



Escorts Kubota Limited

May 14, 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: Earning Call Transcript

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 May 8, 2025, for discussing the earning performance of the quarter and financial year ended March 31, 2025, and the same has been uploaded on the Company's website at the below link:

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

The aforesaid transcript was uploaded on the Company's website on May 13, 2025 at 18:40 P.M.

Kindly take the same on record.

Thanking you,

Yours faithfully,

for **Escorts Kubota Limited**

Arvind Kumar

Company Secretary

Encl.: As above

Escorts Kubota Limited

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Corporate Identification Number L74899HR1944PLC039088



“Escorts Kubota Limited Q4 FY'25 Earnings Conference Call”

May 08, 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 – 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. CHIRAG JAIN – EMKAY GLOBAL FINANCIAL SERVICES LIMITED**

Moderator: Ladies and gentlemen, good day and welcome to Escorts Kubota Limited's Earnings Conference Call hosted by Emkay Global Financial Services Limited.

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 subjected to risks as outlined in the annual report and investor releases of the Company.

As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during this conference call, please signal an operator by pressing “*,” then “0” on your touch tone phone.

I now hand the conference over to Mr. Chirag Jain – Emkay Global Financial Services Limited. Thank you and over to you.

Chirag Jain: Thank you, Navya. Good evening, everyone. On behalf of Emkay Global Financial Services, I would like to welcome you all to Escorts Kubota Limited Q4 & FY25 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 Tax, and Mr. Prateek Singhal, Investor Relations and ESG.

We will start the call with “Brief Opening Remarks from the Management,” followed by the “Q&A Session.” Over to you, sir.

Prateek Singhal: Thank you, Chirag. Good evening, everyone and thank you all for joining us today.

Fiscal year 2025 has been a remarkable milestone for our Company, making 80-years of spreading prosperity and impacting lives with a successful merger, starting operation in captive finance arm, EKFL, and our best-ever financial performance with the highest revenue and net profit.

Few Highlights of the Company's Standalone Financial Performance for the Quarter-ended March '25 are as follows:

- Operating revenue from continuing operation at Rs.2,430.3 crores, up by 6.1% year-on-year
- EBITDA at Rs.292.9 crores, up by 0.7% year-on-year.
- EBITDA margin in Q4 now stands at 12.1%.

- PBT before exceptional item from continuing operation at Rs.358.4 crores, up by 9.7% year-on-year.
- During the quarter, there is an adverse impact of Rs.27.1 crores on account of impairment of investment in Poland, a wholly-owned subsidiary and a joint venture Company in Gujarat for small tractors.
- Net profit from continuing operation is Rs.250.7 crores, up 5.9% year-on-year.
- Net profit including discontinued operation at Rs.297.5 crores, up by 8.2% year-on-year.
- EPS stands at Rs.27.05 as compared to Rs.25.05 year-on-year. The Board has recommended a final dividend of 180% for the Fiscal Year '25 equivalent to Rs.18 per share with the interim dividend already paid. The total payout for FY'25 will amount to Rs.28 per share for the face value of Rs.10 each, an increase of 56% as compared to previous year.

On the consolidated basis the Company's financial performance for the quarter ended March '25 is as follows:

- Revenue from continuing operation at Rs.2,444.9 crores, up by 6.3% year-on-year.
- EBITDA has Rs.287.6 crores with the margin of 11.8%.
- Net profit from continuing operation at Rs.271.6 crores, up by 11.6% year-on-year.
- Net profit including discontinued operation at Rs.318.4 crores, up by 17.9% year-on-year.

Moving on to the “Segmental Business Performance,” starting with the Agri Machinery Business Division:

On the tractor business:

In Q4 FY25, the total tractor industry volume, domestic and export was at 2.28 lakh tractors, up by 15.5% against the corresponding quarter last year. Our total volume was at 26,633 tractors, up by 7.6% over the corresponding quarter previous year.

On the domestic front:

The total industry in Q4 FY25 was at 2.00 Lacs tractors, up by 17.3% as against the corresponding quarter last year. Industry in the North and central region experienced growth of 10%-odd percent whereas the rest of the country saw a substantial growth of 25.1%. Our domestic tractor volume stood at 24,801 tractors, up by 6% as compared to the corresponding quarter last year.

Looking ahead, with favorable macroeconomic conditions such as good rabi harvest, higher crop prices and above normal monsoon prediction this year, coupled with sufficient water level in reservoir, we expect the industry to continue growing across various regions in the next fiscal too.

On the export front, the tractor industry in Q4 FY25 came at 27,500 tractors, up by 4% as against 26,500 tractors in the corresponding quarter. Our export volume came at 1,832 tractors, up by 36.6% as against 1,341 tractors in the corresponding quarter. During the quarter, sales to Kubota Network account approximately 70% of the total export.

Non-tractor revenue comprising of Agri Solution business, engine business, spare parts business in Q4 FY25 constitutes 19% of the Agri Machinery segment revenue as against 18% in the corresponding quarter and 21% in the sequential quarter.

Agri Machinery product segment revenue was up by 11.1% to Rs.1,974.8 crores against Rs.1,776.7 crores in the corresponding quarter. EBIT margin for Agri Machinery business division were at 11.4% as against 11.5% in the corresponding quarter.

