



February 13, 2024

**BSE Limited**

Phiroze Jeejeebhoy Towers,  
Dalal Street, Mumbai – 400001

**National Stock Exchange of India Limited**

Exchange Plaza, Bandra Kurla Complex,  
Bandra East, Mumbai – 400051

**BSE – 500495**

**NSE - ESCORTS**

**Sub: Earning Call Transcript**

Dear Sir/ Ma'am,

Pursuant to Regulation 30 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, please find enclosed the transcript of the conference call held on February 8, 2024, for discussing the earning performance of the quarter and nine months ended December 31, 2023, and the same has been uploaded on the Company's website at the below link:

<https://www.escortsgroup.com/investors/financials.html?view=list>

The aforesaid transcript was uploaded on the Company's website at February 8, 2024 at 11:40 AM.

Kindly take the same on record.

Thanking you,  
Yours faithfully,  
For **Escorts Kubota Limited**

**Satyendra Chauhan**  
**Company Secretary**

Encl.: As above

**Escorts Kubota Limited**

(Formerly Escorts Limited)

**Corporate Secretarial & Law**

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“Escorts Kubota Limited  
Q3 FY2024 Earnings Conference Call”

February 08, 2024



**MANAGEMENT:** **MR. BHARAT MADAN – WHOLE TIME DIRECTOR & CHIEF FINANCIAL OFFICER**  
**MR. NEERAJ MEHRA– CHIEF OFFICER – AGRI MACHINERY BUSINESS DIVISION - DOMESTIC SALES**  
**MR. SANJEEV BAJAJ – CHIEF OFFICER - CONSTRUCTION EQUIPMENT BUSINESS DIVISION**  
**MR. ANKUR DEV – CHIEF OFFICER - RAILWAY EQUIPMENT BUSINESS DIVISION**  
**MR. SANJEEV GARG – HEAD FINANCE & TAX**  
**MR. PRATEEK SINGHAL – INVESTOR RELATIONS & ESG**

**ANALYST:** **MR. ANNAMALAI JAYARAJ – BATLIVALA & KARANI SECURITIES INDIA PRIVATE LIMITED**

**Moderator:** Ladies and gentlemen, good day and welcome to the Escorts Kubota Limited's Q3 FY2024 Earnings Conference Call hosted by Batlivala & Karani Securities India Private Limited. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during this conference, please signal an operator by pressing "\*" then "0" on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Annamalai Jayaraj from Batlivala & Karani Securities. Thank you and over to you Sir!

**Annamalai Jayaraj:** Thank you Darwin. Good evening. On behalf of Batlivala & Karani Securities India Private Limited I welcome you all for Escorts Kubota Limited's Q3 FY2024 earnings conference call. I also take this opportunity to welcome the management team from Escorts Kubota Limited. Today we have with us Mr. Bharat Madan, Whole-Time Director, and Chief Financial Officer; Mr. Neeraj Mehra, Chief Officer - Agri Machinery Business Division Domestic Sales; Mr. Sanjeev Bajaj, Chief Officer - Executive Construction Equipment Business Division; Mr. Ankur Dev, Chief Officer - Railway Equipment Business Division; Mr. Sanjeev Garg - Head Finance & Tax; and Mr. Prateek Singhal, Investor Relations & ESG. We would start the call with brief opening remarks from the management followed by an interactive Q&A session. Before we start, I would like to add that some of the statements that the company makes in today's call will be forward-looking in nature and are subjected to risks as outlined in the annual report and investor releases of the company. At this point I would request management for their opening remarks.

**Prateek Singhal:** Thank you, Mr. Jayaraj. Good evening, everyone and thank you all for joining us today. Few highlights of company's standalone performance for third quarter ended December 2023 are as follows: Operating revenue at ₹ 2,320.4 Crores up 2.5% year-on-year, tractor volume at 25,999 units down to 7.2% year-on-year, highest ever quarterly construction equipment volume at 1,800 units up 48.9% Y-o-Y, railway equipment revenue at ₹ 205 Crores down 17.8% year-on-year. EBITDA for the quarter ended December 2023 up by 64.3% came at ₹ 312.7 Crores as against ₹ 190.3 Crores Y-o-Y. EBITDA margin at Q3 stands at 13.5% up by 507 basis points year-on-year mainly led by improved realization, effective cost control, and softening in commodity price. Net profit PAT up by 48.8% to ₹ 277.3 Crores as against ₹ 186.4 Crores year-on-year.

