



August 19, 2025

National Stock Exchange of India Limited (NSE)
Exchange Plaza,
C-1, Block G Bandra Kurla Complex
Bandra (E), Mumbai - 400 051

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

NSE Symbol: ELGIEQUIP

BSE Scrip Code: 522074

Dear Madam/ Sir,

Subject: Transcript of Q1 2024-25 Analyst/ Investor Concall held on August 13, 2025

In furtherance to our earlier intimation dated August 12, 2025 regarding the presentation of Q1 2025-26 Analyst/ Investor Concall 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 Q1 2025-26 earnings conference meet for the analysts/ investors held on Wednesday, August 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

Encl.: as above

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Q1 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 the Q1 and FY25 earnings Conference Call of Elgi Equipments Limited. We have with us today Mr. Jairam Varadaraj, Managing Director, representing the company. I would request Mr. Jairam to take us through the results presentation followed by Q&A session, over to you, Sir. Thank you.

MANAGEMENT:

Thank you very much, Kamlesh. Thank you very much Asian Market Securities for organizing this. Ladies and gentlemen, I apologize for being a little late. I had some difficulty connecting.

MODERATOR:

Sir, you are not audible.

MANAGEMENT:

Can you hear me now.

MODERATOR:

Sorry Sir, we can't hear you.

MANAGEMENT:

Can you hear me now? No.

MODERATOR:

No, Sir, your voice is sounding too low.

MANAGEMENT:

Is it better?

Is it better now?

Can you hear me?

MODERATOR:

Yeah, can you be a bit louder, Sir? Then it will be OK.

MODERATOR:

Yeah, yeah. Now it's better. Perfect. Go ahead, Sir.

MODERATOR:

Sir, we seem to have lost you again, Sir.

MANAGEMENT:

Need to get disconnected on this? Yeah, I just connected.

Can you hear me now?

MODERATOR:

Yes, Sir.

MODERATOR:

Yes, I think better.

MANAGEMENT:

I don't know what to do here. I just had difficulty right through this morning. Can I go ahead now?

MODERATOR:

Yes, Sir. Yes, Sir. Please go ahead.

MANAGEMENT:

OK, so ladies and gentlemen, I apologize for this. I had some difficulty connecting due to technical issues. I'm really sorry about that. I hope you can let me project this again. I hope you can see my screen now.

MODERATOR:

Yes, It is visible.

MANAGEMENT:

OK. Thank you. Again, apologies. I'm going to take you through the earnings call and some highlights about our business. I'll start with as usual, the EBITDA reconciliation compared to the previous year same quarter. Our revenue grew by about 8% and for that 8% our EBITDA should have been 1500 and odd million, whereas we came in at 1200. Our contribution and gross profits have been quite healthy, continue to be strong. There were two expenses that have gone up. One is employee cost and other expenses. I had highlighted earlier that we are

going through certain initiatives as part of our various programs including our digital, IT, finance transformation, so the expenses that have come in are relating to that. Our employee cost as you will notice; its a 10% increase but the actual increment is not 10%. The normal increase has been in the range of 5% to 6% in a global context and the balance of the increase has been primarily headcount increase that we have planned and done as part of the initiatives. So, the summary of this is profitability at an operating level continues to remain strong. Our expenses are pertaining to initiatives that we are very sure is going to give us solid results in the future.

Moving on to the sales highlight; all of our regions and countries grew except Europe and Australia. Europe continues to remain challenging economically and there are things that we need to do as well, which we have initiated as part of shifting direction. Australia, the economy has been weak, but it's coming back, and we are quite confident that with some of the things that we are doing, we will get back to a good growth in these two regions.

So, this is a highlight at both at a revenue level which have we've already spoken about. At a PBT level we have grown 18% and you will see it towards the end of this presentation when you look at the consolidated or the overall financials. We have done very well in terms of our cash position, and we have managed that cash very well through our treasury and that has contributed also to a healthy PBT besides the operations. Sales mix both between the businesses, between the two businesses and geographically has roughly been the same. It kind of vacillates 2% or 3% up and down from quarter to quarter. So, it continues to be at the same level, and we expect that this will be the case going forward as well.

