

August 08, 2025

**BSE Limited** 

Phiroze Jeejeebhoy Towers, Dalal Street, Mumbai – 400001

BSE - 500495

Sub: Earning Call Transcript

Dear Sir/ Ma'am,

National Stock Exchange of India Limited Exchange Plaza, Bandra Kurla Complex, Bandra East, Mumbai – 400051

**NSE - ESCORTS** 

Pursuant to Regulation 30 read with sub-para 15 of Para A of Part A of Schedule III of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, please find enclosed the transcript of the conference call held on August 04, 2025, for discussing the earning performance of the Company for the quarter ended June 30, 2025. The same has also been uploaded on the Company's website at the below link:

https://www.escortskubota.com/investors/financials

Kindly take the same on record.

Thanking you,
Yours faithfully,
for Escorts Kubota Limited

Arvind Kumar Company Secretary

Encl.: As above



"Escorts Kubota Limited Q1 FY'26 Earnings Conference Call"

## August 04, 2025







MANAGEMENT: MR. BHARAT MADAN - WHOLE-TIME DIRECTOR &

CHIEF FINANCIAL OFFICER, ESCORTS KUBOTA LIMITED MR. NEERAJ MEHRA – CHIEF OFFICER, TRACTOR

**BUSINESS DIVISION, ESCORTS KUBOTA LIMITED** 

MR. SANJEEV BAJAJ – CHIEF OFFICER, CONSTRUCTION EQUIPMENT BUSINESS DIVISION, ESCORTS KUBOTA

LIMITED

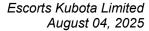
MR. SANJEEV GARG – HEAD FINANCE & TAX, ESCORTS

**KUBOTA LIMITED** 

MR. PRATEEK SINGHAL - INVESTOR RELATIONS & ESG,

ESCORTS KUBOTA LIMITED

MODERATOR: MR. VIVEK KUMAR – ICICI SECURITIES





**Moderator:** 

Ladies and gentlemen, good day and welcome to Escorts Kubota Limited Q1 FY26 Earnings Conference Call hosted by ICICI Securities Ltd.

As a reminder, all participants' lines will be in 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 call, please signal an operator by pressing "\*" then "0" on your touchtone phone. Please note that this conference is being recorded.

I now hand over the conference to Mr. Vivek Kumar from ICICI Securities. Thank you and over to you, sir.

Vivek Kumar:

Thank you, Pari. Good evening. On behalf of ICICI Securities Limited, I welcome you all for Escorts Kubota Limited's Q1 FY26 Earnings Conference Call.

I also take this opportunity to welcome the Management Team from the Company. Today, we have with us Mr. Bharat Madan – Whole-Time Director and Chief Financial Officer, Mr. Neeraj Mehra – Chief Officer, Tractor Business Division, Mr. Sanjeev Bajaj – Chief Officer, Construction Equipment Business Division, Mr. Sanjeev Garg – Head Finance & Tax, and Mr. Prateek Singhal – Investor Relations & ESG.

We will start the call with "Brief Opening Remarks" from the Management followed by "Q&A."

Before we start, I would also like to add that some of the statements made by the Company in today's call will be forward-looking in nature and are subject to risks as outlined in the annual report and investor releases of the Company.

Over to the "Management now for their Opening Remarks." Thank you.

**Prateek Singhal:** 

Thank you, Vivek. Good evening, everyone and thank you all for joining us today.

Few highlights of the Company's standalone financial performance for the quarter-ended June 2025 are as follows: Operating revenue from continuing operation at Rs. 2,483.4 crores. EBITDA at Rs.325 crores, up by 2.6% YoY. The EBITDA margin in Q1 now stands at 13.1%, up 69 bps YoY. PBT, before exceptional items from continuing operation at Rs.417.9 crores, up by 19.3% YoY. During the quarter, there was an exceptional gain of Rs.76 crores on account of sale of land and building of Agri Machinery Spare Parts Business Division. Net profit from continuing operation at Rs.372.6 crores, up by 40.0% YoY.

During the quarter, the RED's business divestment was concluded and the income of Rs.1,601.7 crores, net of transition cost from the divestment has been accounted for in the financial statement under discontinued operations. Net profit including discontinued operations at Rs.1,400.2 crores.



EPS stands at Rs.127.29 as compared to Rs.27.63 YoY.

On consolidated basis, Company financial performance for the quarter ended June 2025 is as follows: Revenue from continuing operations at Rs.2,500.1 crores. EBITDA at Rs.321.4 crores with margin of 12.9%, up 61 bps YoY. Net profit from continuing operations at Rs.369.5 crores. Net profit including discontinued operation at Rs.1,397.1 crores.

Moving on to the "Segmental Business Performance", starting with Agri Machinery Business:

On tractor business, in Q1 FY26, the total tractor industry volume domestic plus export was at 3.11 lakh tractors, up by 8.7% against corresponding quarter last year. Our total volume was at 30,581 tractors as against 30,370 tractors in the corresponding quarter previous year.

On the domestic front, the tractor industry in Q1 FY26 was at 2.86lacs tractors, up by 9.2% against the corresponding quarter last fiscal.

