

November 07, 2025

**BSE Limited**

Phiroze Jeejeebhoy Towers,  
Dalal Street, Mumbai – 400001

**National Stock Exchange of India Limited**

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

**BSE – 500495**

**NSE - ESCORTS**

**Sub: Transcript of Earning Conference Call held on November 04, 2025**

Dear Sir/ Ma'am,

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 November 04, 2025, for discussing the earning performance of the Company for the quarter and half year ended September 30, 2025. The same has 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  
Q2 FY '26 Earnings Conference Call”  
November 04, 2025



**MANAGEMENT: MR. BHARAT MADAN – WHOLE-TIME DIRECTOR AND  
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 & CPMO –  
ESCORTS KUBOTA LIMITED**

**MR. PRATEEK SINGHAL – INVESTOR RELATIONS AND  
ESG – ESCORTS KUBOTA LIMITED**

**MODERATOR: MR. RISHI VORA – KOTAK SECURITIES LIMITED**

**Moderator:** Ladies and gentlemen, good day, and welcome to the Q2 FY '26 Earnings Conference Call of Escorts Kubota Limited hosted by Kotak Securities Limited. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing star, then zero on your touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Rishi Vora from Kotak Securities Limited. Thank you, and over to you, Mr. Rishi.

**Rishi Vora:** Thanks, Asha. Good evening. On behalf of Kotak Securities Limited, I welcome you all for Escorts Kubota Q2 and H1 FY '26 Earnings Conference Call. I also take this opportunity to welcome the management team from Escorts Kubota Limited. Today, we have with us Mr. Bharat Madan, Whole-Time Director and Chief Financial Officer; Mr. Neeraj Mehra, Chief Officer, Tractor Business Division; Mr. Sanjeev Bajaj, Chief Officer, Construction Equipment Business Division; Mr. Sanjeev Garg, Head Finance and CPMO; and Mr. Prateek Singhal, Investor Relations and ESG.

We will start the call with brief opening remarks from the management, followed by Q&A. Before we start, I would 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 for their opening remarks. Thank you.

**Prateek Singhal:** Thank you, Rishi. Good evening, everyone, and thank you all for joining us today. Few highlights of company's standalone financial performance for the quarter ended September '25 are as follows: Operating revenue from continuing operation at INR2,777.4 crores, up by 22.6% year-on-year. EBITDA at INR363.2 crores, up by 56% Y-o-Y. EBITDA margin in Q2 at 13.1%, up by 280 basis points year-on-year.

PBT from continuing operations at INR431.1 crores, up by 55.2% year-on-year. Net profit PAT from continuing operation at INR321.2 crores, up by 6.1% year-on-year. Please note that corresponding quarter last fiscal include a onetime tax impact of INR91 crores on account of changes in long-term capital gain tax provision and the effect of brought forward losses for merged companies. Adjusted for this normalized profit grew by 51.7% Y-o-Y. EPS stands at INR29.19 as compared to INR29.71 Yo-Y.

On consolidated basis, company financial performance for the quarter ended September '25 is as follows: revenue from continuing operation at INR2,791.6 crores, up by 22.6% Y-o-Y. EBITDA at INR359.7 crores with margin of 12.9%, up 279 basis points Y-o-Y. Net profit from continuing operations at INR318.1 crores, and adjusting the impact of INR91 crores, normalized profit grew by 52.1% year-on-year.

Moving on to the segmental business performance. On the tractor business, in Q2 FY '26, total industry domestic plus exports, was at 3 lakh tractors, up by 28% as compared to the

corresponding quarter last year. Our total tractor volume was at 33,877 tractors, up by 30.3% as against 25,995 tractors in the corresponding quarter previous year, resulting in a 20 basis market share gain. Total share at the end of Q2 FY '26 stand at 11.28%.

On the domestic front, the tractor industry in Q2 FY '26 was at 2.75 lacs tractors, up by 30.7% against corresponding quarter last year driven by preponement of the festive season, continued government support, reduction in GST rate and favorable agriculture conditions, including adequate water level reservoirs.

On the domestic front, our sales stood at 32,329 tractors, up by 30.5% compared to 24,768 tractors in the corresponding quarter previous year. We have grown in line with industry, and this growth was supported by new product launches and range of customer-focused initiatives.

