

February 17, 2026

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

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

**NSE Scrip Code: ELGIEQUIP****BSE Scrip Code: 522074**

Dear Madam/ Sir,

**Subject: Transcript of Q3 - 2025-26 Analyst/ Investor Con-call held on February 12, 2026**

In furtherance to our earlier intimation dated February 12, 2026 regarding the Video recording of the Q3 2025-26 Analyst/ Investor Con-call and pursuant to Regulation 30 read with Para A of Part A of Schedule III of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 ("Listing Regulations"), please find enclosed herewith the transcript of the Q3 2025-26 earnings conference meet for the analysts/ investors held on Thursday, February 12, 2026, at 10:00 AM (IST) through Microsoft Teams Meeting.

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

The above is for your information and record.

Thanking you,

Yours faithfully

**FOR ELGI EQUIPMENTS LIMITED**

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

*Encl.: as above*

## Q3 2025-26 – INVESTOR MEET

**MANAGEMENT:** MR. JAIRAM VARADARAJ – MANAGING DIRECTOR.

**MODERATOR:** MR. KAMLESH KOTAK – ASIAN MARKETS SECURITIES LIMITED

**MODERATOR:**

Welcome you all to the 3Q 2025-26 earnings webinar of Elgi Equipments Limited. We have with us Mr. Jairam Varadaraj, managing director representing the company. I request Mr. Jairam to take us through the opening remarks and the presentation which will be followed by the Q&A session, Sir. Over to you, Jairam. Thank you.

**MANAGEMENT:**

Thank you, Kamlesh. Thank you, Asian Markets, for organising this as always and good morning, ladies and gentlemen. Thank you for sharing your time with me this morning. As usual, I will take you through a reconciliation of the quarter performance with respect to the earlier quarter.

As you can see, we have improved our profitability; our sales has grown by 18%, but the EBITDA should have been close to 2000 million, but it is actually around 1400 and the primary reason is on 2 counts, the employee cost and the other fixed cost. Our gross profit margin continues to remain as strong as before. So, if you look at employee cost further, the 6% is because of the increase in normal increments across the world. We are continuing to restructure Europe to bring it back to profitability or increase profitability. We have broken even last year. There has been some reorganization cost of letting people go, and that's been a onetime cost that's sitting in employee cost and I have explained to you over the past year that we are investing close to one and a half to two percentage of our top line in initiatives that pertain to go-to-market, in terms of our digital initiatives, as well as cost optimization and finance transformation. So, all these costs have contributed to a 3% increase in the employee cost. We have taken new category of talent and that for these various initiatives as well as consulting and advisory expenses, software expenses, for instance, in PLM and in some of the programs that we have started for reducing our inventory and reducing costs in response to the tariff.

So overall, I would say there is nothing to be concerned about. We should be growing sales even more, and that's another thing that I will come back and talk about. So, moving on from the EBITDA reconciliation, look at sales. We have grown across all the geographies except Southeast Asia. Southeast Asia is a significant market, but our presence there has traditionally been weak. We are reorganising there, we have brought in new leadership there, and we are hoping that over the next 2 to 3 years there will be a change in our presence in Southeast Asia.

So, if you look at the revenue highlights and PBT, we have grown by 18% and PBT has grown by 30%. This is despite the fact that in the last year, I mean last quarter, in fact, if you look at it in relation to the previous trailing quarter, it looks bad. So compared to the trailing quarter, it looks like it has gone down. So with respect to the trailing quarter, it looks like the current third quarter is bad, but in the trailing quarter we had some exceptional other income which pertains to the sale of property as well as we had some impact in this quarter due to tariff, I will come back and talk about it. So overall, I think the performance is good, could have been a lot better in terms of

our top line, but we are watching that, and we are working on various programs to make that happen. So, if you look at the sales mix, we continue to have 90 plus percent as compressors and 8% as automotive and the split between India and the rest of the world continues to be roughly 50-50; continues to be at the same levels.

So, if you look at the consolidated P&L for various quarters, our main impact, if you look at the trailing, I mean Q2 against trailing, the Q2 trailing quarter, the impact on tariffs is almost 1%. We have mitigated it subsequently, but in the Q2 quarter, we had historical inventory on the ground, which was based on earlier prices, and in Q3 we had the fresh inventory which was which had the full impact of that 50%. Now going forward, we have brought the cost reductions in, but for the existing inventory to bleed out and for the new inventory at a lower cost to come in, we think it will be probably in the second quarter of the next year, I mean early part of the second quarter, so the first quarter we will still have the impact, but we are quite confident that, we have mitigated it now with the reduction in the tariffs from 50%. We don't know whether it is 18% or there is going to be iron and steel surcharge which could increase it beyond 18%. We don't know, we are working through the details, but it is significantly lower than 50%. So, we expect that there will be a very positive impact in the next financial year as a consequence of our various initiatives that we have run.