Industry in north and central regions shows a slight growth of 0.5%, while the rest of the country experienced a substantial growth of 19.3%. This has impacted our domestic volume with our domestic volume at 28,848 tractors as compared to 29,409 tractors in the corresponding quarter last year.

Continuing with our strategy to offer innovative products, during the last quarter, we launched Promaxx in Farmtrac brand, resulting in an increase of our Farmtrac market share in most of the states where it was introduced, covering nearly 70% of the industry.

Recently, we have launched Kubota MU series under Kubota brand in 41 to 50 HP category, powered by advanced and efficient KQ-4P engine, the MU4201 incorporate balancer shaft technology, delivering superior comfort and smooth performance. The impact of this launch will be visible in the next quarter.

Going forward, we will be launching the Wetland series in the coming quarters under Powertrac brand. These product launches across all brands are expected to drive market share growth with the full-year impact becoming clearly visible in the next financial year.

Looking ahead, with timely and widespread above-normal monsoon rain and improved reservoir levels, rural sentiment remains positive and farmer cash flows are strengthening. We remain optimistic about sustained growth in the tractor industry and expect the current momentum to continue to the later part of the current fiscal.



On the export front, the tractor industry in Q1 FY26 had 25.3K tractors, up by 2.7% as against 24.6Ktractors in the corresponding quarter. Our export volume came at 1,733 tractors, up by 80.3% against 961 tractors in the corresponding quarter.

During the quarter, sales through Kubota Global Network account for approximately 52% of the total export.

Non-tractor revenue comprising agri solutions business, engine business, and service and spare parts business in Q1 FY26, constitute 18% of the agri machinery segment revenue against 19% in the corresponding and the sequential quarter.

Agri Machinery product segment revenue came at Rs.2,181.5 crores as against Rs.2,171.7 crores in the corresponding quarter. EBIT margin for the agri machinery business were up by 92 basis points at 12.6% as against 11.7% in the corresponding quarter led by softening in the material cost.

Coming on to the "Construction Equipment Business":

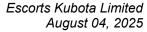
In Q1 FY26, served industry volume comprising crane, backhoe-loaders, mini-excavator, and compactor was down approximately 14% as against corresponding quarter last year. This growth was primarily driven by the crane industry which was down approximately 29% as compared to the corresponding quarter. Our total volume for construction equipment business at 1,055 machines as against 1,382 machines in the corresponding quarter.

Our crane segment outperformed the industry resulting in a market share gain of roughly 150 basis points to 41% as compared to the corresponding quarter. And mini-excavator gained strong traction with a market share of increase of around 600-plus basis points YoY, reaching 19% in the quarter.

Construction equipment segment revenue came at Rs.301.5 crores as against Rs.380.6 crores in the corresponding quarter. EBIT margin for the quarter ended June '25 for the construction equipment came at 5.8% as against 10.3% in the corresponding quarter, adversely impacted due to clearance of inventory of old emission norm product and transition to new emission norm compliant product.

As our commitment to innovation and focus on introducing of new product, recently we have launched Hydra 12 Pick and Carry Crane. This model features advanced hydraulics and a powerful engine to deliver optimal performance. With this initiative of control and enhanced safety feature, the Hydra 12 is designed to offer superior efficiency and reliability, making it a preferred choice for operators across diversified job sites.

The construction equipment market is facing challenges due to decreased construction activities during the monsoon season, project delays and slow sales caused by high product pricing following changes in the emission norm. However, with the government allocating a larger budget for CAPEX





**Moderator:** 

this year, we anticipate an increase in infrastructure products which could lead to boost in demand for construction equipment after the monsoon season. We expect to see improvement in demand during the second half of the current financial year 2026.

Moving on to the "Railway Equipment business" that is a discontinued operation. During the quarter-ended June '25, the Company transferred the railway equipment business to Sona BLW Precision Forgings Limited, Sona Comstar. Upon completion of the conditions specified in the business transfer agreement effective from 1st June 2025, the profit after tax from the sale of RED business at Rs.1,004.4 crores has been accounted for the financial statement as income from discontinued operation.

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

We will now begin the question-and-answer session. The first question is from the line of

Raghunandan from Nuvama Research. Please go ahead.

**Raghunandan:** Thank you, sir, for the opportunity. Sir, starting with exports for tractors, it has been a very strong

performance; in the first four months, there is a 63.5% growth. Can you talk about what is helping

the strong exports? How do you see the outlook for this year?

**Bharat Madan:** Yes, thanks, Raghu. This is Bharat Madan. So, I think if you look at the numbers, the last year our

base was very low on export in this first three months. That is why you are seeing almost 80% growth coming in. But if you look at the numbers now, we have stabilized export at about 500-600 tractors per month. So, we expect similar momentum will continue in the balance of the year. So, it indicated we will be looking at 25%-30% growth this year and the total export volume over last year. But now, since the base will also keep on improving for the last year numbers, so maybe the growth rate will

be slightly lower as you would have noticed in the month of July also. But we expect the momentum

will be there and will continue to be in this range of 500-600 tractors each month.