Looking ahead in FY '26, we expect the tractor industry to sustain its growth trajectory delivering a low double-digit growth rate for the full fiscal year, led by healthy water level reservoir, anticipated robust crop yield, higher minimum support prices and improved terms of trade.

On the export front, tractor industry in Q2 FY '26 at 25,600 tractors, up by 4.4% as compared to 24,500 tractors in the corresponding quarter. On export volume, our export volume at 1,548 tractors, up by 26.2% as against 1,227 tractors in the corresponding quarter. During the quarter, sales to Kubota global network account for approximately 52% of our total exports.

Non-tractor revenue comprising of Agri Solution business, engine business and service and the spare part business in Q2 FY '26 constitutes 17% of Agri Machinery segment revenue as against 18% in the corresponding and the sequential quarter.

Agri Machinery Products segment revenue came at INR2,432.9 crores, up 29.1% as against INR1,884.2 crores in the corresponding quarter. EBIT margin for Agri Machinery business were up by 368 basis points at 12.8% as against 9.1% in the corresponding quarter. Margin expansion was supported by easing material costs, better operating leverage and cost control measures.

Coming on to the construction equipment business. In Q2 FY '26 served industry volume covering cranes, backhoe loader, mini excavator and compactors, declined by approximately 4% as compared to the corresponding quarter last year. This was largely driven by the crane segment, which was down around 13% year-on-year. Our total volume at CE business were at 1,146 machines as compared to 1,394 machines in the corresponding quarter.

Mini excavators continue to gain traction with our market share increase by 151 basis points, which now stands at 18.5%. Construction equipment segment revenue came at INR338.1 crores as against INR379.9 crores in the corresponding quarter. EBIT margin for the quarter ended September '25 came at 3.8% as against, 9.3% in the corresponding quarter, mainly down due to lower production as compared to last year where inventory building happened to enable transition to the higher emission norms.

The construction equipment industry has been navigating a challenging environment currently, primarily due to extended monsoon season and lower-than-expected mobilization of infrastructure projects on the ground. The industry is, however, expected to recover in the

remaining part of this fiscal year as the government is committed to infra investments and new projects are being started across the nation. Industry momentum is expected to pick up gradually and we aim to prepare to take the opportunity.

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

**Moderator:** Thank you very much. The first question is from the line of Gunjan Prithyani from Bank of America. Please go ahead.

**Gunjan Prithyani:** Just first question on the industry. If you can share a bit more color on what are we seeing on the ground in terms of the sentiment. There's clearly been a step-up in the growth guidance, right, from mid-single digit to now low double digit. So a little bit more color on what we are seeing regionally, what we are seeing in terms of HP-wise and the sustainability of this going forward for the remainder of the year?

**Neeraj Mehra:** Hi, Gunjan, this is Neeraj Mehra. So as already mentioned by Prateek, yes, we see an upswing in the industry. And we're looking at this year to end at double-digit growth -- a marginal growth in the double digits. Yes, post the GST reforms introduction wherein 7% GST was reduced. We have seen a lot of buoyancy in the market.

This buoyancy cause there, primarily account of good rainfalls and other macroeconomic positive parameters. But with the reduction in the tractor prices, this buoyancy has actually increased which actually will help the industry grow further over the next 6 months.

As regards the regional flavor, the industry is actually growing substantially in the southern part of the country and the western part of the country, primarily. It has shown some growth in the northern part of the country. The northern part was not -- was kind of stagnant prior to September. But it has now started showing some positive movements. So overall, there is a growth across the country.

But the major movement in Q2 came in from the southern part as well as the Western part. On the HP side that you asked, what has actually happened, it's early days per se as yet. But post the introduction of the GST -the revised GST slab rates, we've seen a shift in the segment wherein the customer is actually moving towards a slightly higher horsepower tractor.

So when I say higher horsepower tractors, the inclination is now for them to move into the 50 HP or 55 HP or 45 HP bracket because now in the price of a 38, 40 HP tractor, he can actually purchase a higher HP tractor. And with a slightly higher HP tractor, it's a kind of a multi-utility tractor wherein he can utilize the tractor in all applications, agri and otherwise. So I hope I've answered all aspects of your question.