Few financial highlights for nine months ended December 2023 are as follows: Operating revenue at ₹ 6,694.3 Crores up 8.6% year-on-year, tractor volume at 74,605 units down 4% Y-o-Y, highest ever construction equipment volume at 4,750 units up 53.6% year-on-year, highest ever railway equipment revenue at ₹ 737.1 Crores up 22% year-on-year, highest

ever EBITDA at ₹ 902.9 Crores up 65.8% year-on-year, EBITDA margin at 13.5% up 465 basis points year-on-year, highest ever net profit in nine months at ₹ 795.1 Crores up 88.6% year-on-year, net profit margin at 11.9% up 504 basis points year-on-year. This is our best ever nine months' financial performance so far.

Moving on to the segmental business performance. Starting with the agri machinery business, during the quarter ended December 2023 the domestic tractor industry experienced 4.9% decline in sales with 2.35 lakh tractors sold compared to 2.47 lakh in the corresponding quarter. This decrease was primarily due to erratic and deficient rainfall resulting in delayed crop harvest and lower Rabi sowing. Our domestic sales were down by 5.9% to 24,628 tractors in Q3 FY2024 as against 26,181 in the previous year. Our market share stands at 10.5% at the end of Q3 FY2024. In Q3 FY2024 the export industry saw a 27.2% decrease to 21.3K tractors as compared to 29.3K tractors in the corresponding quarter. Our export volume declined by 25.7% to 1,371 tractors as compared to 1,844 tractors in the corresponding quarter resulting in a market share of 6.4% in the export market. Now approximately 47% of our total export volume comes from the Kubota global network in the quarter ended December 2023. Revenue for the segment came at ₹ 1,658.3 Crores down from ₹ 1,708 Crores in the same quarter last year. The EBIT margin for the agri machinery business increased by 550 basis points to 13.8% as compared to 8.3 % in the previous year's corresponding quarter. This improvement was driven by softening in the commodity price, improved price realization and effective cost control measures. As we move towards the harvest period, we anticipate a rise in the demand in the upcoming months as agriculture activity improve overall. On a full year basis, we expect FY2024 Indian domestic tractor industry to degrow at around 6 to 7% as compared to record industry volume of FY2023.

Coming on to the construction equipment business in Q3 our served industry segment for Backhoe loaders, pick & carry cranes, and compactors experiences significant growth of around the 30% odd led by crane industry 47% growth, compactor 49% and Backhoe loader industry up by 25%. Our total volume of manufactured and traded products reached all-time high in the quarter of around 1,800 machines, a 49% increase from the previous year. Construction equipment segment revenue came at ₹ 457.2 Crores, up 49.3% as compared to ₹ 306.1 Crores in the corresponding quarter. EBIT margins for the division improved by 607 basis points to 8.3% as against 2.2% in the corresponding quarter led by operating leverage, improved product mix, and better realization. The construction equipment industry strong performance across all segments attributed to increase infrastructure development project nationwide with the government focus on faster project execution and adoption of advanced technology and sustainable practice, we anticipate continued growth momentum in the construction equipment industry.

Coming on to the railway division revenue for the third quarter came at ₹ 205 Crores as against 249.3 Crores in the corresponding quarter. The EBIT margin for the quarter ended December 2023 improved by 532 basis points to 18.4% compared to 13.1% in the same period last year driven by more favorable product mix. Looking ahead we remain committed to expanding and diversifying our product line. At the end of December 2023, the order book for the division stands at more than 900 Crores plus.

Now I will request the moderator to open the floor for Q&A.

**Moderator:** Thank you very much. We will now begin the question-and-answer session. The first question is from the line of Gunjan Prithyani from Bank of America. Please go ahead.

**Gunjan Prithyani:** Hi team thanks for taking my questions. Just reconfirming that in the opening remarks did you call out minus 6 to 7% decline for the tractor industry in FY2024?

**Neeraj Mehra:** That is correct that is minus 6 to 7 % for the entire year.

**Gunjan Prithyani:** Then if I use that as a base, we are basically looking at almost nearly low teen decline in the Q4 can you just share some insights on what is really that we are seeing on the ground, is this inventory correction, is it genuine weakness in demand and how long do we see this persisting?

**Neeraj Mehra:** So, you are right Q4 we are looking at about 12 to 13% decline vis-à-vis last year so overall the year would end between 890 and 895 units, and this is on a high base. Last year was a very high base, the highest ever in the tractor industry so if we end at about 890 or 895 for the current year that would still be about second highest in the history of the tractor industry. Now one of the key reasons for this decline primarily is as already mentioned in the opening remarks it is basically erratic and deficient rainfall in the western and the southern part of the country so the tractor industry has a direct correlation to the rainfall that is one of the primary reasons basically and another reason is that the commercial segment primarily when I say commercial I am talking of the brick industry and the mining segment that was a bit slow so these two are primarily the reasons for the decline.