Coming onto the Construction Equipment business:

In Q4 FY25, CE industry volume comprising crane, backhoe loader, mini excavator and compactors, which was down approximately 8% as against the corresponding quarter last year. This degrowth was primarily driven by the crane industry, which was down approximately 13% as compared to the corresponding quarter last year. Our total volume in the CE business were at 1,719 machines as against 1,958 machines in the corresponding quarter.

CE segment revenue came at Rs.453.9 crores, against Rs.505.8 crores in the corresponding quarter. EBIT margin for the quarter ended March '25 came at 9.1% as against 11.0% in the corresponding quarter, adversely impacted due to change in emission norm regulation.

As our commitment to innovation and focusing on the introduction of the new product, during the year, we introduced product in the backhoe loader and hydra segment, complying with the higher emission norms. Our latest backhoe loader product is engineered for the mass market in domestic and the international market. The new crane models meet customer demand for performance, safety and comfort in non-industrial crane segment.

The construction equipment industry is currently navigating challenges in retail demand, primarily due to cost escalation on account of changes in the emission regulation. However, as the government prioritizes infrastructure development across various sectors and price stabilization following the liquidation of old emission inventory, we anticipate an uptick in the demand during the latter half of FY26. The Government of India has allocated Rs.11.21 trillion for capital expenditure in this year

budget, which is a significant portion designated for the development of roads, railways, port and urbanization initiative.

Moving on to the Railway Equipment Business Division:

That's a discontinued operation, revenue for the quarter ended March '25 came at Rs.256.5 crores as against Rs.213.4 crores in the corresponding quarter. PBT for the quarter ended March '25 came at Rs.62.7 crores as against Rs.35.6 crores in the corresponding quarter. Order booked for the division at the end of March '25 stands at more than Rs.900 crores. This order book however excludes BMBS order for the freight wagon, approximately Rs.383 crores supply for which have been temporary held by RDSO.

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

Moderator: Thank you very much. We will now begin the question-and-answer session. The first question is from the line of Mumuksh Mandlesha from Anand Rathi Institutional Equities. Please go ahead.

M Mandlesha: Thank you so much for the opportunity. Sir, firstly, on the tractor industry growth outlook for this year? And also sir, how have you been seeing the response for the new Promaxx Series? And going ahead, what are the focus area for the new launches?

Neeraj Mehra: Hi, good evening. This is Neeraj Mehra this side. So the industry outlook is positive as it has been in the past couple of quarters. So we see growth in the industry in the coming quarter as well as for the entire year. Coming to your second question on how the Promaxx Series is doing, so it's early days yet, we have yet to get into a peak season for Promaxx, but the initial response is pretty good. And I believe you had a third part of your question also?

M Mandlesha: What are the new launches focus ahead, which are the areas launches are focused?

Neeraj Mehra: So see, we have a launch in Powertrac which is planned in the third quarter. That is primarily an entire series for the southern markets. And also we have a product in Kubota in the mid segment which is planned in Quarter 2. So, these are the visible product launches for the current fiscal.

M Mandlesha: Got it, sir. Sir, how is product development going for the exports market, any update around that? And what are the plans to enter the Europe market, sir?

Bharat Madan: We are already exporting to the European market. So as Prateek mentioned, even in the last quarter the export growth has been quite good. So almost 36% growth which has come, although the base is low. But 70% of the export has gone through Kubota Network. So I think the export to Europe has

started even though the market conditions are not really good even as of now as I speak. But I think the numbers for us has started improving now.

M Mandlesha: So how do you see the growth for FY26 sir for exports?

Bharat Madan: We are assuming 20%, 25% growth this year over last year on export numbers.

M Mandlesha: Got it, sir. Sir, any update on the Greenfield plant in the UP?

Bharat Madan: So we're in touch with the UP government. I think we already completed the acquisition of land. So there's certain formalities we need to do internally like there's some tests which we need to do for soil, water and topography, etc., So those things are happening right now as we speak. UP government is keen for us to go fast. So I think once our internal processes are completed, I think we should go ahead with that.

M Mandlesha: So FY28 would be the timeline, sir, broadly around that time should be the plan?

Bharat Madan: Sometimes I think by end of second quarter or beginning of third quarter the acquisition of land would get completed.

M Mandlesha: Got it, sir. How is the dealer inventory for the tractor, sir?

Bharat Madan: It's in the range of four to five weeks for all the brand put together.

M Mandlesha: Got it. And the dealer network has seen expansion over the last few quarters. For next year, how do you see the expansion, sir?

Neeraj Mehra: Hi, this is Neeraj again. So the expansion is happening. Primarily the expansion focus is different for the different brands. So for Powertrac, it's primarily in the southern markets. For Farmtrac, it's more in the eastern side and the western side, and for Kubota, it is primarily in the northern and central part of the country. So that is the plan, and the white space coverage is happening as per the plan.

M Mandlesha: Any target sir, what kind of network expansion we plan to do?

Neeraj Mehra: So it's not very feasible to give the exact numbers at this point of time, but the intent is to improve our white space coverage substantially in this fiscal year.