**Gunjan Prithyani:** Sure. This is very helpful. Just a follow-up on your market share. I mean, clearly, we've seen some stabilization in the recent months. But in the backdrop that South and West continue to sort of do well, it is going to be essentially your product actions that will help recover the market share?

So any early thoughts on the product interventions that we've been making over the last 6 months? How is that -- how has been the response to those new products? And how do we think about market share here on given that it's still going to be more about South and West showing higher growth?

**Neeraj Mehra:**

Okay. So I'll take a couple of minutes to explain this. So you see, we had -- we have 3 brands: Farmtrac, Powertrac and Kubota. So Farmtrac, we are doing very well. Post the introduction of the new series in January, the PROMAXX series, the market share is growing. Irrespective of the region, the market share in Farmtrac is growing.

In the last call, I had shared that we would be introducing some certain new products, not an entire series but certain new products in Kubota. And those were introduced in early August, which it's early days yet, but the initial impact has been actually good. This, I'm talking on the product interventions.

On the Powertrac side, we were to introduce a series in the latter half of this quarter. But due to certain reasons, that's been shifted to the first half of quarter 4. So once those -- that series comes into play. That series is primarily from the Southern market perspective. We will see a definite positive turnaround on the Powertrac side.

Yes, the industry growth in -- substantial industry growth in the Western part and South is actually impacting us. But you would have seen that in the last quarter, we have, to a very large extent, been able to arrest this market share. Overall, the market share has not grown, but the continuous decline has been able -- we have been able to arrest that in quarter 2.

And we are hopeful that as we go forward, in Kubota and Farmtrac, we'll see a positive movement to continue. And with the new range coming in, in Powertrac, it will take some time. But yes, we'll see positives on the Powertrac front as well.

**Gunjan Prithyani:**

Okay. Got it. This is really helpful. Just very quick on the P&L side. This treasury income has gone down in this quarter. I guess the railways money would have also trickled in. So any reason why the treasury income has gone down and what sort of yield we should expect going forward? And that will be the last question.

**Sanjeev Garg:**

So, Gunjan, treasury income is a blend of one, the surplus money. Second, how you do the accounting for the different products where you have invested in. So part of that portfolio, as you know, is logged into the open-ended funds, which is a mutual fund, which is subject to mark-to-market. So if you see in quarter 1, the overall yields had softened, leading to gain in the market -- mark-to-market move in a positive direction.

However, in quarter 2, there is some sort of hardening compared to quarter 1. So that's where you see the mark-to-market hit coming in. So if we take out this mark-to-market move, then we are in the normal trajectory. So overall, on an H1 basis, if you see, there is an improvement and the impact of R&D money, it was there in Q1 as well for 2 months, starting from May.

**Moderator:**

The next question is from the line of Vijay Pandey from Nuvama.

**Vijay Pandey:** I wanted to inquire about the construction equipment industry. How are you seeing any potential recovery in the construction equipment industry, especially in the excavator business and the PNC business?

**Sanjeev Bajaj:** Sanjeev Bajaj here. So we are looking at quarter 2 as a first sign of recovery because quarter 1 has been really down. So quarter 2, industry has tapered down, the slowness has tapered down. So we are expecting that by middle of quarter 3, we should start seeing the reversal of the trend. A couple of things which have happened during quarter 2. One is, of course, the extended monsoon.

And also since the industry has moved from BS-IV to BS-V, there is a price escalation for the customer and that also there was a resistance from the industry and the demand has not been so high. Projects have been mobilizing slow because of the monsoons and demand has not been so high that it could negate the impact of pricing on the product.

So overall, the industry has gone through this tough sales in quarter 2. But we believe that the recent announcement by government on the new projects which have been announced especially in states like Andhra, Bihar, Maharashtra, Gujarat and various other projects which are -- which were nonmobilized are also starting to mobilize. So we believe that demand will pick up, and that will be a big leveler for the time to come, especially in the later half of quarter 3 and later in quarter 4.

So -- but on a year-on-year basis, we believe that industry will be lower than last year, but on a single-digit drop from last year. But still, it is on a very high base compared to what it was a couple of years back. So there is no sign of worry, but it is only because of the current situation, it looks like that there will be a little bit of dip compared to last year whole year industry.