So, our cash position continues to be strong, our receivables are in good control, our challenges have been inventory all over the world. There have been different challenges, while there has been optimism in the market, but the actual result has been not as optimistic as one will expect. So there is an inventory problem. We are working through a program and a special project to reduce it. We believe that there is an opportunity to that to have a substantial reduction in inventory. You will see it happening as the year progresses and into the next year, and I am hoping that by the third quarter of next year, we will be in a lot better position from an inventory point of view. So, these are roughly the financial metrics.

I want to talk a little bit about the business. Overall, the economies all over the world seem to be coming back, except Europe. Europe continues to be a challenge. India, I think, had a good year. The GDP growth is 6 and a half percent, which is a pretty good growth considering the circumstances in other parts of the world. But I think the growth so far in the Indian economy has been consumption led and relatively less of investment led. So, we expect we are beginning to see some signs of investment to build capacity to catch up for this consumption in the future. We are still cautiously optimistic about India, so we will continue our presence in the market that is strong and that we are confident of. So, whatever the Economic opportunities that show up in India, we are very confident that we will be at the edge of taking a large share of it.

As far as Australia is concerned, it was a better year compared to the previous year. There seems to be some signs of stabilization and recovery in the economy. We have got some projects and programs running to improve our presence there. So, I am quite confident that we will grow in Australia, not only in the balance year but the next year as well. We will talk more about the guidance for the next 5 years during our analyst and investor meet that's scheduled in the month of February. So, we will talk a little bit more and share more details in that.

Moving forward, Middle East and Africa continue to be strong regions. They are not strategic for us, but they continue to grow strongly. Europe has been a disappointment, both Rotair by virtue of the tariffs on the portable compressors that are shipped to the US, as well as the European market itself, has been down. We are going through a significant cost optimization program as a temporary kind of a transition before we take stock of the next round of growth in Europe, We are not assuming a growth-based P&L, we are looking at a cost managed P&L for Europe for not only the balance of the year but for next year as well.

US has done well for us; our industrial business, our pattons, medical business, and the portable, despite all these problems, has been better than last year. Our challenge has been our distribution operations. We are working through multiple initiatives to bring it back to the levels we believe that it should be. We are working on multiple strategies, so I am confident that Q4 will be better than Q3. I don't want to make any commitments in terms of specific numbers, but definitely it will be better than Q3 as it always is, but I think you can't expect it to be like that of last year; Q4 was a big hockey stick. I don't think it will be that kind of a hockey stick, but definitely better than Q3. So, we remain optimistic. We are working on multiple strategies, both on technology side, on the market side, internal processes side to get to a far better, far more efficient and effective organization. So, this is what I wanted to share with you today and now we will talk about questions. Thank you.

**MODERATOR:**

Thank you, sir. We'll probably wait for a couple of minutes for the question queue to assemble and then probably we'll start taking questions. Participants, please use the raise hand option or you may drop your question in your Q&A or the chat box option that is available to you. In case if there is any audio errors that we might face or due to technical problems, and if we are not able to hear your voice, you may please drop your question again in the Q&A box or the chat option that is available. Sir, we'll take the first question from the line of Mr. Ravi Swaminathan. Ravi, your mic has been allowed. Please unmute yourself and go ahead with the question.

**RAVI SWAMINATHAN:**

Hi, Sir. Good morning.

**MANAGEMENT:**

Morning, Ravi. How are you?

**RAVI SWAMINATHAN:**

I am doing great, Sir. How are you, Sir?

**MANAGEMENT:**

Good. Thank you.

Thank you.

**RAVI SWAMINATHAN:**

Sir, congrats on a good sort of numbers at a standalone level if you see after 4 quarters of mid to high single digit growth, we have registered more than 20% kind of growth. Was this growth contributed largely by India? Was it purely volume driven growth? Was there a realization improvement also which was there in this and within India was the growth holistic, which sub segments are driving the growth faster on an above average level, and you had also mentioned that there seems to be some kind of a recovery from the domestic investment or Capex. Which sectors are you seeing those green shoots from?

**MANAGEMENT:**

So, to answer your first question, the growth has been across multiple things. It is not just only India, but our export has also contributed more in Q3. But I don't think that's a trend. You know, export to our subsidiaries is a function of replenishment. So, one quarter there will be more, one quarter there will be less. The 3rd is also a function of our exchange impact. So, I don't think there is one specific thing. There has been multiple contributions to this percentage of growth Ravi, but I would say the contribution from India has been both on volume, primarily volume has been very positive that it is the largest contributor. So that's the broad diagnosis of the growth. The second question that you talked about in terms of the I think your question was in terms of the green shoots that we are seeing, is there specific segments? No, I think we are beginning to see inquiry levels going up across pretty much all segments. I think we expect, that textiles will come back strongly as a consequence of the new tariff. So, I think there is optimism as far as India is concerned. I hope I have answered all your questions.