**Gunjan Prithyani:** Just two followups on that because if I look at the water reservoir levels, they are also quite meaningfully down from what typically has been the trend for last couple of years that really does not give confidence of things improving meaningfully or how should I read beyond Q4. I get Q4 is a demanding base and some of these issues around commercial segment is reflected in CV industry as well but beyond Q4 is water reservoir level a concern or how are you approaching FY2025 if you can share more colour around that?

- Neeraj Mehra:** It is a bit premature to comment on financial year 2025 as of now because I have already said that tractor industry has a direct correlation to the rainfall so till we get a meaningful indication on how the rainfall, or the monsoons will be next year it is a bit difficult. We can get to it around March or early April on how financial year 2025 would look.
- Gunjan Prithyani:** Inventory levels in the channel are that something that we should be worried about, it is at the high levels any comments there?
- Neeraj Mehra:** So, from EKL's perspective actually not to worry on the inventory levels. We are currently at about 35 to 38 days of inventory levels, so we have been very cautious on this aspect over the last nine months, so our inventory levels are pretty much in control.
- Gunjan Prithyani:** Second question from my side is on the export now clearly the expectations here were of a significant ramp up with the Kubota network and what I see is almost 20%, 25% decline in the volume numbers even when the volumes are quite small right now in context of what we are looking over the next three, five years so how should we look at the ramp up of the export business is it the merger that we are awaiting to close or is there anything to call out on exports?
- Bharat Madan:** So Gunjan on export like we mentioned in the last call also was export will really pick up for Kubota network once the product development is ready which is what Kubota really needs but if you look at overall export still the share of Kubota export actually is going up even the total volume, whatever volume we have even now, I think it is almost 40-45% now which it has already touched and normally if you look at the markets both US and Europe are going through downward trends on the tractor industry perspective so we are seeing some pressure there but still Kubota actually has been buying these tractors and there is some new products which we are in the process of introducing which will happen in FY2025 and that will actually help us in picking more volumes for Kubota network too so I think long-term trend obviously you look at mid to long-term trend obviously is positive on export. There is lot of lineup which is happening now on the Kubota development side but obviously if you look at the short-term perspective there are obviously some concerns. The overall industry is down by 30% roughly.
- Gunjan Prithyani:** Got it. I will join back the queue. Thank you.
- Moderator:** Thank you. The next question is from the line of Raghunandhan NL from Nuvama Research. Please go ahead.

- Raghunandhan NL:** Thank you Sir for the opportunity and congratulations on good margin performance. Sir firstly following on the tractor demand there are triggers like the timing of that Chaitra Navratri festive period, IMD and Skymet both have initially indicated expectations of normal to above normal monsoon and there could also be government support in terms of favorable policies so given these factors would you expect that the trend would be positive for FY2025 on the tractor side and also you will have a low base of 890000 to work with?
- Neeraj Mehra:** Thank you for the question, Raghu. First of all, 890 is not a low base it is pretty decent base, secondly what all factors that you have mentioned if all those factors come into play positively then of course we can see a positive upswing.
- Raghunandhan NL:** Got it Sir and second question was on railways part nine months growth is strong and even last two years growth was strong for this quarter there was a decline Y-o-Y would you consider it as temporary given that there is an order book of 900 Crores with things improve going forward if you can talk a little about what happened this quarter and the outlook ahead.
- Ankur Dev:** I believe you are right as you are saying it is a temporary phenomena and the major revenue for our business comes from Indian railways and the supply happens based on the schedule which is received from them so it is basically low because of the supply schedule for Q3 which we were having and if I talk about the order book we have done a order intake of more than 40-50% higher than what we had in Q1 and Q2 so it is a temporary thing and we will continue our growth momentum in the coming periods also.
- Raghunandhan NL:** Got it Sir and lastly to Bharat Sir in terms of company's progress towards vision 2028 can you highlight status of certain key areas in terms of A amalgamation of Kubota Agri would you expect it to happen in the next two, three months, B in terms of exports of component would that start-off will pay next three to six months?
- Bharat Madan:** Yes Raghu on the merger front I can give you an update so obviously all the approvals are in place so the matter is now pending with NCLT so I think it is up to NLCT when the final order comes so as you mentioned it can happen in next two three months so we are expecting it should happen within that time frame so on the component export side yes like I mentioned last time also so the team has been now working on this area and they have already shortlisted some of the component which they will be looking at exporting and as you mentioned in the manufacturing JV in Escorts Kubota there is already exports happening to US and Thailand for the component so obviously those business will come to us, it is a decent business right now, 100 to 150 Crores components are exported from EKI and I think KAI is also exporting some component to Thailand say another 60 to 70 Crores

so it is a decent side of business and there is an intent to grow that business further because there is a lot of export which we are expecting will happen from India so definitely the team will work on that so they already started contacting suppliers and building a big portfolio but it is a good wish from Kubota side to shift part of the sourcing business from other countries to India.