**Vijay Pandey:** And sir, there was news coming out that construction equipment government will be bringing up some incentive program for the CE industry -- update on the same? And how do you see that would probably come in off April. So how do you see the benefit for the company and the industry?

**Sanjeev Bajaj:** See, those initial talks have happened. So government is inclined to do PLI schemes for domestic production. But those discussions are at a very early stage and nothing has been concluded yet. Our Construction Equipment Manufacturers' Association, ICEMA is in regular touch with the Ministry of Heavy Industry. But as of now, there is nothing which we can really say conclusively.

But definitely, government has the intent for domestic production and they will continue to promote localization of the products as well as the components. But not as of today, that clarity will not be available as of today. I think in the next few quarters, we will see what the outcome of those discussions will be.

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

**Mumuksh Mandlesha:** Can you hear me? Sorry I was on mute.

- Moderator:** Yes, sir. We can hear you now.
- Mumuksh Mandlesha:** So I just want to understand, over the medium term, the GST has reduced the prices for the tractors. I just want to understand how the affordability plays a role, whether that can release into the demand over the longer medium term? And also because the lower price point, do you see any upgradation happening to a higher segments because the prices have come down?
- And also, sir, because the customer has seen the benefit of a low prices. Do you see any change in the discount pricing trend for the company? And also, if you can add the -- because the steel prices have come down, do you see benefit of margin ahead?
- Neeraj Mehra:** Yes. Thank you for your question. So yes, in the very short term, we see a positive impact of GST. So while answering an earlier question, I had actually mentioned that, yes, it's very early days yet, but we have seen a shift of the customers in moving towards a higher HP product. So higher HP in India is basically a 50 HP product. So we have seen a shift moving towards that.
- So basically, in a INR7 lakh product, it's a straight INR50,000 reduction. Also, this for the smaller farmers, or the marginal farmers, this again is an opportunity for him to buy a tractor because for the smaller or the marginal farmer, he is now getting an opportunity to purchase a tractor with a lesser amount of margin money that he has to bring in.
- So also from a medium-term perspective, looking at these 2 aspects, we see that GST will play a positive impact as we go forward. As regards to the discounts, the discounts are always there during the season time. So whenever it's peak festive time, all the manufacturers, including us, give certain shops, certain discounts. And those are actually withdrawn once the season gets over and that will be the case this time around as well.
- Mumuksh Mandlesha:** And on the input cost, sir, anything on the input cost going ahead, sir?
- Bharat Madan:** So input costs in the last quarter, obviously, there was a bit of inflation, which is why this slightly impacted the margin. But in the coming quarter in Q3, we are going to get the benefit of deflation in these prices. And the quantum right now, we're not sure, but this is going to be a positive impact on the margin in Q3.
- Mumuksh Mandlesha:** Got it, sir. And sir, finally, sir, on the non-tractor revenue part, how do you see for next 6 to 12 months, what kind of growth we can see for that segment?
- Bharat Madan:** So this quarter also, we saw very good growth actually. So if you look at our Agri Solutions business has grown more than the tractor business in first half and the last quarter 2. So only the other 2 business on engine and spare parts were more or less flattish in this 6 months. But going forward, obviously, the tractor growth comes down from the current level, which has been very, very steep.
- So and you will see the impact coming into the non-tractor business, which will really improve in the next 6 months. So overall, I think the spread will not be significantly different. We still have about 17%, 18% coming from the non-tractor side. So we expect it may move by 1% here



and there, but we don't expect to be a significant movement from this level. The tractor is also growing. So which is, I think, also impacting this overall split.

**Moderator:** The next question is from the line of Rishi Vora from Kotak Securities Limited.

**Rishi Vora:** My first question is just wanted to get a sense on what would be the inventory levels for us and for the industry after, let's say, the month of October?

**Neeraj Mehra:** So thank you, Rishi, for the question. Are you talking of inventory levels as on 1st of October?

**Rishi Vora:** As in end of October, basically or whatever you could share.

**Neeraj Mehra:** So as of end of October, we are looking at a little less than 4 weeks of inventory levels with our dealers.

**Rishi Vora:** Understood. Understood. My second question is on the export side. We have seen a strong growth in the first half. So any color you could give on what is driving the growth, which markets are doing well? And going forward, where do you see the tractor, the export market settling for us? And any guidance if you could share for second half FY '26, that would be helpful.