**RAVI SWAMINATHAN:**

Got it sir, and apart from textiles like say infrastructure, industrial, that is steel, cement, etc, if you can give broad flavour how those sub sectors are growing, that'll be great.

**MANAGEMENT:**

So cement has been muted, their profits have not been very good, but I think it will come around. But steel is looking optimistic, automotive is looking optimistic. So these I think it is across the board Ravi. I won't pinpoint to any one sector that's standing out today.

**RAVI SWAMINATHAN:**

Sure, sir. And with respect to the US business, the tariff being cut from 50 to 18 or somewhere much lower number. So, we don't know the exact number, but few quarters ago you had mentioned that for a 25% tariff, we had to take a high single digit kind of price increase.

To offset that, but with 50% tariff, difficult, it will be difficult to do business there. How is it now? So essentially, have you taken price increases and how is the dynamics working there now, vis-a-vis the local supplier, how competitive we are? Post this cut, will we be much more competitive?

**MANAGEMENT:**

So if you recollect in the last quarter call I had said that the team had done an outstanding job of actually compensating for the entire impact of the 50% tax right now.

**RAVI SWAMINATHAN:**

okay.

**MANAGEMENT:**

That's even as we speak, many of those initiatives have already come into our books and some of them are going to happen in the next probably 6 to 7 months. Yeah, so we will be with that 6 to 7% increase in our prices.

**RAVI SWAMINATHAN:**

Done.

**MANAGEMENT:**

We have been able to more than recover the tariff impact now, depending on where the tariff is going to land, that difference is going to be pure margin for us in the future. Now, when do we expect to see the margin coming in? Like I said, it will probably start from the second quarter of next year because we have got inventory that we need to bleed out. Yeah, so we will see that impact. So, we are past that tariff. In terms of local competition, nothing is really fully manufactured.

In the US, even the local assemblers or so-called manufacturers are importing quite a bit from all over the world. So, the impact continues for them because quite a few of them import from China where the tariff is still at a high level, yeah.

**RAVI SWAMINATHAN:**

Okay, so is that, I mean, in one way is this tariff has actually been a positive for us. I mean, so essentially, we are gaining in terms of realization driven gains which are there and now we are back to the old normal ways of growing in that particular country.

**MANAGEMENT:**

Okay, yeah there is that old adage, never waste the opportunity of a crisis. Yeah. So that's basically what we have done. And like I said, the team has done a fantastic job of taking us, of navigating us to a position where we have come out very, very strong.

**RAVI SWAMINATHAN:**

Yeah. Got it Sir. Thanks a lot, Sir. Thanks a lot for it.

**MODERATOR:**

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

**HARSHIT PATEL:**

Hi, thank you very much for the opportunity, Sir.

**MANAGEMENT:**

Hi Harshit.

**HARSHIT PATEL:**

Hi Sir.

Sir, Firstly, on the European operations, as you have mentioned, we are resizing, especially in terms of people cost reduction. Does 3rd quarter reflect a full impact of this, also when you would have completed all these measures, maybe probably by the end of FY 26, do you expect FY 27 to be at break-even level or we expect to register a significant positive EBITDA in FY 27?

**MANAGEMENT:**

So the costs that have incurred and going to incur the balance of the year will not carry over to the next year Harshit. So next year we are not talking about; all this is not being done to break even because break-even is something that we have already managed in the past. So, this move is to get to a level of profitability right. Now what will be the percentage? This is a little too early to tell, but definitely it will not be break even. It will be a profitable set of books in Europe.

**HARSHIT PATEL:**

Understood Sir. Sir, Also, the on the US front, as we have mentioned in this third quarter, we had impact of almost one percentage point on our EBITDA margins because of the tariffs. Do you expect this 1% impact to continue in 4Q and 1Q FY 27 as well? Or this impact would be even higher because of the inventories that we are carrying.

**MANAGEMENT:**

It won't be higher, but it will progressively taper down. I don't expect it to reduce significantly in Q4, but Q1 of next year we see that there will be a reduction because there will be a blended inventory between the pre tariff cost and the post tariff cost.

**HARSHIT PATEL:**

Yes, Just a small follow up to that. You had last time mentioned that U.S. geography was at break-even level for the first half of FY 26. Will this situation continue in the whole second half as well, or we might see some minor losses for the second half of the year?

**MANAGEMENT:**

US is profitable, Harshit, so it is not significantly profitable, but definitely profitable we expect to keep pushing that profitability level up going forward.

**HARSHIT PATEL:**

Understood Sir. Sir, this Lastly, on the low-cost screw compressors, are we on track with our go to market strategy for this range and the launch that you had planned for first quarter of FY 27?