This is the consolidated financials that I was referring to. When you look at our PAT growth has been quite significant on the back of our other income, which includes financial income that through our Treasury and our cash. So, our net cash position as of the end of the first quarter has been pretty healthy. In my earlier call we were talking about managing our inventory, managing our receivables, managing overall working capital - all these are beginning to yield results. What you're seeing now a big contribution does not come from all the initiatives that we have kicked off for better working Capital Management. Therefore, I expect to see improving cash positions in the coming quarters. So, this is an overall presentation from my side. Just as a quick thing on revenue, our revenue has in terms of our growth we have had, just give me a minute, quite a bit of it has been our volume growth. There has been a balance between volume growth, exchange rate as well as price increases. So, I wouldn't say that any one has been a huge contributing factor, but a large piece, a big contribution has come from volume. So, this is really what I wanted to say as far as the numbers are concerned.

I will now give you a little bit of background on our various businesses. We will start with Australia. Australia, like I said, has had challenges in the economy. We are working on different initiatives to expand our presence there. So it's been slower than what we expected, but we think that in the third and fourth quarter we will start seeing some strong comeback in Australia. Southeast Asia continues to be a very small region. Growth has been there compared to the previous year, but it's not a large number. We've got some initiatives that we are looking at in specific countries, but it's too early to talk about. India has been a strong story for us, continues to remain strong, but we are beginning to see some hesitation in markets, some tentativeness brought about by all these conflicts in the different parts of the world, but more importantly the tariff situation in the US, the inquiry levels continue to be strong, but finalizations are getting deferred because people are wanting to wait and see where this whole tariff situation is going to land. Everyone knows that 50% is not sustainable, not only for India, but for the US and for the rest of the world. But where will it land, will it be at 20-25%, this is something that people would like to understand and before they go forward in terms of investments.

We are seeing that, but nevertheless our various initiatives across various product categories are partially compensating for it and that's where we are beginning to, I mean we have seen the growth. We continue to remain optimistic about delivering on this trajectory in the next few quarters in India. So, I don't see any reason for us to be too concerned. Moving further West into Middle East and Africa, both those regions have done well for us in the past and they continue to do well; Strong revenue and strong profitability. From a region point of view, they're still small, but they are quite robust in their operations and profits. Europe has been a challenge. We are working towards various initiatives that will kick start for us Europe all over again. We are keeping our head above the water as far as not dipping back into a loss situation, the loss that we are seeing is primarily because of the extremely strong euro with respect to the rupee. In rupee terms, there has been an increase in loss primarily because of the depreciation of the rupee. But in euro terms, we are still keeping our head above the water and we are working on various initiatives not only to protect the bottom line, but to grow the top line quite significantly. Our Rotair business is under challenge primarily because there's a large dependence on the US market and with these tariffs and the general dip in the construction and mining segment in the US, which goes through cycles and right now we are at the bottom of the cycle. There has been a challenge, but the business and the company still making profits and we can hope that the next few quarters there will be growth in that entity. Moving on to the Americas, North America specifically, particularly, it has done well for us in.

MODERATOR:

Sir, we are losing you in between, Sir.

MANAGEMENT:

Can you hear me now?

MODERATOR:

Yes, Sir, you are audible now. Could you please repeat the last statements and the one that you're making? Sir, we are still losing you, Sir the words are dropping in between sir.

MANAGEMENT:

OK. Is it better now?

MODERATOR:

So I mean, the volume of your voice has gone down.

MANAGEMENT:

Can you hear me now?

MODERATOR:

Yes, Sir, it's getting better.

MANAGEMENT:

Is it OK?

MODERATOR:

Yeah.

MANAGEMENT:

OK. So, the thing is, I'll repeat what I just said. As far as the US market is concerned, all our businesses are growing well there. But to sustain our industrial business, which is, I'll talk about the industrial business 1st and then come back and talk about the portables, the industrial business at 25% tariff, we would have managed. We had created already multiple initiatives.

We have inventory that will last us for a few more months, by which time these initiatives would kick in and we were reasonably confident that we will overcome the impact of 25%

duty and still be competitive in the US market. Now with this additional 25% duty, the current initiatives that we are running and the current options that are available are not adequate. We need to make some fundamental, structural changes which we are evaluating. It is too preliminary for me to talk about it for two reasons. One, the plan itself is at a certain altitude which would be not prudent for me to talk. Second is we don't even know whether this 25% is going to be sustained. So, in the next month, month and a half, we will know whether we need to trigger some of these structural initiatives that will enable us to compete in that market with that additional 25% tariff, so that's really where we are. So, for the next few months I think till the middle, middle to end of the third quarter, we should be fine. We hope that we will find a resolution between now and then, either in the form of lower tariffs that get settled, which we don't influence. But if that were not to happen, at least we will have a plan in place. Now if we have to make some structural changes in response to this additional 25%, it'll take us at least a year for us to respond to those to get back to that level of competitiveness. So, things are very fluid now. So, I don't want to make any firm statements except that we are really on top of things. We are working on multiple initiatives to resolve. It is a strategic market. This is not a market that we are going to walk away from. No amount of duty is going to, you know, distract us from our presence there. We will continue to work on solutions. This is on the industrial side.