**Raghunandan:** And which markets are doing well, sir?

**Bharat Madan:** So, major exports are to the European market only. Most of the compact tractors are being dispatched

to Europe. But obviously, we are catering to more than 80 countries in export and obviously, the

numbers will continue to be there. But the major volume is still coming from European market.

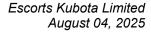
Raghunandan: Thank you for that, sir. And on the UP plant construction and land acquisition, if you can give some

updates, what is happening there, do you think that this calendar year, we would get the land and

commence the construction? And are you seeing any delays happening on the regulatory side?

**Bharat Madan:** Yes, there have been certain delays with the UP government because we have been in constant touch

with them. I think there has been some delay in acquiring the land from the farmers. So, still I think





from the land parcel which we are interested in, some portion of that land is still to be acquired from the farmers. So, the government is committing they will be able to complete the requisition within the next one month or so. I think once the acquisition is completed by them, then our process will start. So, to your question, yes, we expect we should be able to close it. So, I do not know whether this calendar year, but definitely within this fiscal year, the acquisition should get completed.

Raghunandan:

Got it, sir. Thanks for that. To Neeraj, sir, on the new products, you have a very strong pipeline. Promaxx, Farmtrac has done initially well and also you have the Kubota MU, the Powertrac Paddy Specialist, and I think even the Promaxx second phase to come by end of the year. If you can talk about how do you expect these products to help in terms of positioning of Escorts, the market share potential, and especially in the south region where Paddy Specialist tractors, how they can strengthen the position there? Thank you.

Neeraj Mehra:

Yes. Hi, Raghu, this is Neeraj this side. Yes, so you have rightly said, the new products are actually helping us grow, because the industry growth actually to a very large extent is not favorable from EKL's perspective. So, Promaxx phase one is doing well. And in whatever states that we have introduced, Farmtrac market share has grown. Though it is early days yet, and the growths are marginal, but we are seeing positive trends. Also, now, with the very recent introduction of Kubota, and the Wetland series, by the end of Quarter 2 or early Quarter 3, in Powertrac, we should see some positivity in the southern markets or the eastern part of the country where the paddy is there. So, we can see some positive results starting Quarter 4, but next financial year would actually be the gamechanger in these markets.

Raghunandan:

Got it, sir. I was trying to understand that we have a adverse regional mix. Can the new products offset that for us? And say, H2, do you expect to grow in line with industry on all India basis?

Neeraj Mehra:

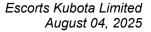
Yes, you are right. So, the Kubota introduction, as well as the Powertrac, Wetland series, they will, to some extent, help in bridging this industry gap, that deviation is there. And also, next year, a couple of other launches will be introduced, are planned actually, as you have already mentioned, Promaxx phase two, and also Wetland phase two. So, I think the pipeline is very strong, and we should see our market share growing in our erstwhile weak markets.

Raghunandan:

Thank you very much, sir. Bharat sir, we have started off on a good margin trajectory in Q1. So, given the focus on margins, the synergy benefits, how do you see the broad range of markets for FY26? That is the last question from my end.

**Bharat Madan:** 

So, in the first quarter, the commodity prices were soft for the tractor industry. So, we do not see much impact really coming in from the inflation perspective. But now, of late, we have seen the metal prices started hardening. So, that impact will start getting visible now from Q2 onwards. So, I think overall, our guidance for full year will still remain in the range of around 12%-12.5% sort of margin for the overall business.





**Raghunandan:** Thank you very much, sir. I will fall back to the queue.

**Moderator:** The next question is from the line of Vaishnavi from Craving Alpha Wealth Fund. Please go ahead.

Vaishnavi: Good afternoon, sir. Thank you for this opportunity. I have just two questions to ask. The first one is

related to exports. What percentage of export revenue is routed to Kubota Network? And what is our

target of export revenue as a percentage of total revenue by FY27?

**Bharat Madan:** I think as Prateek mentioned in the opening comments, in the first quarter, 52% of the exports

happened to Kubota Network and we expect the number will only keep on improving as we move forward in the future. I think overall, right now, our total export revenue is quite low; it is about 5-6% only for the total top line. But our mid-term business target for next 4-5 years is to take it to about

15% level.

Vaishnavi: Sir, can you please repeat the number again, 15-16%?

**Bharat Madan:** So, right now, it is 5-6%. But going forward in the mid-term business plan, our target is to take it to

15% level.

Vaishnavi: Okay. Sir, my second question is regarding the UP plant. When can we expect the phase one of the

production to commence in the UP plant?

Bharat Madan: See, right now, we are still waiting for the land acquisition process to be completed, where the

government is delayed now on that project by almost six months. So, they have not been able to complete the land acquisition from the farmers. I think once they complete the acquisition, then our process will start, which will include all testing for soil, water, environment testing and all other formalities. So, we expect within this fiscal year, we should be able to complete the land acquisition

and from next fiscal year, we can start working on the construction of the facility.

Vaishnavi: Okay. Thank you, sir.

**Moderator:** The next question is from the line of Mumuksh Mandlesha from Anand Rathi Institutional Equities.

Please go ahead.