**MANAGEMENT:**

Yeah. So, we are still trying to push for first quarter, but looks like we will, it may slip to the second quarter, but it is not a significant movement from the thing. The products are ready, they are going through various stages of validation. We have started looking at our distribution structures, the internal team to drive this business, our pricing strategy, all of it is in advanced stage of progress. So, we are well on the way to make this happen.

**HARSHIT PATEL:**

Understood. Perfect. Thank you very much, sir, for answering my questions.

**MANAGEMENT:**

Thanks, Harshit.

**MODERATOR:**

Thank you, Harshit. Before we take more questions on the line sir, I will take couple of questions from the chat which were dropped earlier. Sir, can you comment on the emerging Chinese competition in the domestic market and which segment is it most impacted and which segment is most impacted by this competition?

**MANAGEMENT:**

Hello so, the Chinese imports, there are, we don't know that we lose count of the number of Indian companies that are importing Chinese compressors and branding it in their names and selling every month. There is a few that enter and a few that exit. So overall, the Chinese imports are close to, in our estimate, 25 to 30% of the market right in volume terms, not in value. Now we know who the major players are, we know the geographies in which they are selling, we know the industrial sectors that they are selling. More than specific sectors it is the behavioural segment of customers. Now there are customers where their business and their factory operations have very low operating cycles. Typically, if you look at full operating cycle of a Compressor is about 8000 hours right. Now many of these customers in this segment may be operating the factory longer, but the air demand is about 1500 to 2000 hours a year. So, these kinds of customers are not really driven by the energy efficiency of the company, so they are looking for very low upfront capital cost. So those are the segments that are switching to these lower cost machines. Now our products that we have designed are Price Wise as competitive, but we will provide ELGI quality, ELGI reliability, and ELGI level of service. So that will be the differentiating factor. All these customers are known to us, they want to buy ELGI, but the price difference is so huge. You can't blame them. So, we are now giving, we will be giving them a value proposition that's very compelling.

**MODERATOR:**

Sir, the next question in the chat is can you comment on the raw material pricing because in past 2 months metal prices have rose significantly.

**MANAGEMENT:**

So yes, this is a matter of concern for us, but it is not uniquely ELGI. We are waiting to see how the market is responding. First of all, we want to know whether this is permanent kind of for the next few years at least or is it just a temporary Kind of a blip, especially copper. When you look at it, there are mine strikes in Chile and there are some disruptions in some mines in Indonesia. We are evaluating this carefully, but we are ready to absorb these. To the extent that is required in the market, we are willing to pass it on to the extent that the market is responding to it. So, I don't see it as a uniquely ELGI problem. We will get over it. I am not concerned about it.

**MODERATOR:**

Thank you, Sir. We will move back to the call questions again. The next question is from the line of Mr. Bala Subramanian. Bala, your mic has been unmuted. You may unmute yourself and go ahead with your question.

**BALA SUBRAMANIAN:**

Good morning, sir. Thank you so much for the opportunity. Also, our in-house production is expected to cover 75 to 80% percentage of volume by next financial year. And I just want to understand like what is our next plan for in house to reach that level for air ends, drives, and controllers. We could share more details and colour on our in-house initiatives.

**MANAGEMENT:**

So Bala, I don't know where you got that 70 to 80%. What we do is as a principle, we project our business for 3 to 5 years and basis that projection, we invest one year in advance in our capacity, right? So, this is our policy of capacity management. So, we are well on track for that. So by the end of this financial year, we will have capacity for 27-28 in place, so we are quite comfortable there. Now, as I had explained in the earlier thing, we are in the process of shifting our facility from our city campus to our new campus that we have been building over the last 15 years. Progressively, we are moving each line there now that is a 500 to 600 crore investment that we hope to invest over the next 5 years now. We have started the initial phases. 2 plants are in the middle of construction. One is almost ready. It will go into operations in March, April. The second one will go into operation during the next financial year. Now, these are ongoing things that we do. In addition, our own regular annual capex is roughly in the neighbourhood of about 50 crores that takes care of what I talked about that investment in capacity one year in advance, but large capex will come when we run out of buildings, place, I mean that is something that we can't manage and what we are doing today over the next 5 to 6 years is to build that building capacity and we are well on the way.

**BALA SUBRAMANIAN:**

Okay Sir. Sir, my next question after markets nearly contributes 30% of revenue in India, but only 12% in US markets. So, like what is the current installed base size and growth rate in the US and Europe? And in Europe, we are implementing hybrid strategy. So how it will benefit, especially in the aftermarket side?

**MANAGEMENT:**

So, Bala I don't want to give details of our number of machines that we have installed in Europe and America. Aftermarket as a percentage of revenue is a function of building your installed base as every year you will be adding to the installed base. As a consequence, your aftermarket as a percentage of revenue keeps increasing the year after that. So, this is something that will happen. We are very confident we have seen the trend in Europe and America as we have been increasing our installed base our aftermarket percentages have also gone. So, this is a matter of maturing out in the market. So, we are well on track for that. Now hybrid strategy is more on the sales of the machines rather than aftermarket. We will still get the benefit of aftermarket irrespective of how we get that installed base in place.