**Raghunandhan NL:** Got it Sir. Thank you very much. I will fall back to the queue.

**Moderator:** Thank you. The next question is from the line of Hitesh Goel from CSLA. Please go ahead.

**Hitesh Goel:** Thanks for taking my question, Sir. This question is on TREM V norms so basically you had indicated that this will get extended beyond April 2024 for less than 50 HP segment so what is the indication you are getting from the government because I think in one of the concalls you had talked about September 2025 as the date for these norms?

**Neeraj Mehra:** So, there is a formal communication now, so these have been actually extended to April 1, 2026, so no impact for the next fiscal at least.

**Hitesh Goel:** Got it Sir. Thank you.

**Moderator:** Thank you. The next question is from the line of Mitul Shah from DAM Capital. Please go ahead.

**Mitul Shah:** Thank you for opportunity Sir. Sir, first question is on inventory. We are hearing industry wide inventory level of around 45 to 50 days primarily with higher inventory leader so we are saying our inventory 35 days so such a huge deviation, we plan to increase the inventory in March ahead of the Chaitra Navratri and how do you see that inventory situation for industry because Chaitra Navratri starting in second week so would that be filled up in March itself to boost the March number or it will happen only in April?

**Neeraj Mehra:** I mentioned in my earlier comments that our inventory levels are currently between 35 to 37 days so for the current fiscal we do not intend to increase our inventory and we intend to continue with this inventory as we go forward. With a lot of thought we have worked on this inventory, and we intend to continue as we get into the next season.

**Mitul Shah:** Sir, second question on exports side again. Nearly 47% of the sales now coming from Kubota channel and without Kubota we were doing about 400, 500 kind of number per month and even after getting support from Kubota the number is not changing so sizeable deviation so how the strategy is working in terms of after this tie-up and Kubota channel,



still we are selling Farmtrac, Powertrac, EKL how the branding on a broader basis the strategy change after this tie-up?

**Bharat Madan:** There is a strategy paper which has been rolled out so obviously there are markets where both the brands are present today so we have got Kubota network as well as our Farmtrac network and there are countries where there is only Kubota network present and we are not there and now there are countries where only Farmtrac is present and Kubota is not there so obviously where there is no overlap there is not an issue so both brands will continue independently but where there are overlaps in the same country where both brands are operating so the idea is to integrate the channel which is why you have seen some impact coming on the numbers also where I took some time to really integrate the channel so there are some countries and with the distributors for both which brand will operate with whom but obviously now the idea is whosoever is the best distributor they will operate whether it is FT distributor then we will continue with FT distributor, if the Kubota network is strong we will continue with Kubota network but the same distributor itself for both the brand so the brand will continue in all markets so we are not discontinuing any brand from the company side and whosoever is the stronger channel partner we will continue with that channel partner and the other partner will be discontinued.

**Mitul Shah:** By when do we expect completion of this dealer consolidation and any meaningful ramp up in export volume?

**Bharat Madan:** So hopefully within next year they should get completed we already started working on this, but they are going market-to-market with Kubota, and I think the total market we are present is more than 60, 70 countries and Kubota is even more than that so obviously wherever there are overlaps we are addressing one-by-one on these markets. What we expect I think within next one year the entire integration will happen.

**Mitul Shah:** Thank you and all the best.

**Moderator:** Thank you. The next question is from the line of Mumuksh Mandlesha from Anand Rathi. Please go ahead.

**Mumuksh Mandlesha:** Thank you so much for the opportunity and congratulations on margins in agri segment. Can we talk more about the vision plan related to new products which we plan to launch for domestic and exports markets just to get more sense what kind of products we are looking, which segments we are looking, can you help us understand more on this?

**Bharat Madan:** See in the mid term basis plan we have identified the wide spaces both individually because we said we will continue with all three brands, Powertrac, Farmtrac, and Kubota and they have white spaces in each brand so we are not present in all three brands across all segment and application so idea is to fill those white spaces so the product line obviously will include wherever there are gaps we intend to bridge those gaps so there is plan on the product development side on the next four years on how these works will really fill that gap because we are looking at increasing market share, so obviously the entire universe needs to be covered so that has been the plan and the R&D team and product development team is working along with the sales team for the development of this product and we will see the line up starting coming in from next year, new product launches will start happening from next year itself.

**Mumuksh Mandlesha:** Something similar what is plan for exports market, what kind of products we are looking Sir to particularly develop for Kubota markets?