Mumuksh Mandlesha: Yes. Thank you so much for the opportunity, sir. Sir, can you just update what kind of a tractor

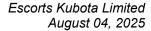
industry growth expected for this year from earlier guidance of mid to high single digit? And with the second half, particularly the base catching up, will it be still a positive trajectory or do you see it

flatten out in the second half, sir?

Neeraj Mehra: Hi, Mumuksh. So, we stick to our earlier guidance of mid to high single digit growth for the entire

year. Last year, the base was very high. So, in H2, the industry growth last year was close to about

15%. So, this continuous growth in H2 might not be there. It will actually depend on how the sowing





season performs. So, the tractor season this year actually starts from August instead of September, and hopefully, the entire season would be over by the end of October. So, post the season, actual picture will emerge on how the industry will actually end for the current fiscal year.

**Mumuksh Mandlesha:** (

Got it, sir. And how is the dealer inventory now? And for this year, what kind of dealer expansion plan from the 1,600 currently, sir?

Neeraj Mehra:

So, the dealer inventory is currently between four to five weeks for all the brands put together. And yes, we have a network expansion plan. So, we are looking at white spaces for all the three brands individually and working on them. So, yes, over the next three to four months, the dealer count should also improve significantly, primarily in the white spaces.

Mumuksh Mandlesha:

Got it, sir. Sir, how has been the particularly Kubota brand doing over the last four months and just if you can indicate what kind of growth we have seen there? And how is the profitability of the Kubota business, sir?

**Bharat Madan:** 

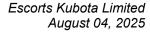
Yes. So, I think overall if you look at the numbers, since we got three brands, so Powertrac, Farmtrac and Kubota, so, in the last few months, the Kubota brand has not done well in the South and Western markets. So, we think some drop which has happened because the product introduction there was delayed. I think the last product introduction they had was about three years ago. So, that led to some issues with the channel. So, we have introduced a new product now, upgraded product as well as the new model, which will help them in growing the volume. So, we expect at least in the next quarter and going forward, the things will start improving for Kubota brand. I think as far as margins is concerned, as we mentioned to you, since the localization is still some time away, even though we started working on some of the parameters for certain equipments, but mainly the engine localization is still some time away. Till the time we do that, the margins will continue to be under pressure under Kubota brand name. But if you look at the margins without Kubota brand, I think we are in line with the historical averages what Escorts used to have.

Mumuksh Mandlesha:

Got it, sir. Sir, on the export side, how has been the initial response in the new markets like Mexico, Southeast Asia and Africa, sir?

**Bharat Madan:** 

These are not the new market for us. We were already exporting to Mexico. The only thing is the change which has happened is the integration of the channel with Kubota network. So, earlier we were exporting directly under Farmtrac brand name and we had our own channel, but now we are synergizing the channel and integrating. And if one of the distributors is strong, whether it is from Farmtrac or Kubota, then we are continuing with the same distributor under that brand name. So, the markets are already open. So, Mexico, we are exporting, South Africa, Europe, Sri Lanka, all these markets, we are already exporting now. So, the numbers will start improving, I think, as we move forward. The new products are coming for export market too, which is catering to specific markets,





so, they will see the improvement will happen in the overall numbers. So, that is one segment where we see the continuous improvement will be there on the export front.

Mumuksh Mandlesha: Got it, sir. And sir, how was the input commodity cost movement for this quarter and what is outlook

for next quarter, sir?

**Bharat Madan:** See, we get the impact of the commodity prices only with the lag of a quarter. So, the last quarter

was soft. So, we saw some deflationary trend actually on the commodity side, especially for the tractor industry. Even though the steel price has started moving up, construction equipment did have some impact. But now, this quarter, in the Q2, we are seeing the negative impact will be there on tractor margins too. There is some increase in cost, which we have seen happening on the metal side, which will likely impact the margin in this quarter. So, let us see. But it is nothing significant as of now, which we can really see as threatening as we have seen in maybe two years ago. So, that sort

of inflation is not there. There will be less than 1% impact actually.

Mumuksh Mandlesha: Got it, sir. Thank you so much for the opportunity.

Moderator: The next question is from the line of Vipul Agarwal from HSBC. Please go ahead.

Vipul Agarwal: Sir, thank you for taking my question. Sir, a couple of questions. First is on the channel expansion.

Can you comment on network expansion of Kubota in North India and Escorts in South India? And

how is it working with existing Escorts and Kubota dealer in the respective regions?

Neeraj Mehra: Hi, Vipul. This is Neeraj again. So, yes, we are working on the three brands, Powertrac, Farmtrac

and Kubota. So, I will take a couple of minutes to explain. Powertrac to a very large extent is a pan-India brand. We do have white spaces in the south and some states in the eastern part. Kubota and Farmtrac to a very large extent are very regional-specific and the focus at the moment is on both these brands to expand the reach. So, currently, the integration is not there full hog. We are thinking of integrating on how the Kubota dealers in south can be integrated with either the Powertrac or the Farmtrac brand and vice versa in the north. So, we have initiated that and working on a pilot on that

integration.