**BALA SUBRAMANIAN:**

Thank you, sir.

**MODERATOR:**

Thank you, Bala. The next question, we have is from line of Mr. Salil. Salil, you may unmute yourself and go ahead with your question.

**SALIL DESAI:**

Thanks, Kamlesh. Good morning, Dr. Jairam. So, I have some questions on the US business. First of all, if our current inventory say is gonna bleeding out by Q2 of next year, so we have 4 to 6 months of inventory, is this a normal level or did you kind of build up something? I mean, how does this work?

**MANAGEMENT:**

So, like I said while I was talking about the cash position in the company, one of our defects that we have is excess inventory, right? And the root cause of it is, you know, salespeople always have an optimistic view of the future. When the future becomes present, then they become very pessimistic. So, our planning system so far has been believing what the salespeople want, and we replenish basis that. Yeah, now we have started a new program of designing a system for inventory planning for the various subsidiaries, which is in the final stages of validation. We implemented it in August, September last year. It is in the final stages of implementation. So, I am hoping to see better control over finished goods. So, to answer your question, 6 months is excessive inventory, right? When you have a lead time of shipment of about two and a half months, your inventory should be only about three – three and a half months, right? So that's really where we are headed.

**SALIL DESAI:**

Understood, right. Continuing on the US business now, the distribution part of it is where you mentioned that there are certain challenges, right? So, when you're trying to fix it, what would it be and would you kind of revisit this partnership, you know, the JV kind of structure that you had with some distributors in some areas?

**MANAGEMENT:**

No, this is nothing to do with our JVs Salil. This is what I mean by distribution operations is Pattons and Michigan Air, which is 2 distributors that we own. Yeah, now this is in effect, this is a direct sale right, because we own the distributor and we are selling directly to the customer. Yeah. So, can you hear me?

**SALIL DESAI:**

Yes.

**MANAGEMENT:**

So that is where we are trying to reorganise ourselves to get that kind of a growth for the potential that exists in the markets that we are present. yeah.

**SALIL DESAI:**

Okay. Okay, all right. And lastly, sir, given now that there is hopefully tariff advantage for India in general, what are the chances that demand kind of grows exponentially for you or for India make compressors? And if that happens, then are you ready in the sense that? Whatever the initiatives you're doing, are they sufficient? Something else that you need to do to get into that.

**MANAGEMENT:**

So, in a B2B kind of business, Salil, especially capital goods, it doesn't behave to price elasticity. You know, we lower the price, it doesn't mean you will double your revenue, right? So, the idea is when you are talking about capital goods in a B2 B space, it is about getting in front of the customer through various means, whether it is through direct means or through channel or whether it is digital platforms. So those are the things that we have to get in. Now, when we get in front of the customers, our win rates are very good. Yeah. So, the challenge for ELGI is to get in front of the customer more often. Now, this pricing or the cost advantage that we have now got by virtue of whatever we have done internally is going to give us some degree of freedom in terms of running schemes wherever there is a dual multi brand distributor who's carrying our brand as well as other brands. Maybe through this we will get a better share of the wallet, but I don't see the cost behaving in a very elastic manner, sales behaving in an elastic manner.

**SALIL DESAI:**

Right So, it's more of market share gains possible rather than understood. Thank you very much, sir, and all the very best.

**MANAGEMENT:**

Absolutely, yeah.

Thank you.

**MODERATOR:**

Sir, I take one question from the chat now. Is Sir, there is a question, is ELGI venturing into defence OEM?

**MANAGEMENT:**

No, we are not getting into our defence business. We have a joint venture, which is ELGI Sauer, that has a large defence component. These are high pressure compressors that are supplied for battleships, submarines, aircraft carriers. So that's a segment of business, but that's sitting in our joint venture where our holding is about 26%. So other than that, we are really not looking at getting into specifically defence, but wherever there are compressor opportunities in the area of defence, we are certainly exploring that, but that's not something that's being done.

**MODERATOR:**

Sir, next question, I will take it from the line of Mr. Vinod, Vinod Shastri. Vinod, you may unmute yourself and go ahead with your question.

**VINOD SHASTRI:**

Good morning, Sir. Congratulations on achieving 1000 crore of revenue for the first time, Sir. I will have 2 questions, Sir. For the last 3 to 4 quarters, in your opening remarks, you have said that the EBITDA should have been. Say much higher and it is primarily because of 2-3 reason it has come down and one reason that keeps popping up is the employee cost. So how long this is going to continue, whether it will consolidate in the near term or is this an ongoing process which will go on for some time?

