and look at the industrials, it has not been as bad as the 7 to 8%. But nevertheless, we believe that there is a significant opportunity to grow even higher than that by gaining share, which is really what our initiatives that we've been running and like I explained a little earlier in my call, we hope to see results of that in this quarter and the next, yeah. Now in terms of inquiry, pipeline in India continues to be strong, but the time to convert or to conclude is little extended compared to before, right? So, while the inquiry bank is good, we're not seeing the conversion happening as fast as it used to be, maybe a year, year and a half ago. As far as industry verticals are concerned, the automotive aftermarket like the garages and all, there is a uptick in terms of demand for servicing cars. So definitely there is an increase, but rest of the industry verticals, I don't see any one industry being disproportionately higher than the other. I can only tell you textile continues to remain a little muted. They were getting into the year itself with challenges, now with the tariff, their challenges have been even more. So, they are very muted in terms of investment, but otherwise all the industries, I don't see a difference.

RAVI SWAMINATHAN:

OK. And in India, among products like piston compressors, screw compressors, is there any big difference in terms of growth or all are growing?

MANAGEMENT:

No, all are growing. I think industrial as a category is growing, yeah.

RAVI SWAMINATHAN:

Understood. And after sales service as a proportion this year has it continued to increase because I mean I see the gross profitability has improved for us. So, I would read like after sales would have contributed to that. So, is that understanding right?

MANAGEMENT:

Partly it is aftermarket contribution, partly is also a product mix. You know quarter to quarter, product mix is not exactly identical, right? So, I would not read too much into that. It is just one of those beneficial blips, you know.

RAVI SWAMINATHAN:

Understood. And my last question is with respect to 1 clarification related to that US impact that you had mentioned at an EBITDA level, you had mentioned \$9 million impact would have happened, but you're taking adjustive and corrective measures. Is that understanding right?

MANAGEMENT:

So \$ 9 million is our expected impact if we hadn't done anything for the full year, I took 2026-27 as an example, right? Not 2025-26.

RAVI SWAMINATHAN:

Understood. Understood.

MANAGEMENT:

And we are fully mitigated and prepared for that.

RAVI SWAMINATHAN:

Understood, Sir. Thanks a lot.

MANAGEMENT:

Yeah, yeah.

MODERATOR:

Thank you, Ravi. The next question we'll take is from the line of Mr. Sushil. Sushil, you may unmute yourself and go ahead with your question.

SUSHIL:

Thank you, Sir, for the opportunity.

MANAGEMENT:

You're welcome, Sushil.

SUSHIL:

Sir, my first question is, I know you already alluded to it to some level, but if the US tariffs were to be reduced from the current level of 50%, does that mean that we might actually see an EBITDA margin improvement in our U.S. business?

MANAGEMENT:

Oh, absolutely, absolutely.

SUSHIL:

Which is currently flat is what you alluded to.

MANAGEMENT:

So the in again, if you look at the US business, it has got multiple verticals. There is the industrial vertical, there is a portable vertical, there is distribution operations vertical and the Pattons medical, combined, it's flat but if you look at specific verticals inside, I don't want to get into the profitability of each vertical because that will be too sensitive of data. The industrial vertical was always profitable, right? So, the tariff impact was only a question of reducing its profitability. If the tariffs continue now with the mitigation done, our profitability will not get compromised. But if tariffs go down, then obviously the profitability would go up on the industrial side.

SUSHIL:

Sure. And Sir, my second question is 2 little small bookkeeping things. One, you mentioned that some employee cost went up because of the rupee and rupee depreciation vis-a-vis euro and U.S. dollar. So, we would have got similar benefit in our top line as well, right when we report top line in INR.

MANAGEMENT:

Yeah, absolutely. We got a top line benefit, but since Europe is a loss, the bottom-line impact is much more higher.

SUSHIL:

Fair, fair.

MANAGEMENT:

Of the depreciation.

SUSHIL:

Yeah. And second thing is, Sir, this healthy cash generation that we've had in the first half, some amount of it will also be because of the running of our inventory in the US, right?