Vipul Agarwal: Understood, sir. So, just trying to understand what is your marketing strategy for these brands like

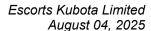
for Farmtrac in south and for Kubota in North India? Because as per my understanding, tractor being a mature industry, it is tough to crack market share of another player in a particular market or I would say in a particular village. That is what my understanding is. What is your marketing strategy for

these two brands when you are opening a new dealership or trying to merge a dealership over there?

Neeraj Mehra: Vipul, your understanding is very right. So, the focus is on strengthening our weaker markets, not

necessarily with all the brands put together. So, as I have mentioned to an earlier question, the

introduction of new products will strengthen our reach and help us in appointment of dealers in our





white spaces. So, it is absolutely not necessary for us, for example, to appoint Farmtrac dealers in the southern part of the country. Strengthening Kubota dealers, appointing Kubota dealers as well as Powertrac dealers in south, that is an example I am giving, will help us grow market share overall for EKL. So, it is absolutely not mandatory for us and we are not thinking of growing all the three brands in the entire country. So, depending on the suitability of the product with the application and the past presence of that particular product, we are expanding our channel.

Vipul Agarwal:

Thank you for that, sir. Sir, my second question is on the discount. So, right now, like Bharat sir has mentioned, the base was low for first half and in second half the base is catching up. So, how are we seeing discounts from that perspective, are you saying the industry might go with higher discounts in second half to maintain the growth momentum? Monsoon is not pretty good. So, demand is expected to remain quiet only in second half as well. So, what is your view on the discounts going forward and any color on current discounts?

Neeraj Mehra:

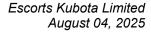
So, Vipul, the discounts are not basis the industry growth or de-growth. These are seasonal. So, when the peak seasons come in, customers actually expect discounts and almost all manufacturers going for slightly higher discounts. Our strategy would be to be competitive in the market and if needed, the discounts would be there. But the higher discounts primarily to look at industry growth or degrowth are not there. It is primarily season specific. Discounts are given during the season and then those discounts are reduced once the season gets over.

Vipul Agarwal:

Sir, my last question is on the farm implements. How are you seeing the penetration going over there? It has been slower than expected what we were talking about like five years back, seven years back. It is far slower than what we expected. So, how do you see automation happening in the implement side of the agriculture business? That is my last question.

Bharat Madan:

I think the long-term trend obviously is what we are seeing will really follow what we have seen in the developed countries. So, gradually things should start looking up there. In fact, if you look at our number also, like I said, in the farm segment in agri-machinery also, significant portion really comes from the farm equipment now for us after this merger of Kubota JV. So, obviously like I mentioned, still it's only about 20% of the total industry by value for the tractor industry which is represented by farm equipment. And most of this is still with the smaller non-OEM players who dominate this industry. So, I think for the OEMs to come into play with a large number, I think still it is going to take some time. We have not really seen a major change happening there in the last few years. But we expect the long-term trend probably will be there only. Obviously, it has to follow a lot of other reforms from the government side on the land and labor. So, that is still to happen. So, once your farm reforms happen, then maybe the land consolidation will become busier, your mechanization will improve. That will lead to your demand for the farm equipment too. So, I think in the short-term, we do not see that happening with the way the government is doing it and the last what was done by the government which was not very successful. So, hopefully in the long run, I think these reforms will happen which can lead to this demand coming up.





Vipul Agarwal: Thank you, sir. Thanks a lot for the answers.

Moderator: The next question is from the line of Amit Hiranandani from PhillipCapital. Please go ahead.

Amit Hiranandani: Sir, thanks for the opportunity. Sir, first of all, congrats for the good margin performance. Sir, my

question is basically from the previous participant on the farm implements thing. So, at present, are

we outsourcing this or we are making it in-house?

**Bharat Madan:** No, we are only buying it from third-party. So, the large part is actually imported from Kubota. With

the harvesters and transplanters, we are importing from Kubota from Thailand, Japan and China. So, only the implement part, the rotavators, etc., that we are sourcing locally, the boom sprayers, baler, etc., they are all being sourced locally through the third-party arrangement. We are not making

anything in-house right now.

**Amit Hiranandani:** Right. And just if you can help us with the annual revenue number for this farm implements?

**Bharat Madan:** I think last year was about Rs.600 odd crores. So, we expect the number will be probably growing

this year. We are seeing a good growth coming in from the back of this demand, the harvesters in the

southern and eastern markets.

Amit Hiranandani: Right. And my second question is on the construction equipment business. Just a clarification. Please

correct me. So, this time, we have sold older emission stocks at lower rates, right?

Bharat Madan: No. Since the emission norm came into play from 1st of January this year, so most of the

manufacturers were carrying bulk inventory from last calendar year. So, they had built inventory in anticipation till 31st December. So, the major production actually happened in that period. And in this period of January to June, the production volumes have been quite low for the new emission inventory. So, most of the manufacturers have been liquidating the old emission. Because of that, the overhead absorption has been very low on this lower production. So, that is the reason which has impacted the margin. And also, 30th June was the last date for liquidating most of this inventory, so, which is also some of the reasons for impacting the margin in this quarter. But we expect, I think, once the demand picks up going forward from next quarter, the volumes will start improving, both

on production and sales front.