On the portable side, it is primarily exported out of Europe from Rotair. There is a 15% impact. We are working on various cost reduction initiatives, and we are reasonably confident that we will be able to mitigate this 15%. So, I'm not too concerned about the portable business. As it is, it's at a low point in the cycle. We expect in another 6 to 8 months or a year it'll come back and we'll be in a good position to capitalize on it. So overall, except for the uncertainty in Europe, I mean in the US tariff situation, everything is good. So now I will wait for your questions to clarify further. Thank you very much.

MODERATOR:

Thank you so much, Sir, for your opening remarks. We'll wait for the question queue to assemble. Give me a couple of minutes. Sir, the first question, we'll take it from the line of Harshit Patel. Harshit, you may unmute yourself and go in with the question.

HARSHIT PATEL:

Hi, Sir. Thank you very much for the opportunity. So, my first question is on the composition of our US business. We sell industrial compressors manufactured in India and then we export it to US. We also sell portables from Rotair to US. We also assemble those medical compressors branded in the name of Pattons over there. So, what is the share of all these activities in our overall North American revenues? So, I'm just trying to gauge what portion of these revenues will be impacted by tariff and to what extent.

MANAGEMENT:

So I understand your question Harshit. I don't want to get into that minute details. If you can go to our annual report of March 25, there you will see the sales of the various entities. Yeah, that is declared there. So, you will be able to make out what percentage of the revenues delivered by which entity there. Yeah. So, there is Pattons Inc, there is Pattons Medical, there is Michigan Air and ELGI Industrial, which is a combination of both industrial and portable. I wouldn't like to give you the split between those two products, but from an entity level, those numbers are there.

HARSHIT PATEL:

Well, so just to clarify, this Michigan Air, all these products are manufactured in India only or do we have some other kind of sourcing arrangement over there?

MANAGEMENT:

Most of our equipment sale and aftermarket sale comes from India. There's very little, very little you can on average take about 15% as bought out there.

HARSHIT PATEL:

Understood. So, my second question is on the profitability in both US and Europe. I think we had achieved the break-even level in the fourth quarter of FY25 in both these geographies and correct me if I got it wrong, you mentioned that at 25% tariff levels, not the additional 25, but the initial 25, we should be able to sustain these break-even levels in the US.

MANAGEMENT:

No, US is actually profitable Harshit, right. It was not profitable in the last quarter of last year, but this quarter it is profitable. We can sustain it and I'm saying US has at a consolidated level of all the businesses, it is profitable and we can sustain it if the tariff is at 25%. That's my point. As far as Europe is concerned, it had broken even last year. It continues to break even at a euro level, but because the euro has depreciated, I mean appreciated significantly, there is a loss when you restate it in rupee terms.

HARSHIT PATEL:

Understood perfectly. Thank you. Thank you very much, Sir, for answering my questions. I'll come back later.

MODERATOR:

Thank you, Harshit. Next question, we'll take it from the line of Mayank. Mayank, you may unmute yourself and go ahead with the question. I think we're facing some technical difficulty from Mayank's end. We'll take the next participant in line Rahul. Rahul, you may unmute yourself and go ahead with your question.

MANAGEMENT:

I'm wondering if everyone's got technical issues today.

MODERATOR:

Rahul? We'll take Rahul a little later.

Next question is from the line of Bhavin Vithlani. Bhavin, you may unmute yourself and go ahead with the question.

BHAVIN VITHLANI-SBIMF:

Good morning, Jay.

MANAGEMENT:

Morning, Bhavin. How are you?