MANAGEMENT:

The inventory impact has not been very high, Sushil in so far, because one is when tariffs were

impacted, we felt it may not be good for us to reduce inventory. It's better to hold on to historical inventory, which is at a lower cost, right? Otherwise, we were planning to bring the inventory back to redeploy it in the rest of the world and that we paused. So, to that extent the inventory based reduction in America has not been a major factor, though it has been less. But the bigger contributing factor in this particular quarter and the first half has been the reduction in our receivables. We managed our receivables well and we've brought it under control, and we expect that inventory management in Europe and in India will start gaining momentum by virtue of the project, one initiative that we are running internally. To bring greater control and deliberateness to inventory. So that will yield some very good results in the third and fourth quarter.

SUSHIL:

Many thank you Sir and wish you all the best. Thank you.

MANAGEMENT:

Thank you Sushil.

MODERATOR:

Thank you, Sushil. So, the next, the next question we'll take, it's from the line of Parag Thakkar. Parag, you may unmute yourself and go ahead with your question.

PARAG THAKKAR:

Yes, Sir. Thanks a lot for the opportunity. And I would say that in a very tough macro environment, you have delivered very well. Yeah.

MANAGEMENT:

Yeah.

Thank you.

PARAG THAKKAR:

So just to add that in US when you say that industrial product was profitable, and the profitability will further increase if the tariffs come down. So that itself is a \$9 million impact?

MANAGEMENT:

No, no, no. So, like I explained, Parag, \$ 9 million is an impact of exports from India and exports from Italy because our portable business in the US is relying on products from Italy where the tariff has been 15% for Europe, right. So, that also had an impact on the US operation and the India tariff, which is 50% combined put together is \$ 9 million. Yeah, for the whole company, yeah.

PARAG THAKKAR:

And for the whole US, right? Whole US business.

MANAGEMENT:

Yeah, because there are only two businesses that get impacted primarily by tariffs. One is the industrial business and the other is the portable business. The distribution operations and the medical are not as impacted as the others.

PARAG THAKKAR:

OK So basically see right now, Sir, what we are reading hearing is that tariff is going to come down. So, when the tariff is actually brought down, say to 25% just for the assumption, then what kind of EBITDA increase we can see from here on at a consolidated level for ELGi Equipment.

MANAGEMENT:

Yeah. So, I don't know how to split that \$ 9 million, Parag, but I would think close to, you know, if I look at the split between portable and industrial, I would say about \$ 6 million would be the impact i.e. \$ 6 million would be come down to let's say \$ 3 million, yeah.

PARAG THAKKAR:

OK, OK.

MANAGEMENT:

So \$ 3 million would be the benefit. That's my guesstimate. I don't have the numbers in front of me, yeah.

PARAG THAKKAR:

3 million. OK, And Sir, what is your aspiration? For example, right now we are going through a tough environment as you very rightly said for textiles in India, US tariffs, if suppose all this noise settles down over the next two to three months.

MANAGEMENT:

Yeah, yeah.

PARAG THAKKAR:

What kind, what is the aspiration of ELGi Equipment as a company to grow in terms of at the EBITDA level, I would say not in the revenue level because as you said you have done a lot of investments, and you are going to change your strategy also go to market strategy in Europe and US. What is the aspiration with which you are working? And I know you are very

conservative, so we'll take it like that. But what is the aspiration you have in for ELGi, how much EBITDA growth we can expect? Very conservative. I'm not asking for guidance.

MANAGEMENT:

Well, right now if I remove the special initiatives that we are running, we know we are doing that deliberately, we are currently at around 16%, which is what we said we will achieve as a guidance that we gave five years ago right. So, we are on track. So why don't you give me a little bit of time till the either the third quarter call or the full year call for me to give you a much more well thought through guidance on revenue over what period and EBITDA over what period.

PARAG THAKKAR:

Sure sir. We are looking forward for that sir.

MANAGEMENT:

Yeah, we'll do that.

PARAG THAKKAR:

Thanks a lot, Sir. Thanks a lot.

MANAGEMENT:

Thank you.

MODERATOR:

Thank you, Parag. Sir, next question we'll take it is from the line of Bala. Bala, you may unmute yourself and go ahead with your question.

Bala....!!

I think there is some problem. We'll probably take him at a later stage. So, the next question is from the line of Salil Desai. Salil, you may unmute yourself and go ahead with your question.

SALIL DESAI:

Thanks, Kamlesh. Good morning, Dr Jairam.

MANAGEMENT:

Good morning, Salil.