**Bharat Madan:** So overall, Rishi, we had given the guidance of 25% plus growth on the export number given the lower base we had last year. And so far, we had done better on export in the first 6 months, and we expect going forward also, I think the numbers will continue to look better. So the market, especially which we are growing, is the European market where the supply is happening, major supply to the European market only.

We also opened Mexico now where tractors will start going, some parts dispatches already happened in the first 6 months and the volume will start picking up going forward. So I think in the midterm business plan in the next few years, we have a lot of projects which are more export focused projects from R&D side on which we are working.

So idea is to capture as many markets as we can. And that's one area of opportunity which we see will remain for us, and there's the intent to utilize the Kubota network also for export. So we think that's one area which will continue to do well in future too, for us.

**Rishi Vora:** Understood. And just on the construction equipment business. I know we have seen a sharp decline in margins also on a sequential basis. And can you just reason out what has happened at least in terms of profitability? And how should we think about it going forward?

**Bharat Madan:** See, one other reason actually if you compare is the issue on the production level, which has been low this quarter, because you know the emission norm changes have happened. So we're still to stabilize on the volume front. And there was some inventory in the last quarter, which got cleared up. So I think going forward, in the balance second half, we expect the numbers to start looking up now. So last year, obviously, it's not comparable because we did a lot of inventory buildup. That's why the margin also improved. So there's

the correction which you've seen happening in the first 6 months now, especially in this year. But going forward, I think once your numbers start moving up and the production volume is also

improving now. So we expect we should be back to high single-digit level of margin and in the balance 6 months for CE business. And last quarter also got impacted because the inflationary impact, which, again, with the softening happening now, that will be positive impact we'll see in the next quarter.

**Rishi Vora:** Understood. And just last question. Any update on the new plant? Where are we in terms of the approvals and everything and anything that you could share?

**Bharat Madan:** Some land parcel, which is I think about 5%, 6%, which is still to be acquired by the government. They had some matter under litigation with certain farmers, which now the government has won in their favor. So they are in the process of completing their acquisition. So we expect within a month they have indicated they will complete the acquisition and then start the formalities for transfer of land to EKL.

So let's hope, I think after -- within a month if they complete this acquisition, and we need to do our due diligence for title and then we'll start with the formalities of the land acquisition. So hopefully, within this fiscal, we should be able to complete everything. But the major parcel has already been acquired by them.

I think it's only about out of 190 acres, they're seeing about 8 to 10 acres, which is still to be acquired by them. Balance is all done. But since the land -- the parcel is coming within the overall plot area, we don't want to really go ahead until the time they confirm and complete their acquisition.

**Rishi Vora:** Understood. And what will be the capex guidance for this year?

**Bharat Madan:** So this year, we had done INR350 crores to INR400 crores sort of normal capex which will happen. And so far, in the first 6 months, we had spent proportionately in line, so we expect that number will happen.

**Rishi Vora:** And next year should be higher than this, right?

**Bharat Madan:** Normal capex is going to be in this range early. So INR300 crores to INR400 crores sort of range will continue as a normal capex. Greenfield obviously will be additional as and when that happens. So that will be a over and above this normal capex.

**Moderator:** The next question is from the line of Vipul Agrawal from HSBC.

**Vipul Agrawal:** Sir, you just shared about the planned timeline. So it looks like that next year, the plant will be up and ready by end of next year. So maybe I just want to understand, can you share what the revenue growth trajectory for next 5 years, like covering key milestones, what's coming from domestic and how much will be coming from exports and then part supplies maybe like a longer-term view, you can give some idea about it. And the key timeline, tentative timelines as well like, which year we will see the maximum growth?

**Bharat Madan:** See the major growth in exports will come on the greenfield is up and running, and that will happen somewhere in FY '28, '29. And whether this year, we complete the land acquisition. Next

year, we're going to start the project construction activity in those areas. And the initial project estimate is that we'll be starting up in Phase 1 additional capacity for the tractor manufacturing as well as for construction equipment manufacturing in that facility.

So really, the current capacity we have the existing location is around 170,000 tractors which we can also balance out and increase to 200,000. So looking at the demand scenario for the next 3, 4 years, we don't expect there will be any shortfall in the capacity at the existing location.