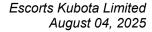
Amit Hiranandani: Right. And sir, on the construction equipment margin, any steps we are taking to bring back the EBIT

margin to 10%-11% range?

**Bharat Madan:** So, I think on a full year basis, we should be in same margin level, I think, what we had last year.

This quarter, like you said, since this was a temporary impact of cut down on the production and also

liquidation of inventory, the impact came. I think the second half normally the demand is good for





the construction equipment space. So, we should be back to the similar margin in the second half of this year.

Amit Hiranandani: Right. And sir, my second clarification is on the other income. So, increase in other income was

largely due to the M2M gains, right?

**Bharat Madan:** So, it is a mix of two elements. One, the overall treasury surplus has increased because of this money

flowing in from the sale of railway business. So, we got those funds. So, this is a higher corpus we had. So, that also led to the increase in other income. And second obviously was the mark-to-market improvement because of interest rate cuts which RBI did. So, the impact of both combined is reflected

in the other income.

Amit Hiranandani: Right. And sir, what is the CAPEX outlook for this fiscal?

**Bharat Madan:** So, like we mentioned last time also, it is still in the range of Rs.350-400 crores, which is the organic

one, other than the investment which will do for the acquisition of land for Greenfield plant.

Amit Hiranandani: Presently, your current dealer count is 1,600, right? And can you give a breakup based on zone wise

-- east, west, north and south?

**Bharat Madan:** So, we do not have the ready number, but we can ask the investor relations team, they will share it

with you, the region wise breakup.

Amit Hiranandani: Great, sir. Thank you, sir. All the best.

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

Mitul Shah: Yes, sir. Thank you for the opportunity and congratulations on a very strong operating performance.

So, my first question is on market share for this. Despite launching new products, of course, it is in a very initial stage. Our market share continues to slide. So, is it related to the market competition or anything to do with the inventory correction? And similarly, inventory is now also as indicated by Neeraj around four and a half weeks compared to industry inventory would be somewhere 47-48

days. So, we are much better off. So, now onwards, where do you see market share bottoming out?

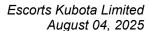
Neeraj Mehra: So, hi, Mitul. Neeraj this side. So, you have spoken of the product introductions. So, the product

introduction happened in the fourth quarter which was the Promaxx series. And as I have mentioned

in my earlier comments, Farmtrac market share is gradually increasing.

Moderator: Sorry to interrupt. Mr. Mitul Shah, I would like to request you to please mute your handset while the

management is answering.





Neeraj Mehra:

Thank you, Mitul. As regards to Kubota and Powertrac, there is no as such new product introduced in the past. This month only we have introduced Kubota, the 42 HP series and certain changes in the higher HP ones. And as mentioned earlier, the Wetland series is planned for introduction in September end, early October. So, the results of that we will actually see coming in from Quarter 4 as well as in the next year. As regards to the market share, yes, the market share has to a certain extent declined. Apart from various other factors, one of the key reasons is the industry swing. The industry swing has actually impacted severely the market share of EKL. The contribution of the EKL stronger markets to a very large extent has come down by about 5%-6%, which has actually impacted the market share. But having said that, I think this swing of industry should taper down in the coming months because industry growth started happening from September last year onwards and we should definitely see improvement in growth in market share in the ensuing quarters.

Mitul Shah:

As you said rightly, last year September onwards, industry started growing and particularly from October onwards, it was a very high growth from South and West. So, now October onwards, probably this disparity between South and West and the other regions may not be there. So, that is also quite positive as we have also got impacted because of the regional disparity in growth. So, considering that, second half, how one should look at compared to first half for the industry in terms of the... as we know, it would be like flat to marginal growth, but disparity-wise, what is your view on the regional growth, sir?

Neeraj Mehra:

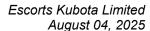
So, see, you rightly said, Mitul, because H2 last year was a 15% growth. So, this year, it will probably be a very marginal single-digit growth, or it might even remain at par. So, if it remains at par also, we are looking at a 4%-5% growth for the entire year. So, I think this disparity to a very large extent should tone down starting September and October. What has actually happened is now the industry, because of certain subsidies and other things, has started growing substantially in the eastern part of the country. So, that is another concern for us, but we are working on that. But I think this disparity, which is continuing for the past 10 or 11 months now, should subside as we enter into September and October.

Mitul Shah:

Last question is on construction equipment side. As you highlighted, there was a inventory correction because of this emission norm and our production and dispatches were lower in terms of wholesale. So, can you give roughly a ballpark number between retail versus wholesale for the quarter for us or for industry? And where do you see that QoQ improvement for construction equipment in Q2 and Q3? That is the last question. Thanks.