BHAVIN VITHLANI-SBIMF:

Very well. Thank you, Jay. First, my compliments, really impressive performance and we saw your peer reporting yesterday. I mean really appreciated the performance. I have a couple of questions, so you have 18 key end user industries that you outlined in the annual presentation and out of that the critical ones that which are the larger ceilings. If you could give us a colour where you are seeing an uptick in the inquiry level and where is it that you are actually seeing a slowdown or and I mean mid-teens growth for us is really impressive and it looks like you have clearly gained share. So, and what's the kind of share that you have gained?

MANAGEMENT:

So, I don't want to talk too specific, Bhavin. The point is, as far as India is concerned, before all this tariff conversation started, there was high levels of optimism across all segments. There was no, I wouldn't call out any one segment that was especially strong or a segment that was especially weak. Now across the board we are seeing a bit of a pause, but the pause

and the reversal are a little bit more pronounced in segments that are more substantially dependent on the US, namely the textile industry, right.

Auto components is the second one, but auto components, I think. I think they are a lot more confident that they can handle the tariffs better, but textiles, considering that Bangladesh and the other countries that could become a competitive option, their degrees of freedom to respond are limited, whereas auto components you don't see the switching costs are very high. I don't think it's going to happen that quickly.

BHAVIN VITHLANI-SBIMF:

Sure. And on the market share, it clearly looks like you've gained considerable share.

MANAGEMENT:

We haven't tallied our share yet. We are growing, no doubt. You know, this is market share is a very elusive number because it's not really published in any meaningful manner. Once in a while, we'll go back and try and assemble together the market data and try and do it. But to your point, yes, have we gained? We probably have.

BHAVIN VITHLANI-SBIMF:

And some of the initiatives that you had in terms of stabilizer, the depth of increase in the depth of products for the oil free screw and also if you could also talk about the water well piece given that monsoons are starting.

MANAGEMENT:

Well, the stabilizer has been put into the market for more extensive customer feedback and not so much customer feedback, but to gain testimonial and every customer that we have installed, their experience has been outstanding.

So, we are very, very excited about it. In the month of September, we will be launching the product or the technology across India and I think by April is the time timeline for launching it globally, right. So that's a very exciting thing for us. Similar such technologies are being worked on at various stages of being ready to bring into the market. As far as the water well is concerned, you know like I said, it is at a not at the peak, not at the bottom. It's kind of somewhere in between. We are continuing to hold and in some locations gain share. So, it's not a big market at this point in time. The total market is not so big. We are doing better than what we had planned in water well. I'm sorry, I forgot your third question.

BHAVIN VITHLANI-SBIMF:

Oil-Free screw

MANAGEMENT:

Oil-free screw, yeah, we have the full range. There's nothing specific that we have done, yeah.

BHAVIN VITHLANI-SBIMF:

So last question from my side. So, when I look at last year's performance for the US, revenues were flattish and in the commentary you mentioned there was a significant drop in the portables. So, is the share of portables too tiny that even a sharp drop doesn't impact the overall headline numbers for the US.

MANAGEMENT:

It's not true. I mean, portables is not a small business and at peak levels and when it drops, there is a substantial drop. But overall, will it have a huge double-digit impact? No.

BHAVIN VITHLANI-SBIMF:

OK. Yeah. Thank you so much. Those are my questions.

MODERATOR:

Thank you, Bhavin. Next question, we'll take it from the line of Mayank. Mayank, could you please unmute yourself and go ahead with the question? I think the problem persists sir we'll take the next person in the queue.

MANAGEMENT:

Yeah.

MODERATOR:

Vipul, can you please unmute yourself and go ahead with the question? Vipul.

MANAGEMENT:

There's a message from Mayank saying that he is not able to unmute. Is there an overall control that you have?

MODERATOR:

No, Sir, the lines are pretty much open. Uh, Mayank, can you unmute yourself?

MANAGEMENT:

He sent a message saying that he's unable to.

MODERATOR:

Yes, Sir, I read through it.

MANAGEMENT:

Yeah. Maybe it's the same problem with Vipul as well.

MODERATOR:

Sure. Uh, we'll take the next person in queue, Sir. Salil, can you unmute yourself and go ahead with the question?

MANAGEMENT:

OK.

SALIL DESAI:

Yes, thanks, Kamlesh. Good morning, Doctor Jay. So, my question is you know on these cost saving initiatives that you are going to put in place if you know tariffs remain at 50%. Right now you've already done a 25% kind of, you know, bridging the gap between what you were earlier and the new tariffs. Now another 25% seems like a very, you know, at least to us as outsiders, that seems like a very tough one to achieve. So, would love to understand, you know maybe one or two examples of what you have managed to do to bring it down and related to that is you know how much time you think you need to get from 25 to 50% tariff adjustments.