**MANAGEMENT:**

OK. So, it is a good question, Vinod. I am glad that you brought it up because that was an area that I wanted to address as part of my overall opening remark. You know, a year and a half ago, I talked about investing in initiatives to bring better processes in finance, control on financial processes across the world, bring certain standardization. We talked about investing into the IT and digital infrastructure that was required to make the organization not only efficient but also effective in terms of executing its strategies, so this cuts across all functions. Now that there are 2 types of costs that are involved in these initiatives. One is the new type of talent that we need to bring in to implement and execute these initiatives and the second is the kind of advisory and software costs that are going to come in now. What we anticipate is for the next at least a couple of years, we will have this 2% of investment going into these but I expect that in about a year and a half to 2 years, you will start seeing 50% of these going away, right? And what is that 50%? Obviously, it is not going to be people cost. We will not be adding to the people cost, but the other costs like the advisory cost and the one-time software development cost those will go away. So, I expect in a steady state basis we will be able to absorb this through our growth, but for the next couple of years you will see the effect of this.

**VINOD**

**SHASTRI:**

Okay, sir, and a follow up question from the last participant, there has been an inventory of 6 months that is being told, and that was due to the optimistic view of your sales team. And now we are sitting at an 18% and on a hindsight thinking that this 18% is going to Continue going forward, since we have a inventory for 6 months of time already, will there be any dent in the revenue where we will not be able to realise the entire reduction from the 50 to 18?

**MANAGEMENT:**

I couldn't understand your question. Is your suggestion we will be run out of inventory to fund our sales? Is that your question?

**VINODSASTRI:**

No, Okay. No sir, there is an inventory for the next 6 months and there the tariff has already come down to 18. And assuming that we sit at this 18% percentage going forward for the next 2 quarters, that is Q4 and Q1 of the next year, will there be a dent in the revenue because of these all these inventories?

**MANAGEMENT:**

Right. Yeah. Yeah.

No, why would there be a dent in revenue at all? I don't understand.

**VINODSASTRI:**

Because the cost should have been higher, so the that is we have planned for.

**MANAGEMENT:**

No, but. Sorry, go ahead.

**VINODSASTRI:**

We have planned for a 50% of this tariff and we have done according to that and next 2 quarters, assuming that we don't have such a high kind of thing. So that is why this question has come up, Sir.

**MANAGEMENT:**

So that the inventory that is sitting is based on a 50% tariff it is costed at that level, right? And our selling prices have been fixed. We fixed, we increased our selling prices in the second quarter in response to this tariff and the selling prices have not been reduced now in response to the reduction in the tariff, right? So, we will not have any dislocation to the business just because we have more expensive inventory that is sitting there. We will bleed out that inventory, then we will look at either retaining some of the margin fully or passing it on to build our share of the market. Those are all the specific tactical moves that we need to look at.

**VINODSASTRI:**

Thank you, sir. One final question would be, will you be okay to share the market share of ELGI at the domestic end, sir?

**MANAGEMENT:**

I don't like to talk about it because this is something extremely sensitive to competitive thing, but we are number 2 in the country, right? That much I can tell you with confidence, but I wouldn't like to go into percentages. I hope you understand.

**VINODSASTRI:**

Thank you. Thank you very much, sir, and all the best, sir.

**MANAGEMENT:**

Thank you.

**MODERATOR:**

Thank you, Vinod, Sir. Next question, we'll take it from the line of Mr. Amit Anwani. Amit, you may unmute yourself and go ahead with your question.

**Amit Anwani:**

Am I audible?

**MANAGEMENT:**

Yeah, you are.

**MODERATOR:**

Yes.

**Amit Anwani:**

Thankyou morning. So, my first question is on domestic business. So, there has been some announcement also in the budget about biopharma and the sense tariff reduced. There should be some respite for the textile sector also. Wanted to understand your view and overall domestic market post also there's the GST reduction there's been talks that there would be some revival with the industries, wanted to understand your sense in terms of domestic market, steady state growth and which are the sectors which might have seen good growth for you and sectors where still growth is very less. Yeah.

**MANAGEMENT:**

So, the let me first give you a sense for what are the sectors that have grown. I think the sectors contributing to infrastructure like cement and steel and have definitely had challenges but textile, obviously for the reason of tariff, had some challenges. But otherwise, the sectoral growth has been across all industrial sectors. Now, in respect to the new budget where they have given concessions to, I mean, or strategic initiatives on bio biopharma kind of a thing, we are present

in that segment. We have some extremely compelling products for that segment, and we will continue to do that. But do I see it exploding in terms of revenue? No, I don't see that happening. Did I answer all your questions, Amit?

**Amit Anwani:**

Yeah, Sir. So, what's the kind of overall steady state growth we should be make for domestic now since?