So it's only the timeline, which will take -- lead time it will take to set up the Phase 1 facility. I think by that time, the demand also picks up, so we can obviously adjust the timeline slightly by year-end and can also prepone it if required. If not, then obviously, we'll go as per the planned schedule.

**Vipul Agrawal:**

And what kind of quantum we are expecting from this new capacity like from exports right now? Any maybe it has been like by a year or so, any changes in the earlier estimates? What kind of growth we can expect from the new plant -- from the export side?

**Bharat Madan:**

So export, I think the major focus will be, I think, once we start exporting to the U.S. market. So right now, we are not exporting anything to U.S. market. The plan was once the greenfield goes live, at that time, we'll start the activity for exporting to U.S. market. And there's also a plan to shift some of the global models to India, and India will be used as sourcing for those products, so which we made only in India and will be supplying from India to the world.

And that's a plan which Kubota has to come back, and they are working on it right now. So Kubota is going to present their midterm business plan sometime, I think, in February or March next year. So once they made it public, then we'll also formalize it and we'll also then announce it to the public at large.

**Moderator:**

The next question is from the line of Himanshu Singh from Baroda BNB Paribas Mutual Fund.

**Himanshu Singh:**

Sir, I just wanted to understand that our employee cost and other expenses on a Y-o-Y basis have kind of remained flat or declined. So just wanted to understand why and how do you see this trajectory going ahead?

**Bharat Madan:**

Employee cost actually has gone up if you compare with the last year and sequential quarter also because our increment cycle is from 1st of July. So that's why in this quarter, July to September, we've seen the cost, which has gone up with about 8% to 9% on the manpower side. And as in percentage terms, it looks like it's the same, but overall on the fixed cost basis, it has gone up.

On the other expenses, I think most of the expenses, which are variable in nature, only those have moved. Otherwise, the expenses haven't kept under check, and we expect the trend should continue. Obviously, a lot will depend on how much we spend going forward on the marketing and promotion efforts, and that will again depend on the market situation.

So that's something which can really impact your other expenses. So that really can go up. But the focus of the company now is on the sales growth and the acceleration on the top line. So that

probably can impact in the short term on some of those expenses. But right now, I think for this year, we don't expect any going to be a significant change.

**Himanshu Singh:** Okay. And sir, can you give any breakup of how much would be the fixed expense in the other expense?

**Bharat Madan:** See, other than the selling expenses, which are slightly variable in nature where you've got all your logistics, freight, forwarding, packing warranty, loyalty, all those expenses are coming as part of other expenses. So I would say still 50-50 sort of split can be there, 50% can be taken as a fixed and balance will be variable in nature.

**Moderator:** The next question is from the line of Raghunandhan N. L. from Nuvama Research.

**Raghunandhan N. L.:** Congratulations on strong results and festive greetings. Just one question. On Kubota branded tractors can you highlight efforts on improving the local sourcing what would be the current share of local sourcing? And how do you see that ratio increasing next year? And do you know how would that change significantly once the new plant is up and running?

**Bharat Madan:** Raghu, in the Kubota tractors, the one which we're making in India, the major part which gets imported is the engine only. And since the volume for Kubota products are not very high right now. I think it is only about 10,000 to 12,000 tractors, which are Kubota -which are using Kubota engine in India.

So for that volume, localizing the engine is not a viable option for us, but the investment will be very heavy and not pay back in the short term. So I think as we mentioned, the idea is to actively move to our own local engine, and we are looking at the possibility of development of products which will be sold under Kubota brand name using our platform, Escorts platform.

So that product development is underway now. So hopefully, in another 2 years' time frame, we will be launching this complete range which will be with our own engine and which will get sold under the Kubota brand name or co-branded with our brand. So that will improve the margin profile for the Kubota brand.

Until that time, I think it will remain under pressure overall because most of the other items in Kubota brand are imported other than tractor. So only thing what we're doing now is the transplanter as the one product line which we are localizing in India. Right now, it is getting imported from China.

So that is getting localized now and we'll start manufacturing sometime next year, maybe for that. But this year, we've seen the demand for agri solution has been very strong, especially the harvester, I think we have been a record sale in the last 2 months, and we virtually stormed out and there was 0 inventory now with the company, and demand has been fairly strong even going forward the way the indications are. So obviously, as the volume go up, the trend will be to localize the parts as much as we can so that we can improve on those margins.