MANAGEMENT:

So Salil, what I had said is we have a solution in place for the first 25%, right? We don't have a immediate solution in place for the next 25%. The next 25%, the solution is not going to look like the solution that we have had for the first 25%, right? So that's why I said the second 25 will involve certain structural changes in the way we are organized, our geographical presence and all that, yeah it will demand a much more fundamental change. Now those changes, those fundamental changes will be expensive to implement. It will take time to implement and therefore before we trigger them, we need to be 100% sure where this tariff is going to settle down. Yeah, till then we will not trigger those kinds of solutions. The first 25% is in the bank. We don't have an issue. We will deal with it. Part of it will be a price increase because everyone is looking at a price increase. Some of them have already implemented it. We will

wait and watch at what levels the market settles down as far as prices are concerned. We think it will be anywhere between 5 to 10%, right? It'll be the price correction that will take place as a consequence of these tariffs. Now, therefore, it leaves us a gap of anywhere between 15 to 20%. We have, well, we have, we have enough done to be able to mitigate that. So, 25, we are very good.

SALIL DESAI:

Right. And if it settles below 25, then obviously you maybe pass on some of the prices to the customers.

MANAGEMENT:

No, it's profit for us.

SALIL DESAI:

Profit for you. All right, fantastic, great. So, second question is, you know this domestic market share, you know what looks like could possibly be a market share gain? Would you hazard a guess as to you know, is it your new variable frequency drive products that are driving this or would this be a longer term you know investments in business that you made which has helped you get where you are?

MANAGEMENT:

No, this is not technology. Like I said, the new technology that we have launched is not been launched yet, right. So, the impact that you're seeing is not from that. That is just fundamental shifts in the way we are doing business, engaging with customers, our market strategy, our marketing strategy, all of it. So, I can't put a figure saying that this one thing has given us that right.

SALIL DESAI:

Fair enough, fair enough, great. And Sir, lastly, if you know you were to look at, you mentioned that you know till the tariff increases happened, you know domestic market looked all right in the sense that your customers seemed quite optimistic of the outlook. Textiles and auto comp are now impacted, but broadly you see ex of tariffs, what is the general demand commentary, because you know the macro does not mean the newspaper headlines always seem to be a little pessimistic. But when you are on the ground meeting customers, how do you see broader industry demand in India over the next 12 months or so.

MANAGEMENT:

Ex tariffs, I think everything is positive. But you know, it's very difficult to say, you know, we'll

ignore the tariff, right? And it's a large market. It's a large economy. Forget the market in the US, it's a large economy which any dislocations there could have a ripple effect globally, right? So, nobody can really ignore it, right.

SALIL DESAI:

Got it. Got it. Great. That was all from me. Thank you so much.

MODERATOR:

Sure. Thanks, Salil. Next question, we'll take it from the line of Amit. Amit, you may unmute yourself and go ahead with your question.

AMIT ANWANI:

Hi Sir, Am I audible.

MODERATOR:

Yeah.

MANAGEMENT:

Yeah.

AMIT ANWANI:

Yeah, thanks for taking my question. So first question on the delay in finalization of orders which you highlighted, which many companies are highlighting amid tariff uncertainties and geopolitical situation which we saw. So wanted to understand even if with the scenario of 25% tariff or 50% tariff, are we going to see the delays continue for the remaining 9 to 12 months? Are we going to see the projects getting shelved off because of the higher tariff, even if it is 25%? Some understanding there and any particular sectors where we are seeing the finalizations has been particularly delayed because of this scenario. That is my first question.

MANAGEMENT:

So, I can't give you a coherent answer at an economy level, Amit. I can only say that certainly customer sentiment is wait and watch. Right. It is not about closing projects. Nobody's closing projects. Everybody's saying let's wait and see. That's the prevailing sentiment. The optimism with respect to the Indian market continues to remain. But everyone's saying let's wait and see. Yeah, as far as the segments are concerned, like I said in my in my earlier thing, there are things like textiles who have a significant dependence on the US market and who have a significant impact because of tariffs and where there are alternate countries as solutions for

the American customer, they are a lot more concerned and therefore a lot more cautious about investments. Textiles is an example. I mean, when you look at textiles, you have Bangladesh, you have Vietnam, you have Indonesia, you have Thailand, all of them have got much lower tariffs than India, right. So, there is definitely and the switching costs in these are not very high, right? So, when that happens, there will automatically be an apprehension. The rest, we'll just have to wait and see where it lands, because it's too much of turbulence and dust for us to see through this cloud, yeah.