**MANAGEMENT:**

So, I think India will be low double digit is something that we are reasonably confident on, right? But I don't want to put a stake in the ground because there are so many uncertainties that are there that could affect India's performance. India by itself, if it is if the rest of the world doesn't mess around with these kinds of tariff issues and wars and conflicts. If those things don't exist, I think India will do for us low double digit. But if those things come in, they disrupt, so it is little difficult to predict.

**Amit Anwani:**

Sure Sir. So secondly on Europe, so I think last time also you did highlight resize the European business and there was a break even target and you did also highlight getting exported to US from Europe. So now that situation is slightly better what is.

**MANAGEMENT:**

No. Yeah.

**Amit Anwani:**

So, what is your thought now on European break even and is it still kind of challenging for you to achieve what you are thinking on Europe for maybe one or 2 years? yeah?

**MANAGEMENT:**

So when I explained the P&L, one of the costs in employee cost increase is the reorganization costs in Europe. You will see the impact of that hitting our P&L. It has hit Q3. It will also some of it will hit in Q4, but it will not carry over into the next year. Next year, our cost structures in Europe will be a lot lower than what they have been this year. So, our goal is not break even. Our goal is to get to profitability, right? We have crossed the milestone of break even. Now we are saying that for a current strategy, for the current level of market, the cost structure that we should have is lot lower than what we have today, which was built for a far higher level of revenue. That revenue is not materialising for whatever reason. It is not because our products are bad, it is not because our presence are bad. It is just that the economic conditions and the problems in Europe are such that we are not able to move the needle to the level that is required for the cost that we have. So, we are now moderating our cost and once we moderate our cost to the level of revenue that we are confident that we will make a profit so that we are confident of next year.

**Amit Anwani:**

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

**MANAGEMENT:**

Yeah.

**MODERATOR:**

Thank you, Amit Sir. Next question we will take is from the line of Mr. Prabhakar. Prabhakar, you may unmute yourself and go ahead with your question. Prabhakar, are you there? Sir, I think we are facing some problem with his line. Probably I will take a couple of questions from the chat and then I will move back to Ravi. Sir, the first question is what is the average price difference between our proposed low-cost range versus our normal range of compressors?

**MANAGEMENT:**

Yeah. Yeah. That's a tough one to be very specific about, but I will give you a range. So, if our current compressor is selling at 100, these machines are sold at probably around 60 or 70, right? So, I would say somewhere between 30 to 40% low, right? So that's really the gap.

**MODERATOR:**

Sir, the next question in the chat. Sir, is there any further investment in motor manufacturing?

**MANAGEMENT:**

Absolutely. I mean, if you look at one of the largest contributors to our ability to withstand the tariff impact has been insourcing our own motors, right, which was a project that we started 4 years ago. We didn't do it in response to the tariff, but timing wise, it became very opportunistic for us. I mean very favourable for us. Now we are looking at pushing the motor technology to the next level. We are looking at various types of technologies. One is reducing the dependence on China or reducing the dependence on permanent magnet. So, we have come up with the design of motors which don't use permanent magnets but will be at the same level of efficiency of permanent. See, we make permanent magnet motors today in our factory, and when China put the restriction on export of permanent magnets. It was a huge eye opener for us that we are sitting on a risky situation, and we did lose about 2 weeks of production because we had to scramble to do a redesign of the motors to be able to use different kinds of magnets which were not part of the restricted list of common magnets. So restricted list, list of riders. So that was a stressful period that we went through, and the learning from that has been we can't have a dependency on permanent magnet. So, we have now designed a motor which will which doesn't use permanent magnet, but gives us the same efficiency. Now we are going to invest in expanding the production of that, right. So similarly, I don't want to talk too much about it. We have come up with a completely new motor technology which is going to give us a huge cost benefit. So that's something that we will also, once we have done the proof of concept and validation, which we hope in the next 6 to 8 months we will complete it, that would be another area that we will be. So, motor technology is a strategic pillar for us. And therefore, we will invest.

**MODERATOR:**

Thank you, sir. I'll take the next question from the line of Ravi. Ravi, you may unmute yourself and go ahead with your question.

**RAVI SWAMINATHAN:**

Hi Sir, one follow-up question this is regarding the raw material price increase that has happened recently, especially copper. How much amount of price increase we might have taken in the past few months related to the raw material price increase? How much more we need to take, and I mean, given the fact that demand is quite robust, especially in India, I mean, is there any reluctance or hesitation in terms of passing on prices or we are going to do it quite soon in the next 12 months?

**MANAGEMENT:**

So we have already started this process, Ravi. I mean, raw material, whether it is copper or aluminium or hot and cold rolled steel, it is affecting all companies, not just in compressors, but anybody doing mechanical machines, capital goods, if they use these materials.

**RAVI SWAMINATHAN:**

Correct.