**Moderator:** The next question is from the line of Preeti Joshi from Financial Securities.

- Preeti Joshi:** My first question is are we planning to launch any EV tractor?
- Prateek Singhal:** Sorry, Preeti, we can't hear you. Can you a bit louder?
- Preeti Joshi:** My first question is, are we planning to launch any EV tractor? And my second one is what will be our new capacity after expansion of greenfield projects?
- Bharat Madan:** So Preeti, we were already making electric tractor, but we have not launched it in domestic market because the cost of those tractors is very high, especially the battery pack itself costs you equal to the cost of the diesel tractor.
- So in India, we don't see, it will be a really good market, especially looking at the affordability aspects of the farmers. So we were exporting those tractors to European and U.S. market. But now we have stopped that because in U.S. also the subsidies have withdrawn from the electric vehicles. So there again, you are seeing the demand is going down.
- So in the short term, we don't see any major change in the strategy unless the cost of batteries really goes down significantly in India. And then the charging infrastructure in rural markets have to come up, which right now doesn't exist and the kind of power you need to run those tractors and the implements.
- So going with a large tractor as of now, it doesn't look like a viable option. So we have to wait and watch and see maybe the alternate fuel technologies which companies are working on. So maybe those could be better option for India than electric tractors.
- Preeti Joshi:** And about the -- what will be our updated capacity expansion, capacity after the expansion of greenfield project?
- Bharat Madan:** I mentioned our existing capacity is about 170,000 tractors, which we can expand to 200,000 with some balancing at the existing location. The greenfield in Phase 1, we are looking at setting up 100,000 tractors capacity in the first phase. And then the second phase may follow with another similar capacity. So I think overall, we're almost doubling the capacity from the current level what we have.
- Moderator:** The next question is from the line of Priya Ranjan from HDFC AMC.
- Priya Ranjan:** So just a couple of things. One is on the finance penetration. I mean, you have launched the captive finance. So how is that panning out because that was one of the aspect of, say, market share gains. So where are we? And how do we want to progress on that?
- And secondly, on the agri solution, I mean, the harvester, how much we are localized and what is the -- because you see a lot of demand, etcetera, from the harvester side. And that's a high-value item. So what is the progress on the localization, etcetera, on that side? That is part one. I mean let's first speak on that, then we'll move to the other one.
- Bharat Madan:** So first, on the captive finance company. So I think we have started the operation from end of November last year. And right now, we are only operating in 4 or 5 states and that too with the limited number of dealers. So this year will be more like a settling down phase where we are

settling down on the IT systems, which happened now developed and working. So this year, it will be a small portfolio.

Yes, we had done good in this season time also. I think last one also was -- there's a record number for them, even though it's a very small volume as of now, so then they are looking at. But they're looking at expanding on a pan India business next year. And then next year, we expect the company should be able to achieve breakeven in profitability prior to the risk costs. And in the year after, we expect the company should be in profit.

So the penetration for captive is very low right now. Like I said, since we just started with a few states. We are not even a pan India player right now. But the idea is the captive finance typically have a penetration of anywhere between 25% to 35%. And that's where most of the manufacturers have been working on.

And our idea is also to get to the similar penetration level with our own captive finance company in the next 3 to 4 years' time frame. Now coming to your second question on harvesters. So right now, the harvesters are imported by us from Japan and Thailand. So there are some parts component, which we intend to make in India, which will be exported from India to Thailand.

And Japan, which will be used by those facilities in manufacturing, and they'll supply back the finished product to us. So that is now online, we're starting in this month now in our existing facility, which is certainly for the hydraulic lift and transmission axles, which will be done in India.

So gradually, we'll move to the high-value items. And the idea is to localize it. So we'll be working on some options and exploring some contract manufacturers in India who can work with us on our design so that we can do the maximum localization. Like you mentioned, it's a high-value item. So it's almost cost INR20 lakh, INR25 lakh in the selling price is 4 to 5x of what the tractor really sells at and the demand has been very strong. So obviously, it will make sense for us to do localization here.

**Priya Ranjan:**

So any plan? I mean, this plan localization can be done at some -- any volume you are looking at, at that point of time, you want to localize? Or we have to wait until the new plant comes, I mean the new land greenfield comes up, then we will probably look into it.