SALIL DESAI:

Sir, my question is on, you know these cost control initiatives, both employee costs and other expenses and they've grown 15 - 16% this quarter. For employee costs, you gave some breakup of what the impact has been from specially initiatives and Forex, but in spite of that you know 6% growth in employee cost after you've done say you know taken a knife to some of these costs. So just trying to understand you know what is say what is the net benefit of some of these cost control initiatives that one could expect because you know the gross

margins have declined this quarter year on year, so the material cost is reengineering. So, if you can you know take us through some more details that would be really helpful.

MANAGEMENT:

So one is that 6% increase is without taking into account the employee cost reduction that we have, we have initiated and completed in Europe, Salil. So actually, that will be over and above what we have done. So, this will actually come down in the subsequent quarters. I don't know which data you're referring, where you say gross margin has come down. Our contribution margin continues to remain quite strong, right? So as far as the cost reduction is concerned, we are looking at the combination of both variable costs. I'll give you an example. We have done an initiative on our power and fuel. We are not a very high-power consuming company, but nevertheless there is a significant chunk that is there and we are already having a significant part of our power as renewable. We're going to over index on that and that's going to give us about INR 5 to 6 crores of savings every year, right. So, we are running multiple such projects that are optimization of our container cost, the transportation, our travel costs, certain travel reduction, power that I talked to you about and there is a huge saving that we are expecting; not expecting, already baked in and with our own motor production. So, all this is what we are talking about in terms of cost.

SALIL DESAI:

Understood. That's helpful. Just on the gross margins, when I was referring to this number, at least my calculation shows we were at about 51.9% in this quarter.

MANAGEMENT:

Yeah, Which data? Which data are you looking at? I I'm not. I don't have it in front of me.

SALIL DESAI:

So, I'm looking at, yeah, total revenue less, cost of goods, so that is raw material purchases and changes in inventories. My number shows it's 51.9%, which is, you know, about half a percentage point lesser than last year and about 30 odd bps lesser than June quarter. So, I was just wondering if there is some product mix difference here or yeah.

MANAGEMENT:

So, Let me take that offline with you Salil, because like you know a lot of it is also product mix. I'll have to go into the detail, but we don't see any challenges on our pricing or on our material cost.

SALIL DESAI:

Yep, Got it, Sir. Thank you so much.

MANAGEMENT:

Yeah.

MODERATOR:

Thank you, Salil. Before I move on to the next person, I'll take one question from the chat. Sir, there is a question which says that, can our stabilizer product be used with other compressor of other brands or is it just our compressor?

MANAGEMENT:

Technically it can be implemented on any compressor, any screw compressor, but from a viability in terms of payback to the customer, it may not be viable. So, we are really not building that as a sales program, no.

MODERATOR:

So, the next question I'll take it from the line of Mr. Bala. Bala, I've unmuted given you an option to unmute yourself. Please try again but.

MANAGEMENT:

Looks like he's having challenges unmuting himself.

MODERATOR:

Yeah, I think that's a problem. I'll ask him to drop a question in the chat, Sir. The next we take is from the line of Manish. Manish, you may unmute yourself and go ahead with your question.

MANISH:

Thank you, Kamlesh. Very good morning, Sir.

MANAGEMENT:

Hi, Manish. How are you?

MANISH:

Sir, a couple of questions. Very well, Sir. Thank you so much. Sir, first on the Europe cost reduction initiatives like probably over next six months to a year what we are planning, what kind of cost reductions we are aiming for and probably how do you intend to, probably Improve margins, would it be possible to share some broad guidelines on that, Sir?

MANAGEMENT:

So I don't have the specific numbers in front of me, Manish, but approximately a reduction in people cost is going to improve the bottom line by almost 1 Million euro. So that's what we're

looking at. In addition to that, we are looking at how to get specific top line growth combined. Both combined together should take us into a profit zone that will help us start recovering the investments that we have made in Europe.

MANISH:

Right,. OK. OK. And, are we looking for initiatives in US. I'm a bit confused. You were referring to both Europe and US.

MANAGEMENT:

No, sorry, Manish, I lost you. Can you please repeat that question? Yeah.

MANISH:

Hello. Yeah. So, are you looking for similar initiatives in US as well on cost?