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

- Moderator:** Thank you. Next question is from the line of Chirag Jain from Emkay Global Financial Services Limited. Please go ahead.
- Chirag Jain:** Sir, just wanted to get your sense, I mean obviously in the last con call we did mention that we are largely done with the correction that we were supposed to do on the sales front and probably second half of this financial year, we were supposed to gain market share. So, any update in terms of how things are likely to play out in terms of our market share within the tractor industry?
- Neeraj Mehra:** So Chirag, you're right to a certain extent the inventory levels have been brought down to the level that we had aspired for. As regards to market share, as you see the industry is growing exponentially in the southern part of the country and EKL has traditionally been pretty weak over there. So our focus as we go forward is in the west and to a certain extent in the east where the industry is growing. So, the intent is as we go forward to be at par with the industry growth in these markets.
- Chirag Jain:** Understood. Understood. And I think over the medium term, we have been expecting a major increase in market share. Can you share some light over there as well, over the next two, three years what kind of initiatives we are undertaking to improve, let's say, market share in the domestic market?
- Neeraj Mehra:** See, one good that has happened in the last fiscal. Since that we have been able to grow market share though marginally in our stronger markets. That was an area of concern over the last four, five years, wherein in the previous calls also, I had mentioned that the focus primarily will be in the North and the Western part. So, in our stronger markets, we have actually gained in the last fiscal year. Now for the next couple of years, the focus actually or the strategy is primarily two-fold, one is how do we grow through the product side in the 31 to 50 HP category, which contributes almost 90% of the total segment. We have already introduced Promaxx. The second phase of Promaxx is also expected in the beginning of Quarter 4. So Farmtrac will primarily grow on the basis of these complete products range that and the new products range that we have introduced. In terms of Powertrac and Kubota, the strategy primarily is two-fold. One, on coverage improvement, and secondly, introduction of products, especially in Powertrac for the Southern markets and the Paddy markets, which we intend to do early on in the third quarter of this fiscal.
- Chirag Jain:** Okay. On the export front, you mentioned that we might grow at about 20%, 25% this financial year. Any thoughts on the component business because that was also supposed to start scaling up, so any update on that front as well, and also guidance if you want to share for the next two, three years?
- Bharat Madan:** Yes. So there also I think the work is happening. So this year also the exports have been there, but it's not much high, it's only about 100 crores plus which has been done this year and next year we are targeting to double this number. But it's a slow start, but I think the work is happening there with all the suppliers and the Japanese team also continuously working on this with the Indian team. So I'm

sure that's a business which has good potential to grow. But whenever it happens, I think we will see exponential growth maybe over the next three or four years.

Chirag Jain: In terms of profitability, how do we see let's say this financial year or at least let's say next one or two quarters considering various drivers?

Bharat Madan: I think overall the trend will continue. I think the way you have seen for this year too we expect those similar numbers should hold good and maybe some improvement we are working on over and above maybe 0.5% to 1% sort of improvement. So, it depends on how the commodity prices move in the coming year and how the market reacts to that. So otherwise broadly it should be in the similar range. Obviously in the certain new product category, we will see some pressure on the margin initially till the time the product stabilizes, and we achieve volumes and then the margins will start improving there. So initial introductory prices will really have some impact there. But overall, we don't expect it to be lower than this year, next year.

Chirag Jain: Understood. That is it. Thank you so much. I will come back in the queue.

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

Mitul Shah: Thank you for the opportunity, sir. The first question again is on market share. Seasonally, Q4 is very strong for our Company and generally it has been roughly 100 to 150 basis improvement on a sequential basis. This time it is marginal improvement, or it is not appearing so strong. So any specific reason apart from South has reported high growth in this quarter and is it to do anything with this merger of Kubota that combined entity market share will not get that benefit which we used to get during Q4.

Neeraj Mehra: So Mitul, good evening. See, you have actually asked the question and answered it also. So yes, what you are saying is correct. It's about the South also, it's about a bit about Kubota merger also, it's also that the industry has grown in the eastern part where there have been certain dealer legacy issues in terms of capacity. So all these have to a certain extent resulted in the performance that we have shared for Quarter 4.

Mitul Shah: And then the second question is on margin for tractor segment. Seasonally, it's a slightly weaker quarter compared to Q3. Still margins are much stronger also for the leaders also. So, any specific reason apart from commodity, are they sustainable or it was one quarter effect to some extent?

Bharat Madan: Yes. So there are two, three reasons actually for this quarter to report better margin. One in the last quarter as you know since we normally build up inventory, second quarter to cater to the high season volumes in Q3. So normally Q3 margins or material costs is slightly higher and that's almost 2% impact, which you can say. So if you normalize so which is what is reflected in the current margins

also, the material cost this quarter is lower than last year and that the numbers are lower. So that is one reason. Second, obviously, there is a softness in the commodity prices. In this quarter also we saw deflation coming in. So that benefit is also accrued in Q4. So that's also helping us in getting to the better margin.

Mitul Shah: So taking Q3, Q4 average is the right understanding?

Bharat Madan: Yes, that is right. If you look at the full year numbers, I think more or less that reflects the normalized margin.