Sanjeev Bajaj:

Yes. Hi, Mitul, Sanjeev Bajaj this side. So, for our business, largely, it is a retail-backed business. So, our numbers on wholesale and retail do not differ much and our channel inventory is also less than 30-days normally, and we try to always maintain that. It could be occasionally just start of the season, dealers might take a few machines extra, but generally, we try to maintain that in the 20 to 25 days kind of an inventory for the dealers. So, our retail numbers are similar to our billing numbers. Last year also, full year, it was neck-to-neck and this year also, we want to maintain it that way only.





Mitul Shah: Thanks, sir.

**Moderator:** The next question is from the line of Gunjan from Bank of America. Please go ahead.

Gunjan: Yes. Hi. Thanks for taking my question. Just a couple of follow-ups. On the export side, I do read

some of the European markets stepping up now. So, can you just talk about the opportunity there,

what is it that we are trying to do along with Kubota in the European markets?

**Bharat Madan:** So, Gunjan, as I mentioned, most of our exports are happening to European market only, and there

we are seeing a good order inflow coming in from Kubota network. So, we expect the numbers should

keep improving month-on-month as we enter those markets.

Gunjan: Okay. Okay. Got it. When I look at the export business, I think there were two or three parts to it.

One was like you will continue to grow on the emerging markets or Mexico, etc., which you were already working on. And then when Kubota comes in, US and Europe were going to be the largest markets. Now, if you were to just like sort of lay the opportunity... I know a lot of it will unfold over a period of time when the engine plant comes, etc., but what is really the sort of three to four-year target that we are looking at on the exports? Right now, I mean, I understand that engine plant needs

to commission. But any broad targets around that?

**Bharat Madan:** So, Gunjan, as I mentioned, our mid-term plan was to take the exports to roughly around 15% of our

total revenue. So, obviously, export realization is also better. But in terms of opportunity, today, last year, we did about 5,500 tractors, and this year we are looking at 25%-30% increase. I think we expect the similar numbers of growth will continue in the next three-four years. So, the opportunity will continue to be there. And there is a plan from Kubota side also to make India a production base for certain products. Obviously, that will materialize only when your Greenfield facility gets set up. So, there is still some time away. But I think in the long term, we expect the number will continue to

look better and it can anyway be 20,000-30,000 tractors in the long run.

**Gunjan:** Okay. Got it. And on the component side, there is this mention of warehousing, which has already

begun in India for the Kubota global supply chain. Can you share more on this like, what is it the revenue contribution if at all coming in last year or this quarter and how should we think about that

ramp up coming through on the supply chain servicing from India?

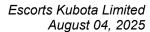
**Bharat Madan:** I think last year was close to Rs.100-150 crores of revenue and this year, we are looking at about

Rs.250 crores of revenue coming from component exports. So, I think still it is a work-in process. So, I think we are still working on developing more vendor base, who can cater to this business. But

as of now, the development is slow, because like I said, on the margin side, the major change will

happen once your localization happens. Because just by doing a trading activity through vendors will

not really give that sort of margin. So, that is why the major push has not been there so far. But





obviously, the parallel team is working on developing the vendor base and the numbers will again keep improving year-on-year.

**Gunjan:** Okay. So, on this, I assume there is not much margin at the moment?

**Bharat Madan:** Yes, this is essentially a pass-through mechanism right now. We are sourcing from vendors and just

trading in and supplying to Kubota. So, unless we start making certain components, which is a plan, where the margins will be better and comparable to the normal margins which allow to an unrelated entity. So, I think it will take some time. We are doing some manufacturing locally right now, but

there is not much.

Gunjan: Okay, got it. On TREM V, any update, because now we are getting closer to the timelines for

implementation, right, so, what is the conversation, what are we expecting on the regulation to come

through?

**Bharat Madan:** So, I think from the Tractor Manufacturing Association side, they had a meeting with the Ministry

of Road and Transport and they already given their proposal. So, I think the proposal given was that from 25 to 50 HP segment, there should not be any change in the emission norm immediately. And on the balance segment, they can still explore if they can do those changes and move to TREM V. Now, issue is the ministry had indicated they will come up with the final decision on this. They are expecting middle of this month actually. So, once you get clarity on that, maybe we will have a better

picture with us. But chances are 25 to 50 HP may get exempted or deferred.

Gunjan: Okay. I mean, those are the sort of conversations. I mean, government is open to deferring it out is

the industry understanding, right?

**Bharat Madan:** Yes, that is right.

Gunjan: Okay. Got it. Thank you. I will join back the queue.

Moderator: The next question is from the line of Vaishnavi from Craving Alpha Wealth Fund. Please go ahead.

Vaishnavi: Thank you for the opportunity again, sir. I have two-three follow-up questions. First one was in the

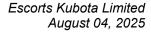
last quarter, 70% of exports was routed through Kubota market. However, this quarter, as you

mentioned, it was 52%. Is there any change that you can mention?

Bharat Madan: No, it depends on the order inflows because we also have been exporting to other markets where

Kubota network is not existing. They were our earlier distributors, which we continue to export. So, it all depends on the network and the order intake you get from various countries. So, it can vary. But

the larger part is still going to the Kubota network.





Vaishnavi: My second question was sales growth on the year-on-year. If you can give us a target that we are

planning to achieve for FY26?