AMIT ANWANI:

Sure. The second question is on the Europe and Australia market. So, I recollect for Europe, we did also highlight that we'll be expanding into Nordic countries where the opportunities exist and also setting up expanding the distribution network there. So, have we done any progress there and despite Europe is slow down, are we thinking of any other strategy apart from what we highlighted in our last call that you'll want to expand to Nordic countries, so any further strategic change we are doing in Europe to become better there.

MANAGEMENT:

So, Nordics was nothing new. We've always been present in the Nordics and it continues to do well for us. The problem is not a specific location in Europe. Generally there is a, you know, post the Ukraine war really dislocated energy prices and there were issues there. Then all the major economies in the Europe took an impact on the cost of many refugees coming into Europe from various countries like Syrians, from many countries, so they had to pay for it. So there was economic constraints because of that and then the general, US tariff thing. So it's a combination of multiple things that that there is a certain economic stagnation. But one vector that everyone is looking at as a bright spot is the huge investment that the whole EU is making on defence.

AMIT ANWANI:

Sir, I can't hear you. Uh, I'm audible.

MODERATOR:

I yeah, yeah. I think Mr. Jayaram has just frozen. Give us a minute. I think he'll reconnect.

AMIT ANWANI:

Yeah.

MODERATOR:

Hello.

AMIT ANWANI:

Yeah, yeah, you're audible Kamlesh.

MANAGEMENT:

Can you hear me now?

I am back.

MODERATOR:

Yes, Sir. So, we can see you. The voice is a little lower again.

AMIT ANWANI:

Yeah, voice is breaking up, yeah.

MANAGEMENT:

Really don't know.

It better now.

AMIT ANWANI:

Yes Sir, good.

MANAGEMENT:

I apologize for all these constraints. I was telling about the investment that's being made by the EU in the defence sector, the significant amount of capital that is being put in. There will be a trickle-down impact on the demand for general industrial growth. So, we expect that's a bit of a rainbow at a distance and we are hoping that the economy, the whole European economy will get a boost by virtue of this, but that's not a short term play, that's more a medium to long term play.

AMIT ANWANI:

Right, Sir. Sir, lastly on our CAPEX plan, we did talk about 250 Crore in first two years. Just wanted to understand amid all the challenges, is this on track and secondly our guidance of \$450 million this year. Yeah. Is this on track? That's my last question. Thanks.

MANAGEMENT:

Yes, the investments that we have, we are not here for the short term, Amit. We are here for the long term. There are certain expenses that we may cut back which we can defer, we will defer, but whatever is required for sustaining the business in the longer term as per the

longer-term plan, we will definitely continue to do. So, that investment is continuing. It's on track, a few delays here and there by virtue of rain and stuff like that, but otherwise we are ok. As far as the guidance of 450 million, we are on track towards achieving it. But the question really is if the rupee becomes 90 or 87, now it's already 87. You shouldn't hold us accountable for that division. Right. So, you know, if you divide it by a larger number, obviously our India revenue is going to become smaller. But general direction structurally, yes, we are there.

AMIT ANWANI:

Thank you, Sir.

MANAGEMENT:

So there were some questions in the Q&A. You want me to deal with them?

MODERATOR:

Yes, yes, Sir. Sir, we'll take those questions. These are from participants who couldn't unmute themselves. So, first question we'll take from Mr. Vipul Kumar. He said, Sir, what is the progress in introducing economical range of consumers which can compete with low price Chinese products?

MANAGEMENT:

So, the products are ready. They are all undergoing field validation. We are very confident that they will work because the fundamental architecture is based on our own products. So, we have not developed any new parts. So, to that extent, the reliability is very, very high. Nevertheless, we wanted to get customer feedback. So that's where we are at. What we are really focused on is our strategy for the low-end market. It's not product is only one part of it. Price is the second part of it, which we are already clear. The product and price is clear, but the whole strategy does not work with just product and price. There is a whole idea of how do you brand it, how do you take the brand to the market, what is the distribution network, how do you get to the customers etc. So, these are all pieces that we are now building up, right. So, we are confident that the whole launch strategy of entry into that market we will do sometimes this Financial year.