Mitul Shah: Okay. Last question is on construction equipment side. Despite there is a variation in the volume, margins have now stabilized around 9%, 10% or even 11% in previous quarter. So going forward, do you see any further expansion with help of any synergy benefit coming from Kubota global on this side with new products, so we should assume around this level?

Sanjeev Bajaj: Yes, hi, Mitul, Sanjeev this side. A very good evening. Mitul, as far as the margin is concerned, I think we do not expect too much upward jump from here. It will remain consistent for some more time until and unless the demand from the market goes up, which is expected in the next one or two years. So, probably we will get the advantage of volumes and scale. But as of now, this level seems sustainable, but huge upward movement from here is not expected immediately.

Mitul Shah: Yes, sir. Thanks. So one clarification. In an initial remark on Agri Machinery you highlighted something about non-tractor revenue or anything like that within the Agri Machinery components and spare part and other revenue stream?

Prateek Singhal: Yes, Mitul. So we mentioned about the non-tractor revenue comprising of Agri Solution, engine business and service and spare parts business in Q4 constitute 19% of the Agri Machinery segment revenue.

Mitul Shah: Yes. Versus last time 18%, right?

Prateek Singhal: Yes.

Mitul Shah: Yes. Thanks. Thanks a lot and all the best.

Prateek Singhal: Thank you.

Moderator: Thank you. Next question is from the line of Gunjan Prithyani from Bank of America. Please go ahead.

- Gunjan Prithyani:** Yes, hi. Thanks for taking my question. Just a few follow-ups. On the industry side you mentioned positive growth. You usually do end up giving us some guidance for the year. If you can sort of share thoughts how positive, what are the underlying on-ground sentiment you are seeing? And also an update on TREM-because we were expecting some easing there, right? But I don't think that anything has so far come through. So maybe just talk us through the regulatory emission as well?
- Neeraj Mehra:** Hi, Gunjan, Neeraj again. So on the industry side, as I have said, we're expecting a growth. So you can actually look at a mid-to-high single digit growth this year. This is for sure that the industry is looking at the highest ever volume in the Indian tractor market this year. And if all things fall into place, we are probably looking at a 10-lakh number this year...it is quite possible because all the factors that impact the industry, the initial forecasts for the rains have been good and all the other factors the government's focus on agri, infra, everything is positive. So we are actually looking at the highest ever industry this fiscal year. Now your second question was regarding emission norms. The earlier date was 1st April 2026. We do not see as of now the norms getting implemented on that date as of now.
- Gunjan Prithyani:** Okay, got it. But there is nothing officially out yet on that, right?
- Neeraj Mehra:** Nothing official.
- Gunjan Prithyani:** Okay. And in this mid-to-high single digit, is it fair to now assume that lot of the products gaps, etc., being plugged, there should be market share gain on a fiscal year basis in fiscal '26?
- Neeraj Mehra:** See, yes, in Farmtrac to a very large extent the gaps have been plugged. In Powertrac as I have mentioned in my initial remarks also that we are looking at a launch of an entire series for the southern market, the Paddy Special Series. So that to a certain extent again will cover up a lot of gaps. On the Kubota side, the product range is not there. We are in the midst of the introduction of a product in the key segment of the 40 to 45 HP category. So once that gets introduced, the coverage of Kubota will also improve. So, yes, all these will impact in the growth of market share. But as I have again mentioned in my initial comments, with the industry growth looking this year again in the southern part of the country and in the eastern part, the ask is tough, but with the introduction of these products and certain measures on the coverage side, we hope to be at par with the industry or marginally better.
- Gunjan Prithyani:** Okay got it. And just moving to margin, maybe just like sort of two-part question there. One is when I look at the margin for the second half roughly at about 11% EBIT margin for the Agri Machinery business. Now there is certainly going to be some of these issues that we faced post the consolidation of subsidiaries there has been some cost synergies, etc., should not we be expecting a better EBIT margin in fiscal '26 from this 11% range? The comment that you made was it should be pretty much the similar zone. I would have expected some improvement there. So any thoughts there?

Bharat Madan:

Gunjan, obviously we do not have this number separately mentioned in the public domain, but actually the margin on the domestic business of Escorts Kubota especially on the old brand, FTP, etc., the margins have improved. But actually since in Kubota brand most of the stuff is getting imported and there we got an impact of the exchange losses also because the rupee has depreciated. So there the cost increases, pressure has been there, so that has actually further impacted the margin. So, overall EKL standalone margin have actually improved this year compared to the last year. So going forward, I think it is difficult to predict how things will look because the localization is still some time away, it is not happening immediately. And as mentioned, the product which Kubota is selling there's still lot of import content is there. In the next two years we expect those margins will remain in a similar range. Though we will continue to work on the domestic margin for our product, there will be some possibility of improvement there, but depending on how the exchange work out going forward on these products, so that can actually impact the margin adversely too. So that is why we are not really growing very bullish on the margin front, but maybe a half percent here and there can happen.

Gunjan Prithyani:

Just the last question on this import bit that you talk about Kubota. I mean this will change basis your comments only when the Greenfield plant commissions, which is still a couple of years out, is not the alternative available to us that we use some of the engines that are there in the Escorts earlier legacy plants, so is that substitution possible at all or we have to wait for Greenfield to come?