**Company Speaker:** So, one obviously the emission norms are advanced so it is not something but we sell in India so that is roughly one requirement, second the quality standards if we were to sell under Kubota brand are quite high and stringent because their positioning is totally different so that means some changes are required. Even in the existing portfolio if we want to export obviously for Kubota brand or cobranded products some changes are being done to match their quality standards so those things are there, so essentially see if you look at the exports from India essentially we are always sub 75 HP segment which really sells in India now the maximum export we are seeing happening in sub 40 HP segment especially if you look at the European market 30 HP segment is the biggest export segment which is now happening, almost 13,000 tractors got exported last year under this segment so this is one segment which is a priority and not just Escorts I think there are all other manufacturers also targeting this segment now so it is becoming quite competitive but this is a segment where the product gaps are being addressed and the first priority which will cater to European market and then as you go to the north America or central American market then it will go with the higher HP segment which we will get into.

**Mumuksh Mandlesha:** Got it Sir and just any update on the engine plant for the localization of the JV company?

**Bharat Madan:** So engine plant will come up when we go ahead with the Greenfield facility which is a plan but certainly the engine line may not come up immediately, it may come up in second phase, the first phase we intend to look at first setting up the tractor capacity which will be doubled now and post that then we will start the engine line but right now I think is still in the discussion stage so the timing is yet we do not know which one will happen, it can also happen together, it can happen in phases so we have to come back. We have not really yet

submitted the final plan to both the Kubota board and to our board but obviously the land acquisition plan has got the go ahead from both the boards so I think we are starting this process from this month so hopefully next three, four months we should be able to close that.

**Mumuksh Mandlesha:** Got it Sir just lastly on the agri margin improvement which we saw this quarter has there been any price hike or a lower input cost benefit?

**Bharat Madan:** Yes, both were there so if you recall in the last quarter in September we had taken a price increase so we did not get the full benefit last quarter so that impact obviously has come fully in this quarter and there has also been some deflation benefit which we got from the commodity prices in this quarter in tractor business so that is also reflected as part of the margin.

**Mumuksh Mandlesha:** Got it Sir thank you so much for this.

**Moderator:** Thank you. The next question is from the line of Jinesh Gandhi from Ambit Capital. Please go ahead.

**Jinesh Gandhi:** Continuing on the previous question on the commodity side have we seen large part of the benefit reflect in 3Q or you are expecting further benefits in coming quarters?

**Bharat Madan:** Actually now we are seeing some tightening started happening actually in construction equipment we saw some inflationary pressure in last quarter so that is why you see the margins in construction equipment are slightly down, so we took the price increase there in January to offset that inflation and in tractors again we are hearing there is some possibility of inflation coming in Q4 even though the quantum may not be high but those numbers still need to be finalized but we do not see a significant deflation benefit now coming in. I think the softness in commodity has already been I think more or less more even if it remains stagnant, I think we are good but otherwise basically your margin will increase.

**Jinesh Gandhi:** Effectively the impact which we have seen in construction equipment on margin usually 3Q is materially stronger quarter than second quarter is it predominantly because of commodity price increase or there is something else there?

**Bharat Madan:** So, it is a mix of the product mix obviously which is also one impact and partly of the commodity prices, so it is a combination of both.

**Jinesh Gandhi:** Got it and lastly continuing on the construction equipment we are expecting this momentum to continue; however, if we go by outlook which industry has given which also there is

reasonable contribution coming from construction end markets and the usual weakness seen in construction activity post election you expect reasonably good growth or this growth percentages will moderate substantially in FY2025?

**Sanjeev Bajaj:** So in the short term we see that there might be a little bit of uncertainty when code of conduct comes in at the time of elections, which is early part of the Q1 of next year and also we can anticipate some caution when BSV kicks in January next year so these are the two factors which we need to keep in mind, but otherwise if we look at overall demand and the speed of the project and the kind of application of these equipments I think the average demand will continue like what it has been in this year other than these two factors which can be a little bit of disruption next year.

**Jinesh Gandhi:** Got it thanks and all the best.

**Moderator:** Thank you. The next question is from the line of Pramod Amthe from InCred Equities. Please go ahead.

**Pramod Amthe:** Hi Sir thanks for taking question so first question is with regard to the new emission norms which I think got implemented for above 50 HP tractors what has been the experience there at the consumer level?

**Neeraj Mehra:** The TREM IV norms which got implemented last year there has been an industry shift so basically there has been a movement downwards into the 41 to 50 HP segment so normally the industry size in this segment is about 7% which has actually now come down to 2% so industry for this particular segment will be around 20 to 22000 units for the entire year, there has been a drop of about 30000 units for the first nine months.