MANAGEMENT:

So the initiative, yeah. This initiative in Europe is not to reduce cost as much as it's structured as a program managed manner that we have done it in Europe. The goal in US is to grow the top line to discover new go to market avenues which will give us that kind of a disproportionate growth that we need as part of our long term CK2 aspiration, right. So, it's like if you look at industrial, it is growing well in the US, but it's not growing enough. The point that I explained to you, the problem definition is not growth. The problem definition is the extent of growth and that's what we are trying to do both in Europe. and in the US.

MANISH:

And that should ideally be driven by what, Sir, like in terms of new products from India or?

MANAGEMENT:

No, no, no, it's not new products, Manish. We need to get in front of the customer more often. And what we have discovered is every time we are in front of the customer, our win ratios are very high. Our ability to get in front of the customer is at the moment by and large dictated by the distributor's desire to carry our product. Now all these years, over the last 10 years, we have worked with various distributors to try and get them to accept our product with various levels of success and that is giving us a certain level of growth. But we are saying that growth is not enough. So, what we are trying to do as an experiment that we are exploring, we've still not implemented, or we have not finalized is, can we go directly with our own people, but in partnership with our distributors for rendering service support for the customer? This will give us the ability to get in front of the customer more often, right? So, this is really one of the strategies that we are explore.

MANISH:

OK. So here probably the partnership model what we had adopted earlier, is it very similar to that where it will be a different like because earlier you had a.

MANAGEMENT:

No, no, that was an equity investment by us. We incubated a new distributor. That's not our intent now. Yeah, our intent is to have our own people going and meeting customers in the distributor area and then partnering with the distributor. For aftermarket, because distributors profit primarily comes from aftermarket, right? And, we don't want to compete with them in the aftermarket.

MANISH:

OK, OK.. So, Sir I had one question on aftermarket as well. Like probably overseas we have been increasing our base and I believe what earlier you have stated is that we probably are at low double digit revenue contribution from aftermarket in overseas operation. You may correct if I'm wrong. So where do we see it going forward Sir, like when do we see that point where Aftermarket starts contributing much more on the profitability or able to probably provide that operating leverage to us.

MANAGEMENT:

Yeah. So, this is an arithmetic exercise, Manish. It's a simple arithmetic exercise which we have done and it's somewhere in our files. But I'll give you, I'll summarize it in a simple manner. So, if your installed base is, let's say 100 in India, yeah.

In another country the aftermarket contribution is about 30% to revenue, yeah. Now if the installed base is 25 in another country, then the aftermarket contribution is around 12%, So as 25 moves to 100, 12 will start moving towards 30, right? So that's the simple arithmetic. Now the question is. We can put a linear equation and say this is how it will be, but it's really a function of and that is the reason why we are trying to increase the velocity of our growth. So, we get from 25 to 100 in these large market sooner than later.

MANISH:

Yeah, OK. And one-bit curious question from data points from the annual report like broadly what we see is that our exports from India is roughly 525 crores and out of that large part is exports to our own entities overseas and that number has been growing steadily. If I just do a rough math of like overseas sales minus this something about 400 odd crores we supply from India, that balancing number comes to around 1100 to 1200 crores, 1600 minus certainly 400 odd crores if I do that math. So, and on that balancing number there are two questions; I

would like to get your perspective is that are these entirely compressor products or these are probably solutions around compressors where you probably have outsourced product and probably that kind of revenue is generated No. 1 and No.2 is that that balancing figure is not yet yielding enough profit. So how do we see it going forward?

MANAGEMENT:

So it I think we should take this offline, but I will try because it's a lot of detail. I will try to explain. I will try to explain. I will try to explain to you in a very summarized manner.

MANISH:

No, no problem, Sir. Whatever is convenient to you.

MANAGEMENT:

The balancing number has multiple pieces. One is the profit on the export that we make to the subsidiary, right. So, there is profit for the subsidiary, not the profit we make in the parent company. So that balancing, some percentage of the balancing number is profit on that, right? Then there are accessories that we brand in our name, but it is bought from outside, right? So that is the second piece, and the third piece is especially in the US and Australia. We have our own distribution operation which brings in another layer of profit on the sale of equipment plus the sale of service and spare parts. So, it is a multiplicity of stuff that add to that balancing. Yeah, we can take this offline, and we can explain.

MANISH:

Right. Sure, sir. Thank you so much, sir. Thanks.

MANAGEMENT:

Yeah.