Bharat Madan:

So obviously this will not happen on their platform. They will not allow us to use the Escorts engine on their brand or their product platform. But like you mentioned we are working on a hybrid structure. We will be using our platform and selling it may be under their brand name. So that's where the margins will start improving. We will have the total local content in those models, but that's again there are challenges around emission norm because there is no clarity right now, so there is a confusion, if norms come, whether I should work on the TREM-3 norms or we should work on TREM-4 now. So that is the issue I think which is coming up. We will start working on the total product series now for Kubota based on TREM-3 norms and the norms undergo a change, and the entire efforts will go waste. And same thing if we start working on TREM-4 and they do not come then again we will have to start again working on TREM-3 norm otherwise the cost increase will make it unviable to sell. So there are some challenges we are facing on that front, but obviously the strategy as you mentioned is what we are following also. But there again the lineup will some time come maybe after say an one and half, two years. So it is not really something it will come immediately. But after that comes the Kubota brand will also have complete coverage like we have for FT and PT range but we are still having some time away.

Gunjan Prithyani:

Okay, got it. Thank you so much.

- Moderator:** Thank you. We take the next question from the line of Raghunanadan from Nuvama Research. Please go ahead.
- Raghunanadan:** Thank you, sir, for the opportunity. Firstly, on the margin side, how has the trend been in terms of commodity prices, what is the expectation for the next three to six months given that there has been some increase of late? And second one is to Neeraj, sir. One of your peers commented that there has been some reduction in the competition intensity. If you can talk about how it is, how is the discounting trend, that will be very helpful? Thank you.
- Bharat Madan:** So on the commodity side, I think last year has been more or less flattish. So I think two quarters some increase was there, then two quarters we saw deflation. So net-net, I think that was a positive year only from commodity's perspective. So we're not seeing any major pressure on the commodity side right now. So I think it's four to six months unless something really moves against us in the geopolitical scenarios which we don't know right now and difficult to comment. Otherwise it looks like the market will continue to be soft.
- Raghunanadan:** Thank you, sir.
- Neeraj Mehra:** Yes. Hi, Raghu. So as regards to the market intensity, the intensity remains the same. Actually the buildup in terms of intensity and discounts and customer schemes it is primarily once a year when you get into the peak season of Navratra and Diwali. So everybody gets very aggressive there. Post that, the additional discounts of the customers schemes are rolled back. And that is precisely the case with us also. We are at the normal level of pricing and a normal level of discounts. So once we get into peak seasons, that would obviously change. So, currently, we are at a pretty normal level of discounts in pricing.
- Raghunanadan:** Got it, sir. Thank you. One last question is on the construction equipment outlook for FY26. Given the emission norm changes, what is the kind of outlook expected for the served industry? And also if you can throw some light on given the blended shifting from TREM-3, TREM-4 towards TREM-5 or C3, C4 towards C5, what is the kind of blended price increase that is expected and how much price increase we have already taken? Thank you.
- Sanjeev Bajaj:** Hi, Raghunanadan, Sanjeev Bajaj this side. This changeover from BS3, BS4 to BS5 already it has happened. So it was applicable from 1st of January and whatever stocks industry they are holding, most of these stocks are about to get liquidated. For us the residual stock was over in the Q4 of last financial year itself and for many products and for the large number of high volume products we moved to BS5 already. This one is the impact. To the customer it has been to the range of about 10% for products which have moved from BS3 to BS5 and about 7% for products which have moved from BS4 to BS5. All of that impact on the cost for the customer is not fully recovered. So we have built that in the pricing, but since that mix of BS4 and BS5, both products are moving in the market by

different manufacturers, so complete realization of that price increase is yet to happen, and since we are also entering into monsoon period couple of months down the line, so my sense is that by end of August and then September when the new season starts, that is the time when full recovery of these price increases would happen. I hope I have answered. Raghu. If there is anything left, you can let me know.

Raghunanadan: Got it. That was comprehensive. So basically the volume and margin, we should see it normalizing in the second half of the year?

Sanjeev Bajaj: So from a volume perspective, this year first half is expected to be impacted because of this BS5 changeover because the 10% increase on one type of product and there are products which are 6% to 7% costlier for the customer. So it is definitely expected to impact the overall demand because the product viability for a customer is at stake. But we also believe that with such high CAPEX plans for the government this year, there will be fund flow which will start going into the market into various projects which are getting announced, but those fund flows are yet to happen. Once that happens on-ground, then the demand which comes up probably will be the balance of that price increase and people will come back buying equipments again.

Raghunanadan: Understood, sir. Very comprehensive. Thank you. Just one follow up to Bharat, sir. Sir, over the next two years, there are various efforts you had made earlier indicated in previous calls in terms of synergies, cost savings and how you could try and get the margins towards the 12%, 13% range. Just trying to understand how would your thought process be over the next two years on the margin part.

Bharat Madan: Yes, I think will be something similar as you mentioned. As you mentioned the major change will happen once you have this localization I think for Kubota which is still two years away, I think till then I think we will remain in this range only 11.5% to 13% sort of range unless the operating leverage pay very well for us and the volume shoots up.