**Pramod Amthe:** Can the industry take the entire price required to pass on these regulations or there is a challenge?

**Neeraj Mehra:** So, the entire price has been passed on.

**Pramod Amthe:** Second one is with regard to the tractor industry outlook which you alluded to compared to a single digit decline in December quarter you were already talking about double digit decline does it keep a substantial heavy lifting from the government or other agencies to do a revival post April?

**Neeraj Mehra:** As I had mentioned earlier the linkage to the tractor industry is primarily on account of the monsoons so we will need to see how the monsoons pan out for the next fiscal year that is a primary thing the government's focus remains there, also it will depend on when the

elections happen in the Q1, if the elections are announced for the period April or May then it will impact the industry because normally the farming community gets involved in these kinds of elections so that is the scenario.

**Pramod Amthe:** The second question is with regard to the railways sales how do you read the CPEX plan for this year and there are no plans for next four to five years if you can give more details on what part should go with that segment?

**Ankur Dev:** As you know that we are basically into the business of supplying components for various kind of rolling stock which is being manufactured in India and majorly if we divide this into two segments the first one is a freight wagons and the government has already given long-term orders for manufacturing of freight wagons to various wagon builders and there has been I would say continuous good tracking in this business and the wagon manufacturing is increasing month-on-month and I think this momentum will continue as they are laying out the dedicated freight corridor also to accommodate this newly manufactured freight wagons. If I talk about the passenger segment in this we have been hearing there is a lot of traction in terms of Vande Bharat coaches so I believe the rolling stock manufacturing will be having a good growth in the coming years and with that we are also developing a lot of new components for these Vande Bharat kind of passenger coaches so I believe we will be having a good growth in terms of industry and we should also be getting a good benefit out of that.

**Moderator:** Thank you. The next question is from the line of Abhishek from Dolat Capital. Please go ahead.

**Abhishek:** Thanks for opportunity. Sir what was the nine-month revenue and EBITDA of Kubota Agri Machinery and Escorts Kubota India Private Limited?

**Bharat Madan:** We do not have the ready number because it is a joint venture which gets consolidated, so we do not do line-by-line consolidation there but like said roughly it is 500 Crores average revenue which comes each quarter so last quarter being a season quarter the average was about 600 Crores revenue. Overall EBITDA is positive so if you look at consolidated numbers for manufacturing and sales combined they were positive but obviously EBITDA numbers are lower than what Escorts has.

**Abhishek:** In the last year EBITDA was in the range of around 1 or 2% so it has moved up because of the localizations?

**Bharat Madan:** No Sir there was a very good traction on the harvesters and transplanter business last quarter so we got a decent margin in the sales company on that account so overall combined if you look at integrated EBITDA margin I think for both manufacturing and sales JV are roughly I think about 5 to 6% now so it is improving which is a positive sign and that is the idea because ultimately the idea is to take it to the level where Escorts post merger and then that is the direction on which we will be working.

**Abhishek:** In export business how does the geography mix in Europe and US market?

**Bharat Madan:** As I mentioned both the markets are seeing a downtrend so there is a degrowth it is not just for us. I think globally we are seeing that and Kubota has seen that sort of degrowth now coming in the tractor, post COVID when the lockdown was there, there was lot of demand for the smaller tractor which is what has actually given this big boost to the small tractor segment in both these markets and now once the lockdown is open we are seeing some traction is coming, the demand is slowing down and then again huge inflation which has happened that is another thing which is impacting the demand in these markets plus obviously competition from other markets with the players from India and Korea which are becoming very aggressive so that is another reason we are seeing some sort of slowness in the global numbers for Kubota but that is the reason which is the advantage which is why Kubota wants to leverage Indian operation to use it as a sourcing base where they can compete in those market on cost front with the other players, the competitors so that is why you see the good opportunity going forward in the next two, three years, good numbers coming in from export.

**Abhishek:** What is your target for the export mix by FY2026 or FY2027 in overall tractor volume?

**Bharat Madan:** So overall we are looking at least getting to the number two position in the export. Last year we did only about 17,000 tractors in export but looking at the potential I think we nearly reach 20 to 30,000 tractors in the next two, three years.

**Abhishek:** Thanks. That is all from my side.

**Moderator:** Thank you. The next question is from the line of Pramod Kumar from UBS. Please go ahead.

**Pramod Kumar:** Thanks a lot for the opportunity, Sir. Before the question, just a clarification Sir when you talk about the inventory numbers in terms of days, we are taking the last three-month average or what is the denominator what we are using?