**Bharat Madan:**

So if we go with the third-party manufacturing, we don't need to wait for the greenfield, and that's what we're planning to do. Right now, the localization, what we've done is in the existing facility. But there, the space will be constant. So we'll not be able to really do much over there.

Our average volume for the harvester today in the track type is about -- and you've been in 2,800 to 3,000 and this year, maybe slightly higher. So the numbers are not very high that way. Like you compare with a country like China, we harvest the market is very strong, which is 100,000 units plus. In India, the track type harvester are still low and we got about 30-odd percent market share in India.

So the idea is to move to the wheel type harvester, which is the largest segment of the harvester market in India and also low cost as for the farmers are concerned. But right now, we don't have

that manufacturing facility in India and the know-how what Kubota has is not easy to localize because it will be quite expensive to make those products in India.

So we're looking at some alternate options in India where we can mix and match and the know-how from Kubota and also use facilities in India. So those discussions are still on, we're still exploring some options. So nothing is concrete and finalized as yet, but that's the plan going forward.

**Priya Ranjan:**

Sure. And just on the -- I mean, say, the manpower issue, etcetera, is -- keeps cropping up even the agri although we are a low-cost country, I mean, low-cost manufacturing company country, but manpower in rural area, farming, etcetera, is still a concern.

So I think the Kubota also have agrirobo and agri -- I think the drone system, etcetera, where you can at least do the pesticide, I mean the spraying, etcetera. So any thoughts on those product lines where we can bring in and this can mechanize the farming and give better yield for the agriculture side in India. So any thoughts on that?

**Bharat Madan:**

Well, I think India still has a farm level, which is way cheaper than what you see. In Japan, the issues are totally different because they've got an aging population. So even if the people want to work in farm, they can't. So that's why they are shifting to the autonomous machine. And you'll see higher mechanization level in Japan, then probably what India will see it happening at least in the next decade or so.

So we don't think yes, Kubota has already developed a concept machine, which is totally autonomous, which can work actually, and it's also based on hydrogen fuel cell. But launching it in India, I think, is a far cry. I don't think that's a viable option.

Like we mentioned to one of the question earlier on the electric tractor, even though we are the first one to develop in India, we never launched it in India where the affordability was an issue. So I think looking at the current wage structure for the farm labor, we don't think it will be a viable option right now. Maybe in future, if really India sees the inflation in the farm wages, maybe that could be one thing which we'll explore. But right now, we don't see in the short or medium term, there's something going to happen.

**Priya Ranjan:**

Yes. But drone side, I mean, there are a lot of companies which are working. So -- and I think...

**Bharat Madan:**

You're spraying it manually, also is a health hazard for the operators. So that makes sense to really go for it and you get a better precision and better coverage with drones. So in our case, like we're already using sprayers now for the larger crops, we have a boom sprayer and for orchards sprayer, so we've got a separate machines, which are already available there in India.

And we are also selling some sprayers in our agri solutions business. So this is also done with the machines. You don't need to have manual labor involved over there. So for the larger field, it makes sense to use drones because in India, the small fields are there, you don't have a very large holding. So even the smaller machines still makes sense, and they are much cheaper to operate. So drones still has an expensive proposition today.

- Priya Ranjan:** And the last one on the export side. I mean, the ex of U.S. Can we go to 25,000, 30,000 in, say, next 2, 3 years, depending on the product line, product planning, etcetera?
- Bharat Madan:** Not 2, 3 years because the export to U.S. will start when the greenfield goes live, which will be somewhere in FY '28, '29. So after that, we are looking at our export getting a major boost because that's when the export to U.S. will start.
- Moderator:** As there are no further questions from the participants, I would now like to hand the conference over to Prateek Singhal for closing comments. Thank you.
- Prateek Singhal:** Thank you, ladies and gentlemen, for being present on this call. For any feedback and query, feel free to write into us at [investor.relation@escortskubota.com](mailto:investor.relation@escortskubota.com). Thank you very much and have a good evening. Thank you.
- Moderator:** Thank you very much. On behalf of Kotak Securities Limited, that concludes this conference. Thank you for joining us, and you may now disconnect your lines. Thank you.