Raghunanadan: I hope so, sir. Thank you so much.

Bharat Madan: Thank you.

Moderator: Thank you. Next question is from the line of Vikram from the Damani Family Office. Please go ahead.

Vikram Damani: So, given where we are today, what is the best estimate for the new plant starting date?

Bharat Madan: So if we complete the land acquisition, Vikram, this year, which is likely I think like you said by end of second quarter or beginning of third quarter, so the work will start from next year, so it will take

at least three years time to go live on production there. So maybe end of February '28 or '29 beginning is what we are looking at.

Vikram Damani: Okay, thanks. In an earlier call, you had indicated that our export should ramp up to geographies like Mexico, Southeast Asia around maybe starting FY26. Is there anything sort of moving along those lines?

Bharat Madan: Mexico I think it has already started. The distributor which was a common distributor of Kubota and us so that it started working and it is operational. So you will see the numbers will start coming in from this quarter. US market is where we thought, which is a bigger market, but now I think obviously there is some based on the tariff unless we see a stability coming in post some sort of negotiation agreement on that. But in the long-term I mean there is one market which will really work for us and you would have heard from I think Kubota globally has also talked about using India as a major hub for supplies to the world market for Kubota. So they are working on larger plan, so all the basic tractors they want to shift to basic and high end also they want to shift to India. So that is the strategy what Kubota is working on. And I think we had mentioned in the last call also there is a mid-term business plan which is being reworked now. So with Kubota and you have this new strategy now is taking some time and they expect their strategy will get approved some time, I think the first cut we will get approved maybe by middle of this year and then by end of last quarter or middle of last quarter of this fiscal, they will be clearing it from the board. So once that gets done, then obviously we will put it into our plan, and we will also then make it public.

Vikram Damani: Okay, lovely. I think in the opening remarks you mention that the finance Company has started operations. Do we expect some sort of outside market share gain coming through the finance support to our customers?

Bharat Madan: So not immediately, because right now the Company has just started operation, it is only I think about four months, and they are still testing the systems and gradually opening the market. We opened in UP, MP and Bihar, but in a very selected district. But as we go along, the number of states and the districts will keep on increasing, more dealers will get added. So I think it will take two, three years time to start making that impact. So, I think right now the numbers will be small. But I think as you go along, the idea is they should be able to hit the similar penetration level as the captive finance Company are, which is roughly 30%, 35%. And once that starts happening that will start impacting market share numbers too.

Vikram Damani: Okay. But that ramp up will take some time?

Bharat Madan: Yes, obviously it takes time to build up.

Vikram Damani: Okay, lovely. Thank you. All the best.

- Moderator:** Thank you. Next question is from the line of Jaimin Desai from Emkay Global. Please go ahead.
- Jaimin Desai:** Yes. Hi, good evening, team. Thank you for taking my question. My first question pertains to exports to Europe where you mentioned that we are looking at about 20% to 25% growth this year. Just wanted clarification. Is this because of the Europe-specific products that we have introduced or are you also seeing some early signs of let us say some specializing in the European market as a whole?
- Bharat Madan:** So this growth is coming on overall export number. It is not specific to Europe. So like you said, we are exporting to Mexico now. We are also starting exporting to South Africa. There is a good market in Tanzania and Kenya we are seeing good demand now. There are large orders which are in the pipeline which we expect will materialize this year. And then Sri Lanka is the big market, and we are also looking at Myanmar, Cambodia, Thailand and other markets where we can really look at export. So I think the overall strategy is the export numbers will continue to go up well. We will open the markets one-by-one as our product availability becomes viable, and you have the required products for their market. So those markets will get opened up. So this year the expectation is we should have 20%, 25% growth.
- Jaimin Desai:** Got it. You highlighted upon the US being a good potential market for us going forward over the medium to longer term. There we had plans for some US geography specific products to be introduced. What is the update on the product development still continue?
- Bharat Madan:** The US, like you said, will take time. That will leave with the last market they will open because the product profile they need is different from what we are producing here. And then again, that will be something which will be coming up in the new product development program. That is where the Kubota strategy will come into play which is what they are looking at shifting some of the production volume from other countries to India and that is linked with good products which are getting exported to US market too. But that will take some time. I think once we get a plan from Kubota Japan in this year and then we will be able to form a strategy on the overall operation for that. But the US is the biggest market for Kubota. I think it is almost 8.5, 9 billion turnover comes from that. So Kubota is the biggest market outside Japan. So obviously the numbers are good there and Kubota is market leader in the compact tractors in that market. So obviously we expect them. As and when the products getting exported, we get the numbers for them.
- Jaimin Desai:** Understood. And finally, I know you spoke about the slightly gradual ramp up of the component exports, but just from an opportunity point of view, the overall opportunity at about US\$500 million assuming about 5% shift from Kubotas to current global sourcing, that sort of opportunity still remains intact.
- Bharat Madan:** Yes. So like you said, the potential is huge. Obviously, a lot will depend on how many products get localized because your margins on the manufactured products in India will be much better compared

to the source product from the outside vendor, which will be more like a trading activity. So, even though the revenue may come up, but the margins may not be good enough to really continue building of that. So our idea is to have a good mix of the manufacture product as well as the credit products from the supplier. But Kubota is sourcing more than a billion dollars' worth of component from China today and they are also looking at China and India obviously has an obvious advantage over there. I think issue they are facing is getting good vendors which can meet their quality requirements, which is where I think is taking time for them to build up. The testing processes are stringent and I think the team from Kubota as well as India, they are working jointly to you promote this business in India.