- Bharat Madan:** It is annual number.
- Pramod Kumar:** Annual number is it.
- Bharat Madan:** That is right.
- Pramod Kumar:** Thanks a lot for that and Sir on the Chaitra Navratri in April if you can just help us understand how big is that in terms of seasonality for the industry and for yourself as to how much of the volumes come from that particular season because we understand Dussehra is a very large one for the industry in the annual calendar but just to provide a context as to how big this season could be if you can just help us understand that?
- Neeraj Mehra:** So, these Navratri's compared to the Navratris in October-November season are relatively smaller, they are relatively smaller yes, they do have some impact, but they are relatively much lesser in terms of volume business compared to Dussehra, Navratri, and Diwali Dhanteras period.
- Pramod Kumar:** But is it fair to assume that it should be more like half of what you typically see in the Navratri-Dussehra season in September-October, or it is bigger than that?
- Neeraj Mehra:** It is slightly lesser than that.
- Pramod Kumar:** Slightly lesser than thanks a lot and Sir on the network side because compared to the market leader if you can just help us understand what would be a network gap right now and which are the regions where there is opportunity for you to expand your network especially with the given product portfolio which you are trying to build with Kubota what could be the network opportunity here in the domestic market?
- Neeraj Mehra:** See in terms of the network our current focus is actually the western and the southern markets, primarily it is the western market because western India that is basically Gujarat and Maharashtra they contribute about 20 to 21% of the total TIV so our primary focus is on those markets, in our stronger markets our network is more or less in place. There are some actions related to restructuring but in our stronger markets it is more or less in place. The primary focus going into the next year will be in the western part of the country and a bit in the southern part of the country.
- Pramod Kumar:** South how much will be the gap Sir is there also meaningful gap between you and the other larger players in the region on the network side?

**Neeraj Mehra:** Yes there is a gap, but honestly south industry has shrunk over the last 18 months it now actually contributes only 15 to 16% of the total all India TIV so our primary focus now after the northern markets is the western part of the country.

**Pramod Kumar:** Fair enough and last question on the pricing environment because we do understand it is a pretty fragmented industry there are a lot of smaller brands which are powerful in certain regions any given small town has like 15 brands available nowadays in tractors even in southern market which is shrinking so how is the pricing discipline been for the last couple of months when demand has been weak and how do you see that going forward given the fact that the profitability of the industry is inherently pretty high so how should one look at the pricing environment because it is not about only two, three players holding the price line but it is a pretty long list of industry participants so how should one look at the pricing environment given that we are having this down cycle after a fairly long period of gap. We have had a pretty good run for the last several years now so how should one look at the pricing discipline going forward Sir.

**Neeraj Mehra:** Over a period of time the pricing discipline has been maintained so there is a slight change in the pricing when the peak seasons come in wherein all the manufacturers dole out certain discounts or certain customer schemes and that is for a set period of time so once that period is over the discounts or the customer schemes are rolled back and a normal pricing level comes into play so the pricing more or less is similar, it is different in different segments but more or less across the major players it is at a similar level.

**Pramod Kumar:** Before I go just a confirmation in Vahan there was some problem with the database which you had highlighted earlier is it still continuing, or you see the Vahan data with a lag is now kind of getting reflecting the updated retail environment for practice?

**Neeraj Mehra:** So the Vahan data, the upgraded data, the last data which came in was for the December period and also for the YTD period, so it has corrected now it is more or less in line.

**Pramod Kumar:** Thanks a lot Sir and best of luck Sir.

**Moderator:** Thank you. We have the next question from the line of Kishore from JK Capital. Please go ahead.

**Kishore:** Thank you for the opportunity. I had a question more around the long term in terms of where do you see the industry size stabilizing is it mostly penetrated in terms of new growth and when will it move to a replacement cycle?



**Neeraj Mehra:** So we are looking at 6 to 8% CAGR over a long-term perspective that will continue looking at the focus of the government and various other aspects I think 6 to 8% CAGR should be a decent enough growth.

**Kishore:** For how long Sir like do you see any saturation coming in at least let us say next five to 10 years sort of a window or is it well beyond in your opinion?

**Neeraj Mehra:** It is very difficult to comment but not in the near future not at all no saturation at all.

**Kishore:** Got it thank you. Second question I had is on the equipment beyond your tractors especially with your now Kubota getting amalgamated how you see that other equipment beyond like your transplanter and harvesters how you see that market evolving in the next to three to five years.

**Bharat Madan:** So implement market obviously has a good potential so as we know India has more tractorization so need for mechanization is still to happen so it is only the basic implement which are getting used in India so all the high-tech products I think will get introduced gradually and we are seeing the growth happening like harvesting already 70% penetration has reached in this, roughly in the earlier stages where you need to really have better implements and better attachment which will come so this one segment which we think should continue to grow I think in future even though like you said tractor industry made a saturation finally some days we do not know when that day will come but that is where the opportunity really exist and for other equipment to come into play which is why we are looking at most of the OEMs now going into that category.