**Bharat Madan:** Sorry, can you repeat your question? It was not very clear.

Vaishnavi: Sir, my question was regarding the sales growth year-on-year, which we are planning or targeting to

achieve by FY26?

Neeraj Mehra: So, Vaishnavi, currently, our volumes with respect to last year are more or less at par. So, the thought

is that in the coming months, we will actually grow in line with the industry or outgrow the industry marginally, depending on how the industry performs from a regional perspective. So, the intent is for

the FY26, we end at a higher volume growth with respect to last year.

Vaishnavi: Thank you, sir.

Moderator: The next question is from the line of Vishakha Maliwal from ICICI Securities. Please go ahead.

Vishakha Maliwal: Hi, thank you for taking my question. Maybe partly repetitive, but regarding the medium-term 15%

target for export, are there any specific initiatives that you are taking for this?

**Bharat Madan:** Yes, so as we mentioned, I think there are multiple levers which we are deploying now. One,

obviously is the export of the finished products which we are doing from India. As we mentioned, the numbers of export to Kubota is continuously increasing and that will continue to happen in the future too. The second, as we talked about is the component sourcing from India, which is also getting increased as the vendor base gets established there. And third is the service export which we will be doing, which essentially is setting up the shared services for them in India, both for R&D as well as for ID services. There also, the work has started and already the billing has started. So, there also we see a good opportunity in the next 4-5 years, the numbers will improve. So, all these will lead to going back to the number what we talked about, 15% of the top line which is the target which we

intend to achieve through combination of these.

Vishakha Maliwal: Got it, sir.

Moderator: The next question is from the line of Gunjan, Bank of America. Please go ahead.

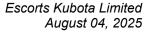
Gunjan: Yes, hi, thanks for taking my question again. I just had a clarification that you now mentioned that

20% of your agri-machinery revenues are non-tractor, right? Is it possible to get a rough breakup of what is it from, let's say, engine, implements, spares, just rough idea would help because I think these

are all revenue lines which are growing faster, I would think?

**Bharat Madan:** Spares and lubricants which is the larger part there. Then, the agri-solutions which is farm equipment

bit and the engine is still the smaller part. So, all these three combined to give out 18-20%.





**Gunjan:** So, spares would be what, 10-12%?

**Bharat Madan:** Yes, roughly 10% you can say.

**Gunjan:** Okay. And engine would be a low single digit?

**Bharat Madan:** Yes, engine is still low, and the numbers were not very high there. So, I think last year we did about

20,000 engines and probably similar. Last year, there was a change of emission norms, a lot of prebuying happened in the first quarter last year. So, this year, post emission norm changes, the demand slightly slowed down because the cost increases. But yes, it will remain in the similar range this year.

**Gunjan:** I am just trying to understand, spares would grow in sync with how the tractor business is growing.

Implements is where the growth outlook is strong given we are adding new products with Kubota's help. And engine, is this something which is sizable or this is external, I mean, who is the customer

base here?

**Bharat Madan:** So, in engine, there are two segments. One is the power segment, where engines are used for

generators. So, the OEMs who make generators use our engines for making those gensets. The second segment is the OEM segment. So, like Kubota is the largest supplier of engines to the industrial equipment sector. So, that is the segment where they use engines of Kubota in India and also of Escorts in certain construction equipment machinery OEMs, who use those engines. So, both these

segments, I would say 50-50 today is the overall volume.

**Gunjan:** Okay, got it. Thank you so much.

**Bharat Madan:** And Marine is another one. So, in Marine also, like for powering those power boards, so these engines

get used. So, marine is another category where the engines go.

Gunjan: Okay, got it. Thank you.

**Moderator:** The next question is from the line of Amit Goela from Rare Enterprise. Please go ahead.

Amit Goela: Yes, Bharat, hi. Bharat, you might have answered this question earlier, but I was just wondering one

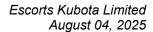
thing. I was going through the presentation. You have 1,600 dealers now with Kubota also coming in. So, should not your access to the southern markets and all get slightly better so that you can have

your market share improve now, like with the new products and everything in place?

Neeraj Mehra: So, hi, Amit ji. This is Neeraj Mehra this side. So, yes, you are very right. With the 1,600 dealers in

place, our volume will actually improve as we said in our earlier comments. We are introducing a south special series in Powertrac in the last week of September or early October. So, that should

actually help Powertrac. Currently, in the Powertrac and Farmtrac series, the product range suitable





for paddy applications was an issue. With this range coming in and with a substantial number of

dealers being there, we should see the volumes and market share growing.

Amit Goela: Okay. Thank you so much and all the very best.

Neeraj Mehra: Thank you.

**Moderator:** Ladies and gentlemen, that was the last question for today. I now hand over the conference to Mr.

Prateek Singhal for closing comments. Thank you.

Prateek Singhal: Thank you, ladies and gentlemen, for being present on this call. For any feedback or queries, feel free

to write to us at investor.relation@escortskubota.com. Thank you very much and have a good

evening.

Moderator: On behalf of ICICI Securities Limited this concludes this conference. Thank you for joining us and

you may now disconnect your lines.