Jaimin Desai: Understood. Thank you. Thank you. Those are my questions.

Moderator: Thank you. Next question is from the line of Vijay Pandey from Nuvama. Please go ahead.

Vijay Pandey: Hi, sir, thank you for taking my questions. I just wanted to check with you about the industry outlook in the domestic market if you can guide and also region wise whether North or south, which will be the dominant region for the growth in FY26?

Neeraj Mehra: Hi, Vijay. So as I have already mentioned, we are looking at an industry growth this year probably in mid-to-high-single digit which will actually take the overall industry to the highest ever for India. Now, coming to the regional spread, we believe that the focus or the growth of the industry primarily will be in south and to a certain extent east. The northern part or the central part of India last year also was kind of stagnant; it was a marginal 2.5%, 3% growth and we expect that similar growth will remain in the North, but the primary growth actually will come from down south and the eastern part of the country.

Vijay Pandey: Okay. And sir, can you share what is your strategy on the construction equipment side because the sales has been declining and probably we have also lost market share in construction equipment, so if you can just briefly tell us what is your mid-to-long term view on the industry and how are you planning to tackle the decline in sales?

Sanjeev Bajaj: Yes, Vijay. Good evening. Sanjeev Bajaj this side. So, first of all, I would want to correct here that market share is not declining. So we should see this product-by-product. So as we have two sections of business, one is material handling and compactors and the other businesses are moving, which includes mini excavators of Kubota and backhoe loaders. So for last full year, our crane market share is intact, there is a small decimal percentage of decrease there, and also we have gained market share in mini excavator. Currently, we are #2 player in the crane segment, and we are #1 player for this calendar year and financial year in mini excavators. The challenge products for us are backhoe loaders and compactors also largely the market share is down because there is a huge volume increase in the exports business for the industry which of course is not a strong play for us, because all the

multinationals they have their manufacturing in India, and they are exporting through their subsidiaries. But, as far as backhoe loader is concerned, yes, there is a huge headroom available, and we have lost a bit of market share this year; it is about 0.2% down from last year and it has also not been traditionally a very strong segment for us. And that is the reason we are focusing on creating completely a new platform which we introduced and showcased in January to the public in Bauma Exhibition and then Bharat Mobility Exhibition. And that platform has been developed which is a very modular which will take care of the domestic demand as well as it also can be adapted for various different specifications in various markets worldwide. And this product, we believe that we have done a very good job and the initial reaction from the customers who have seen this product and the dealer is very, very positive, and we believe that this segment were very weak, we should be able to turn it around. Now, this is the first platform which we have introduced this year and there are a couple of more versions of this product line which is expected to come along with a premium range which can come with Kubota Engineering and other interventions. So I do not see that for us the challenges having retaining the good position in the market. Overall industry is going through a tough phase. Last year, of course, because of the assembly election, every year the industry is down, and this year also our main industry which is crane industry is down by 13% in the last quarter and overall about 8% for the whole year. But I think in the second half of this year, as I said, things should start doing well and next financial year is expected to be again a very high year because all the emission norms and other things which are currently the intent will go away. So we believe that we will do well and also on the strategic front we are very focused on our product line up for the future. Our focus is creating more value for the customers, bringing the cost down as ownership of the customer as well as the operation cost and also giving the right products for the right application. And that focus we will bring more products in the next two to three years' time, which I think will give us in a very strong position. So we are very confident. So let's go from here.

- Vijay Pandey:** Thanks for a detailed answer. Just want to clarify, you mean the construction equipment industry will start improving From second half of FY26, right?
- Sanjeev Bajaj:** Yes.
- Moderator:** Thank you. Next question is from the line of Rishi Vora from Kotak Securities. Please go ahead.
- Rishi Vora:** Yes. Hi, sir. Thank you for the opportunity. Just one small question. What was the CAPEX guidance for this year FY26 and even if you could give it for FY27?
- Bharat Madan:** So for FY26, we expect to be somewhere between around Rs.350 crores to Rs.400 crores. And mostly this is excluding any investment towards Greenfield. So the land acquisition gets done, so it will be another Rs.450 crores to Rs.500 crores this year.
- Rishi Vora:** Okay. So most likely we should do around Rs.1,000 crores including land acquisition approx.?