MODERATOR:

Sure, Sir. The second question from Vipul is, Sir, what percentage of our motor requirement is manufactured in-house and where do we see ourselves in next three years and what impact will it have on our margins?

MANAGEMENT:

So I don't want to talk specifically about the profit margin that we are going to make. I will give you general direction there later on. Percentage wise, right now we are at around 40 to 45%. By the end of this financial year, we'll be close to about 70-75%. I think in another two years we'll be close to 90%. So, this is really the progression that we will have in terms of our Motors supply in our in-house production, supplying to ourselves. Directionally, you know our motors are at the same cost structure as the Chinese motors that we were Imported. Now having said that, half of our revenue that is primarily India, Southeast Asia, little bit of Australia were using Chinese motors, the rest of the world, whether it was Europe or America, we were using either European or American motors. Now, if the difference in pricing between a Chinese motor and a European American motor is in the order of about 20-25%. So, you need to do the math in terms of interpreting this roughly. That's the general direction.

MODERATOR:

Sure. Thank you, Sir. Next question I'll take again from line of Mayank who couldn't unmute himself. Sir, segmental gross margin in compressor has increased sharply sequentially 53% in 1QFY 26 versus 50% in 4QFY 25. Is this associated with some kind of price hike.

MANAGEMENT:

So, I see this question. I would like to understand what he means by gross margin because in the way we look at it is, we look at contribution margin which after variable cost is pretty much flat, right? So there has been no sharp increase. So, if he's looking at a different definition of margin, I don't know what that is. So that's point No. 1. Now that contribution margin combined with a higher revenue, a flat contribution, sustained contribution on a higher revenue is giving us a flat percentage of EBITDA and the primary reason for that is the investments that we have made on various initiatives in people and certain, you know, software and consultancy that we have done, right? So, what kind of margin we expect? I believe that the contribution margin will be sustained, EBITDA margins at the current level will also be sustained. So, I don't see that as a concern.

MODERATOR:

Sure, Sir. Next question. I'll take it from line of Naysar. Yeah, I hope I have pronounced the name right. Could you please unmute yourself and go ahead with the question.

NAYSAR:

Yeah, Hi. Thanks for taking the question. What I wanted to understand is Sir, you mentioned about the tariff situation that you know after maybe a 5-10% price hike, you have the 15-20% to adjust which you know, you should be able to do. The quantum 15-20% is not less, I just

wanted to understand, you know, what levers are you using to ensure that even after that 15-20%, the impact on profitability is not much.

MANAGEMENT:

So, this is not something that we as an initiative that we developed now. This is an initiative that we developed 2-3 years ago. The biggest one of such initiative was the motor production. Now, that insourcing of the motor is going to help us in the US market because last year, we had supplied sufficient number of test motors into the US. We have validated all the motors. They have run enough hours, and they've stabilized. Now, we have started selling compressors with our motors and that's a significant cost compression for us, right. If the tariffs had not been there, that would have been a significant margin expansion for us. So that's the lost opportunity. Yeah. So, like that, there were initiatives as part of our overall cost compression program that we started 2-3 years ago, those are all coming to roost now and that's why we are confident that we can take this much, this much we can bear.

NAYSAR:

Got it. Fair. But effectively because you would have done, you know, we've done CAPEX for motors and you know, like you said, lost opportunity. Just from a competitive perspective, you know, how do you see it because of the tariffs, will the price rise be limited to 5-10%? Or how will it work, you know, in general? Because eventually, you know, it's a CAPEX. So, you also would at some point want to make money off it and things like that. And I'm sure even competition would think like that, so.

MANAGEMENT:

No, I don't understand your question. I'll try to answer to the extent that I've understood. I don't know 5 to 10% is our estimate of what the competition or the overall market has to increase to sustain their profit at the current level. This is an assumption. Now, it's this dust will settle down in a maybe a month or two where everyone then realizes what is that real cost because of the tariffs and basis that they will set their pricing. Already, we are seeing some of our competitors increasing prices in this range and that's why we are saying it could be anywhere between 5 to 10%. So, that's point No.1.