**Kishore:** Got it and last thing are you looking for any sort of external support from let us say the government or any big leaders which can help you sort of grow this space a little faster in the longer term?

**Bharat Madan:** Well, I think in terms of support government policies are favourable for the agriculture sector and we expect the same trend will continue. I think the sectors in which we are operating infra and agri I think both are the favorable sectors from any government respect of what government comes to power but yes of late you have seen the support from government side in terms of like MGNREGA outlay has come down so you are seeing the liquidity issues are coming up in the rural area right now which is why the last one year seeing some demand got impacted not only across only tractor segment even in other segment we see the rural market has some impact on the demand side, but we expect that really will improve going forward like the MSPs are going up now so the government is

going up so which is a favourable sign I think from government perspective we think the policies are favourable as far as the farmers are concerned.

**Kishore:** Got it and anything particular on the implement side and with that I will come back in the queue. Thank you.

**Moderator:** Thank you. The next question is from the line of Pramod Amthe from InCred Equities. Please go ahead.

**Pramod Amthe:** So, thanks for this followup you had planned to or taken a permission to set up a NBFC right so in the context like recently there have been some instances of NPA would you be going aggressively on this layout; would you be setting up all by yourself the channels or what is the plan on captive financing?

**Bharat Madan:** So the idea of setting up captive finance company was to make sure the customers are not lost to competition so there are areas where we are seeing some sort of pressure with the financing is an issue so the idea of having this finance company is to supplement the main business, core business which is on EV side so obviously that is the objective but at the same time the company will operate independently so the idea is not to really get into the NPAs and start getting into the full quality of customers so obviously that aspect will also get addressed and be taken care of so I think it will be a good balance which we intend to achieve and if you look at all captive finance companies I think most of the OEMs are operating with roughly 30% penetration on the captive finance arm so which is what I think we are also looking at going forward, it is not only 100% financing the other finances are already working with us they will continue to work with us and wherever the financing is easily available that is not our target segment the idea is to approach the customer and markets where there are difficulty in getting finance and there good quality customers available so that is a segment which we will really target in the finance company.

**Pramod Amthe:** Any timeline Sir when you want to roll it out and what penetration you will achieve this year or next year?

**Bharat Madan:** We just incorporated the finance company last month and we intend to apply to RBI for license now in this month so it takes I think some time six to eight months from RBI to issue the license and once we get that registration in place till that time mostly the entire backend action will be done and hopefully within next fiscal, we should be able to launch those company and start financing.

**Pramod Amthe:** The second one is the followup for this TREM emission, there were also discussions to classify tractors as agri and non-agri and give concession only for agri anything agreed by the government how this concession will apply to non-agri tractors?

**Neeraj Mehra:** So, there is nothing of that kind as of now, so all tractors are primarily from agri perspective.

**Pramod Amthe:** But the concession was sought with the thinking that the tractors are sold to agri but as we know there is a 30, 40% which goes to transport right any thoughts there, any conclusion arrived?

**Neeraj Mehra:** See like you said the main purpose of tractor is to be used in agriculture application. The use in haulage or other activity is the secondary use it is not a primary use for the tractor. No one buys a tractor only to put for commercial activities, so the main purpose still remains agriculture which is why this distinction has not been done by the government.

**Pramod Amthe:** Sure, thanks and all the best.

**Moderator:** Thank you. The next question is from the line of Pramod Kumar from UBS. Please go ahead.

**Pramod Kumar:** Thanks a lot Sir most of the questions have been answered but if you can just help us understand on the replacement cycle given that we have been having both agri and infra doing very well and normally in such cycles the tractor variant is also higher so if you can just help us understand how do you see replacement cycle or by when do you expect replacement cycle to kick in, in a good way for the industry given the strong growth what we have seen in the last three, four years?

**Neeraj Mehra:** Replacement cycle of a tractor depends on the application it has been used and also on the geography so more developed markets actually and from agri perspective the replacement cycle varies between 5 to 8 years. If a tractor is actually being used for both agri and commercial perspective then the replacement reduces a bit, so it varies between 3 to 6 years or even 7 years but a normal replacement for a natural tractor varies between 5 to 7 years on an average.

**Pramod Kumar:** Thanks a lot Sir. Thank you.

**Moderator:** Ladies and gentlemen, we have no further questions. I would now like to hand the conference over to the management for closing comments. Over to you Sir!

**Prateek Singhal:** Thank you, ladies, and gentlemen, for being present on this call. For any feedback or queries please feel to write us on [investor.relation@escortskubota.com](mailto:investor.relation@escortskubota.com). Thank you very much and have a good evening.

**Moderator:** Thank you. On behalf of Batlivala & Karani Securities that concludes this conference. Thank you all for joining us. You may now disconnect your lines.