- Bharat Madan:** Yes, less than that, I would say about Rs.800 crores.
- Rishi Vora:** Understood. And should we expect that run rate to sustain going into FY27 as well given that the overall CAPEX outlay is around Rs.4,500 crores for the next three or four years?
- Bharat Madan:** So that still needs to be worked out with slight loss and the projected delayed now. So I think they also need to look at the existing capacity, how much we can ramp up in the existing place at the end of day. We are also looking at the way to be there on the investment which we do. So the volumes have to justify any fresh investment which will happen. So land acquisition is one part, but I think we will get enough time to commercialize there know in that area if you require the land. And so I think as the volumes come, then we'll obviously follow that because there will be lead time which will be required as many 24 to 36 months for any capacity to come up. So we will have to take that into account based on how the volume ramp up happen and then based on that plan, how the production should come into Greenfield.
- Rishi Vora:** Understood. Thank you, sir.
- Moderator:** Thank you. Next question is from the line of Mitul Shah from DAM Capital. Please go ahead.
- Mitul Shah:** Yes, sir. Thanks for the opportunity once again. Just a clarification. You said that after land acquisition our plant to become operational, it will be 24 to 36 months, right?
- Bharat Madan:** Yes, that's the minimum lead time after you commission the construction there.
- Mitul Shah:** And sir, this Rs.400 to 500 crores related to land you highlighted is purely land purchase related cost or it will include anything on the building the plant also?
- Bharat Madan:** No. This is essentially land related cost.
- Mitul Shah:** So lastly on the cash and cash equivalents, this 1600 plus from the Sona BLW already received and excluding that, how much is the cash on balance sheet?
- Bharat Madan:** No, no. So you would have really seen the intimation. The closing date was extended to 1st June. Certain approvals which are required, did not come through. So we had extended by another month. So it was supposed to happen on 1st of May. Now we are planning to do it on 1st of June. So after the closing, there will be some money which will flow into our account. And since the approvals will be received post the closing only so some money will still lie in the escrow account. So free money will not be 100% available to us upfront. I think once you get the approvals in place with the long stop date, I think September or October, and after that, only that money will get it released towards

100%, some money will get released to us but not 100%. So hopefully within this fiscal year, everything should get completed in there.

Moderator: Thank you. Next question is from the line of Raghunanadan from Nuvama Research. Please go ahead.

Raghunanadan: Thank you, sir for the opportunity. Sir, just a follow up on the finance business. If you can indicate what has been the equity investment so far and the plan for FY26 and also if you can tell the book size?

Bharat Madan: So far we have done investment of about Rs.60 crores in the finance Company. The total investment right now I think it is about Rs.200 crores in the initial phase, then finally it will go to Rs.700 crores. So the balance amount will get injected in FY26 into that Company gradually as and when the book really build up. So as of now, the book size is very small. I think like you said, they are more testing the systems and opening the dealerships. I think by end of FY26, they will be sitting on a book size of maybe close to Rs.100-odd crores. But the ramp up would have happened. So I think we expect maybe would have happened by now and then next year, I think the ramp up should get completed on a pan India basis. So we will see the faster book building happening at that time.

Raghunanadan: So by end of next year, we will be investing Rs.700 crores?

Bharat Madan: So initial approval right now with us is for Rs.200 crores of capital, the authorized capital is Rs.700 crores. So I think we still need to get from Kubota Japan from the head office for the balance. But yes, the overall outlay which we have projected was Rs.700 crores in capital, the balance will be more leveraged.

Raghunanadan: Got it, sir. And I think the previous question, Mitul was asking on the cash reserves, if you can share that?

Bharat Madan: Yes. So I think the line got disconnected. So I was telling him the March end we have almost Rs.6,500 to Rs.6,600 crores of liquidity and this is after paying off the debt of the merged companies, which is almost Rs.350-odd crores. So with railway deal getting closed post taxes will get maybe another Rs.1,400 to Rs.1,500 crores sort of net cash. So maybe by next year end after taking into account the fresh cash generation and the CAPEX and the land investment, maybe we'll be sitting at somewhere around Rs.7,500 to Rs.8,000 crores of cash on the balance sheet.

Raghunanadan: Got it, sir. And would that mean that, would you consider anything on the dividend policy where the payout can increase?

Bharat Madan: So we are gradually increasing the payout So as you can see on this year the dividend which is announced is almost 25% of our profit and I think our policy says to go up to 40% gradually in the

mid-term business plan. So that's what Kubota follows globally. Even though from the free cash perspective, obviously this is almost 30%, 35% now this year. So I will continue to expand that. So that is the idea. The idea is also to maintain the dividend, sustain the level, so not go down from the level, but we already distributed so. So that is having the momentum which we would like to continue with.

Raghunanadan:

And also payout could be in the form of buybacks also, would that be possible?

Bharat Madan:

So buyback would have been a good option actually, but because this tax changes, so do not think for the investor perspective this is really attractive now as an option in the first preference, I mean to do that, but I just go to buyback 5% to 6% of equity from the market and given the cash. So I have not really made sense, but I'm not sure from the tax perspective now if it really makes sense to go with that option. So maybe distribution will be better option than that.

Raghunanadan:

Understood, sir. Thank you very much.

Moderator:

Thank you. As there are no further questions from the participants, I now hand the conference over to the management for closing comments.

Prateek Singhal:

Thank you, ladies and gentlemen, for being present on this call. For any feedback or queries, please feel free to write in to us at investor.relation@escortskubota.com. Thank you very much and have a good evening. Thank you.

Moderator:

On behalf of Emkay Global Financial Services Limited, that concludes this conference. Thank you for joining us and you may now disconnect your lines.