MODERATOR:

Sir, I'll take a couple of questions from the chat first. So, there is a question from Bala. The launch of the low-cost compressor range is a key growth vector. What is the strategy to prevent cannibalization of our core compressor product? Is this range aimed at winning new price sensitive customers or competing more aggressively with specific low-cost competitors?

MANAGEMENT:

So let me answer the first question. Is this going to cannibalize our existing thing? No, it will not. There is a certain segment of customers in the market for whom performance in terms of energy efficiency, energy cost is not a major factor either because their overall power consumption in a year is low or because power cost is such a small part of their overall P&L, they don't care. They want to look at low upfront capital cost. So, these customers are not going to, I mean, existing customers who buy on performance, who are concerned about the

energy cost are not going to switch because there is a reduction in upfront capital costs. So, we are not concerned about it. Very clearly defined type of customers in specific locations, specific industry segments, in terms of what, who's going to come to us, it is not about, it is only these customers that I described, we are going after these customers. It's not about replacing and today those customers are getting machines primarily from China and our goal is to compete and take away market from these, these manufacturers. They're really not manufacturers, they're traders, they're buying from China and selling.

MODERATOR:

Uh, sure, Sir. The next question from the chat again for FY26-27, what percentage of motor requirement will be produced in house and what impact it will have on our financials?

MANAGEMENT:

I have a reasonably clear answer for the first, but I don't have a specific answer. It is there in our files. I don't have it readily in front of me as far as the percentage of motors for 2026-27, close to 75 to 80% of the volume of motors, we will be making ourselves globally, right? So that's the answer to the first question. In terms of P&L impact, I'm sorry I don't have the answer in front of me. I'm quite happy to take it offline and give it to you.

MODERATOR:

Yes. So, the next question is what is the cumulative investment we have made in Europe till date?

MANAGEMENT:

The total investment has been in the form of losses. We have lost close to 25 million euro, which is roughly about INR 250 crores.

MODERATOR:

So uh, the next question is what is the status of launch of a low-price compressor as an alternative to Chinese compressors?

MANAGEMENT:

So these compressors, even as we speak, are running in the field and getting field validation done. We are parallelly working on our go to market structure, organization and all that. We have an internal target to get it launched by the 1st of April but definitely by the first quarter of next year, we should have the products in the market.

MODERATOR:

Sir, sure, Sir. The next question I'll take it is from the line of Mr. Amit Anwani. Amit, you may unmute yourself and go ahead with your question.

AMIT ANWANI:

Hi, Sir. Thank you. Thanks. Good morning. Thanks for taking my question. So, my question pertains to US. You did explain the tariff side and the cost implications there, but you did also highlight that going in front of customers is something which you would like to do, and the strike rates are high, and I think you have been highlighting this I think from quite some time. So just wanted to understand what is the constraint which is stopping us to do that more often and US as a market, so the tariff we understood, but US as a market in terms of volumes, new products, distributors for you, what is the road map? Are we anytime expecting double digit, high single digit growth in US market? Yeah, that is my first question.

MANAGEMENT:

So Amit, our business is primarily a distributor led business. So, for us to get in front of the customer, distributor first has to accept to carry our product. We are a late entrant, distributors have well entrenched relationship with other brands of compressors, so it takes a long time for us to break into a distributor. That's one level of inertia. The 2nd is even after we break in, invariably distributors carry more than one brand. So, it could be us and another brand. Now we need to fight hard with the distributor to get a higher share of the distributor's wallet so that he's able to represent our brand in front of the customer. So that's another point of inertia. The Third Point of inertia is there is a large pool of distributors who just don't want to break away from the existing relationship with existing OEMs. So that's a Third Point of inertia. Now through all this inertia, if our goal is to be in front of the customer more often, then the existing channel-based approach alone is not going to give us that additional goal. I'm not saying we move away from channel. We need to supplement that channel with another go to market Avenue which puts us more often in front of the customer and that's what we are exploring both in the US and in Europe. Now, this is nothing new. We do this even in India. We have a channel go to market and we have direct go to market. But we have not done it in any of other markets till now so maybe the time has come for us to explore it, but the only difference compared to other OEMs is we are doing it as a hybrid model where we partner with distributors in going to that.