Point No.2, is when we looked at our motor plant and our motor project five years ago, it was done to mitigate the risk of dependence on China. Risk of dependence on China at a pricing that did not make any commercial sense. Those prices that which we were buying motors, or the rest of the whole world is buying had no relevance to the cost because the cost of a motor is easily ascertainable because it uses commodities like copper and steel and Casting that there is no magic in terms of estimating those costs. Now, when your supplier is

supplying to you at a price which has no relevance to cost, then it's a huge risk in terms of when that rug is going to get pulled from under your legs.

So that's when we started looking at motors and saying we need to hit those cost points, but we do it not by employing cheap Indian, but by using technology and we set aside a certain amount of money to first do a proof of concept to see whether that technology can be developed, which we did very successfully. We built about 50-60 motors. We put it into the field to check their reliability that passed the test. So, when we made the investment into the motor plant and did the costing of the motors, it includes that investment, right? So, it's not just at a material cost.

NAYSAR:

Well, no, that that's very clear. That's very helpful. Just one follow up if I can from a US market perspective, right, which geography would be like the lowest common denominator. So, if you take the cost of production plus the tariff, which according to you would as the thing stand today would be at the lowest cost.

MANAGEMENT:

I don't. I don't understand your question.

NAYSAR:

What I'm trying to ask is from a competition perspective, from which competitor or which region will have the lowest cost now after we take into consideration the tariffs.

MANAGEMENT:

Obviously, a company that is manufacturing compressors in America will have the lowest impact because there's no tariff directly on that compressor. But, no compressor company in America buys everything in America. They import from all over the world. Now, they will import from China, they will import from Europe, they will be probably importing from India. Now, all of them are going to come in with a certain percentage of additional cost now. What is their raw material component that is subjected to import and what percentage of that import is at 15% tariff? What percentage is at 30%? That's something that we would have to know. But we know by and large, there will be an increase and based on the behavior, it's 5 to 10%. So that's the worst case. I mean, that's the case that we need to match. Everything else will be even higher than that.

NAYSAR:

But the US manufacturer will also have a higher.

MODERATOR:

Naysar, could you please? I mean, could you please wait in the queue? Yeah.

NAYSAR:

I'll come back in.

MODERATOR:

Sir, in the interest of time, we'll take a couple of more questions. One, I'll take it from the chat and one, I'll probably take it on the call. So, the next question is from Bhavin Vithlani. Sir, he says for the stabilizer, would ELGI have in-house manufacturing of PCBA? We have seen multiple electric companies face quality challenges for not having control of the embedded software.

MANAGEMENT:

So, our new technology has no electronics. So, there is no question of, you know, electronics going into our new technology that we have launched. It's a mechanical design and that's really the beauty of the whole technology. So that's not an issue for us.

MODERATOR:

Uh, so I'll just take one last question from Rahul because we had tried to unmute him, but we couldn't unmute. Rahul, you may please unmute yourself and go ahead with the question. Your mic is on.

MANAGEMENT:

No, no.

Because mic is not on.

MODERATOR:

I mean, the line is on. He has to unmute himself.

MANAGEMENT:

I think he's continuing to have challenges.

MODERATOR:

Sure Sir, with that, I think we've already exceeded our dedicated time towards it. I would request everyone; whoever has question to please reach out to the IR team or the management directly.

Thank you once again Sir. I would leave it to Kamlesh to end the session.

MANAGEMENT:

Yeah.

MODERATOR:

Yeah Jai, just one point. If you can just elaborate on the progress of vacuum product business, any update you want to share? Thank you.

MANAGEMENT:

Yeah. Thank you, Kamlesh. Thank you for raising that. Our indigenization of the vacuum products has been completed as per plan. So, we have set up our sales organization month on month we are growing our sales but the numbers are so small, it's not, it's not material for us to report it separately. But, the business is growing as per our plan and we are quite pleased with the performance of the product, the customers response, customers repeat buying. So, these are all positive directions. So, considering that we had so many challenges in this call and I apologize for this, please reach out to us to our investor@elgi.com. Please refer to the call and please send us your questions and we will respond to them, and we will post those questions and the responses on our website.

MODERATOR:

Great, Sir. Thank you. Investors, thanks for joining in. With that, we conclude the call. Thank you, Jay. Any closing remarks you want to make, Sir?

MANAGEMENT:

No, that's it, Kamlesh. And again, I want to apologize for this. We'll make sure that we do a diagnosis of why things went south and we'll ensure it doesn't happen again. Thank you very much.

MODERATOR:

Thank you. Thank you so much, Sir.

MANAGEMENT:

Thank you.