**MANAGEMENT:**

This work is an ongoing thing, so I am not seeing the kind of inflection in prices that happened post COVID where every week there was an increase of 5 to 10% in metal commodity prices. We are not seeing that. So, we are taking it, we are not escalating it to a crisis level. It is increasing prices; costs have gone up. We are responding to that, right. Wherever it is possible, we are increasing. Wherever it is not possible, we are looking at reducing costs. So, it is not a percentage that is out of the stratosphere that we can't handle at as an operational response, yeah.

**RAVI SWAMINATHAN:**

Got it, sir. Yeah, thanks a lot.

**MODERATOR:**

So there is one question in the chat. Sir, do you do you see any use case emerging in the space you are operating which can become a mega opportunity for ELGI like green hydrogen, nuclear power, data center, HVAC, EV, complex power grids, electrolysers, etc?

**MANAGEMENT:**

So we are not, we don't have, we are not getting into compression of hydrogen. Do we have the knowledge? Of course we do. Do we want to get into it? No, not yet, because we are not sure about the hydrogen efficacy of the hydrogen economy. We would like to understand a little bit more in terms of how the efficacy is and then we will take the call. But are we going to get into the business of electrolysers or no, we're not getting directly into it, but wherever compressed air is required, for there are opportunities in electrolysers in the process of producing hydrogen, if pressures are increased in the interchange, there are some efficiencies. So those kinds of things we will explore, but directly not. So this is from Rahul, I am understanding, correct?

**MODERATOR:**

Yeah, yes.

**MANAGEMENT:**

So Rahul, thank you for your compliment on using our compressors in your family business since 90s. Thank you very much. Good to hear that, yeah.

**MODERATOR:**

Yes, sir. So that is what I see, sir. I will hand over the mic to Kamlesh Ji for his questions.

**MODERATOR:**

Yeah. Yeah, so Sir, I have just 2 last points. If you want to touch upon the stabilizer technology or the vacuum products launched.

**MANAGEMENT:**

Yes, yeah, correct. Thanks. Thanks, Kamlesh, for bringing it up. This stabiliser, as you know, it's called Demand=Match. That's our brand for stabiliser. We don't call it stabiliser anymore. We launched it in the market in last October. We have close to 150 machines in the field. The response from customers has been just outstanding, right? So, the efficiency, energy efficiency has been anywhere from 6 to 17%, that's been the gain besides the gain in the efficiency, the reliability of the product that the customers are so happy about because the machine doesn't cycle between cutting in and cutting out pressures. So, it has been a huge thing, but still early days because the message still hasn't gone. Our competitors know about it, but they are sitting and watching what's going on. We are taking the message to our customers today. In India, all our machines have standard fitment of Demand=Match. We are talking to them, so it is very positive for 5 months, Kamlesh, and we are very optimistic about it and we are able to realise better prices. So that's another positive thing with the Demand=Match. So that's on Demand=Match. Vacuum is ahead of our budget, so I don't want to give numbers in terms of we are growing more than what we plan to grow. We are in the middle of reconstructing our plans for the next 9 to 10 years on vacuum. What? Where do we want to play? How are we going to play? And what is it that we need to do to win in this segment? So overall, I think we are on the right track.

**MODERATOR:**

Sir, just you can elaborate which segments and markets you find more application of vacuum products. Any specific sectors you want to highlight?

**MANAGEMENT:**

There are multiple; medical hospital sectors is one area where there is a vacuum requirement, Furniture manufacturing is another area, Chemical process is another area. So, the overlap between compressor and vacuum. Vacuum is probably around 30 to 40%, right? There is an overlap, but it is not 100, but there is a distinct difference between vacuum and compressor. Vacuums that we are involved in are relatively low value compared to a compressor, right? So, if

you take a customer using, let us say, a 22-kilowatt compressor at vacuum, they may use maybe 3 kilowatts, right? So, it is scale wise much smaller, right? But in terms of dependency as a utility, it is still very right, so yeah.

**MODERATOR:**

These semiconductors as an area of opportunity for us, Sir, for those products.

**MANAGEMENT:**

Yes, but semiconductors use a lot of vacuums, but they are different technology of vacuum that we are not currently involved in. Those are very ultra-high vacuum that is used. We are not in the area, we are more in the rough and medium vacuum, not in the ultra-high vacuum.

**MODERATOR:**

Okay, alright, great. Participant. Just to mention the company is also hosting their annual analyst meet this time in Mumbai next week on February 26th. You may get in touch with AMSEC team or the IR team at ELGI for further details on that. Yeah, so with that we conclude the webinar. Sir, any closing remarks you want to make?

**MANAGEMENT:**

No, nothing Kamlesh, thank you as always for your support and AMSEC support for hosting this and it has been a good conversation with everyone. Thank you for your patience and your involvement. Thank you, everyone.

**MODERATOR:**

Thanks, sir. Bye. Thank you, participants. With that, we conclude the call. Have a good day. Thank you.

**MODERATOR:**

Thank you. Thank you so much.

**MANAGEMENT:**

Thank you.

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