AMIT ANWANI:

Understood, Sir. Second question on the stabilizers, you did highlight it that it can fit other brands, but customers might not have the paybacks. We are assuming that we'll be doing for ELGi products, any ballpark number of units or the cost per unit or the overall addressable market over a period of time for you, if you could highlight and yeah, for stabilizers, for stabilizers, yeah.

MANAGEMENT:

For the aftermarket? Or for the replacement market?

AMIT ANWANI:

Yes, replacement market, yeah.

MANAGEMENT:

See, we are not we like I said, we've not developed a product for replacing competitor's machines or upgrading the competitor's machine with demand match. We're not doing that. Our own product, our own machines, if we want to retrofit, we think there is an opportunity for at least 3-4 thousand machines a year. Now, like I said, we have not prioritized that business now, we are now focusing mainly on launching the product built in the factory. Maybe in the third, fourth quarter we will start looking at the retrofit business.

AMIT ANWANI:

Understood, Sir. Ideally, ballpark, what would be the cost to retrofit?

MANAGEMENT:

Uh, I don't have a number because we have not run it, but I'm thinking that it will be about 10 to 15% of the value of the machine.

AMIT ANWANI:

Understood. So finally on the Capex plan, any change amid the current tariff situation? I think last time we highlighted 700 crore for five to six years and 250 crores immediately in the next two years if I'm not wrong, so are we on track.

MANAGEMENT:

Yeah. So, yeah, yeah, we're on track. We're on track. We said INR 600 crores over the next five years. We said INR 250 crores, but INR 250 crores out of the INR 600 crores is firmed up. The balance INR 350 crores we are thinking through it. We have done the architecture, overall master plan, but we have not done the detailed planning. The INR 250 crores is firmed but it is going slower not because we have pulled back but we encountered some issues like hard rock in the property, which is taking us longer than planned for execution, but otherwise we are on track.

AMIT ANWANI:

So the timeline will increase for this 250, let's say by 6 to 12 months, is it?

MANAGEMENT:

Yeah, yeah, so probably 12 months.

AMIT ANWANI:

Understood. Thank you so much, Sir. Thank you and always.

MANAGEMENT:

OK. Thank you. Thank you.

MODERATOR:

I think that is what we have. Uh, Kamlesh, would you want to go ahead with your questions?

KAMLESH

No, Sir, that's fine. So just wanted to touch up on any specific industries you would want to highlight in terms of the business outlook in India, whether it is oil free or oil lubricated or any specific segments which are outlier or maybe laggard.

MANAGEMENT:

So textiles, like I explained to you, Kamlesh, is quite in bad shape, so we're really not growing in that segment. But other than that, across the board, I don't see anyone behaving in a super high manner or a super low manner, it's roughly the same. But the general thing is there is a caution in terms of finalization. There is optimism both on the tariff side, everyone believes that this tariff is not going to be at this level, but everyone also realizes tariff is not going to be 0, right? So, everyone's calibrating to various percentages and they've come to terms with it. So, the tariff based, depression in the market, I think we've gone past it, right? But there is still a caution and say wait and see what other surprises are from where, let us see if we can milk the existing capacity a little bit more rather than go and invest in, right? So that's the prevailing seems to be the prevailing sentiment in the market.

MODERATOR:

Sir, I know we don't directly supply to the government, but any colour in terms of the private side of demand and government-oriented projects or investment demand, do you see there any material difference between the two in terms of execution?

MANAGEMENT:

So we'd like you said, like you said, we don't do direct business with the government, but you know there are large infrastructure projects which are initiated by the government which trickles through private sector like.

MODERATOR:

Yes. Right.

MANAGEMENT:

So we went through two years of our portable compressor growth in India by virtue of all the construction activity that went on in the country, whether it was road construction, dam

construction, there was a lot of tunnelling, all that. That is kind of come down, yeah. So, we are seeing the impact of that, right. But otherwise, I don't see any big difference.

MODERATOR:

OK. OK, great. OK, Sir. So, thank you very much for all the insights, Sir. With that, we conclude the call. Any closing comments you want to make?

MANAGEMENT:

Yeah, Thank you. No, I'm fine. Thank you very much as always, Kamlesh, for being gracious and hosting us and it's always a pleasure to participate with everyone during these quarterly opportunities. Thank you very much.

MODERATOR:

Thank you, everyone. You may know log off now and have a good day. Thank you.

MANAGEMENT:

Thank you. Yeah, thanks.
