

18th February, 2026

The Manager,
BSE Limited,
Phiroze Jeejeebhoy Towers,
Dalal Street,
Mumbai - 400 001

The Manager,
National Stock Exchange of India Limited,
Exchange Plaza, Bandra-Kurla Complex,
Bandra (E),
Mumbai - 400 051

BSE Scrip Code: 544320

NSE Symbol: CARRARO

Sub.: Transcript of the Earnings Conference Call held on Thursday, 12th February, 2026 in respect of the Company's Unaudited Financial Results for quarter and nine months period ended on 31st December, 2025.

Ref.: 1. Regulation 30 and Regulation 46(2) (oa) of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 ("Listing Regulations");
2. Intimation of Earnings Conference Call dated 06th January, 2026 (Earnings Call Intimation"); and
3. Intimation of Audio recording of Earnings Conference Call held on 12th February, 2026 dated 12th February, 2026 ("Audio Recording Submission").

Dear Sir/Madam,

Pursuant to above-referred Listing Regulations and in continuation to Earnings Call Intimation and Audio Recording Submission, we are pleased to submit transcript of the Earnings Conference Call held on Thursday, 12th February, 2026 in respect of the Company's Unaudited Financial Results (both standalone and consolidated) for the quarter and nine months period ended on 31st December, 2025.

The transcript has been hosted on the Company's website at:

<https://www.carraroindia.com/investors/investor-information/announcements-and-notices>.

You are requested to take this intimation on record.

Thanking you,

Yours faithfully,

For Carraro India Limited

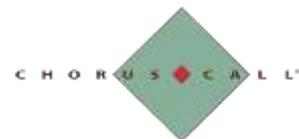
Mohith Kumar Khandelwal
Company Secretary and Compliance Officer
Membership No.: F11243

Encl.: As above.



“Carraro India Limited
Q3 & 9M FY26 Earnings Conference Call”
February 12, 2026

E&OE - This transcript is edited for factual errors. In case of discrepancy, the audio recordings uploaded on the Stock Exchanges on 12th February, 2026 shall prevail.



**MANAGEMENT: DR. BALAJI GOPALAN – MANAGING DIRECTOR –
CARRARO INDIA LIMITED
MR. DAVIDE GROSSI – WHOLE-TIME DIRECTOR &
CHIEF FINANCIAL OFFICER – CARRARO INDIA
LIMITED
MR. SUDHENDRA MANNIKAR – WHOLE-TIME
DIRECTOR & CHIEF OPERATING OFFICER – CARRARO
INDIA LIMITED
MR. ASHOK RAI – DIRECTOR, SALES & BUSINESS
DEVELOPMENT – CARRARO INDIA LIMITED**

Moderator: Ladies and gentlemen, good day and welcome to Carraro India Limited Q3 FY26 Earnings Call. This conference call may contain forward-looking statements about the company, which are based on the beliefs, opinions, and expectations of the company as on the date of this call. These statements are not the guarantees of future performance and involve risks and uncertainties that are difficult to predict.

As a reminder, all participant lines will be in the listen-only mode, and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing star then zero on your touch-tone phone. Please note that this conference is being recorded.

I now hand the conference over to Dr. Balaji Gopalan for his opening remarks. Thank you and over to you, sir.

Balaji Gopalan: Thank you very much and a very good morning to all of you. And thank you for joining us today for Carraro India Limited's Q3 and nine-month financial year 2026 earnings call. I am joined by Mr. Davide Grossi, our Whole-time Director and CFO, our Sales Director Mr. Ashok Rai, and Mr. Mannikar, our Chief Operating Officer and Whole-time Director, along with other members of our leadership team and our investor relations partner, Strategic Growth Advisors.

Let me start by giving you an overview of our performance and the industry for the nine months FY26. The broader agriculture equipment industry has remained resilient in FY26, supported by heavy rural cash flows, favorable cropping conditions, and policy support. Industry outlook continues to be positive with tractor and allied equipment volumes expected to grow in the low to mid-teens this year. OEM commentary across the sector also indicates improving domestic retail traction and sustained demand from rural markets, particularly in the mid to high horsepower segments driven by better farm economics, easier financing, and rising mechanization.

For Carraro India, the performance has been both strong and encouraging. Revenue from operations grew 21% year-on-year, supported by healthy volume momentum across both domestic and export markets. On the domestic front, revenue grew 17% year-on-year, driven by strong demand for four-wheel drive axles in the agriculture segment. Exports delivered an even stronger growth of 29% year-on-year, led primarily by increased offtake of Tele Boom Handler axles. While indirect exports of agriculture drive lines remained relatively soft, resilient domestic demand helped sustain our overall volume trajectory.

In line with our past guidance, we continued to deliver strong volumes, reinforcing our confidence in the sustainability of our operating performance. Profitability improved meaningfully during the period with EBITDA growing 28% year-on-year, supported by operating leverage, disciplined cost management, and execution efficiencies even as product mix remained dynamic across quarters.

In the construction equipment segment, the ramp-up of the new range of Tele Boom Handler axles for a major international OEM continued during the period under review, witnessing healthy traction and strong visibility for sustained growth in the coming quarters. Additionally,

new projects with a domestic customer, both global and Indian, for the Tele Boom Handler axle family are progressing well and remain on track.

In the construction segment, sales of drive lines to the Indian construction equipment customers increased by approximately 4% during the first nine months, despite a decline of around 5% in the overall construction equipment market over the same period.

Sales of drive lines to backhoe loader customers in the domestic market grew by approximately 5% during the nine-month period, significantly outperforming the broader market decline of nearly 12%. In the domestic agriculture segment, the GST reduction has accelerated the transition from two-wheel drive to four-wheel drive tractors by narrowing the price gap between pre-GST two-wheel drive and post-GST four-wheel drive models. The domestic four-wheel drive axle market delivered strong revenue growth in the first 9 months, prompting Carraro India Limited to ramp up capacity to meet the anticipated demand ahead.

For higher horsepower transmissions, the export market is gradually recovering, which could positively impact transmission offtake for high horsepower tractors in future. The gear business remained subdued during 9 months FY 2026. Although near-term growth is likely to remain muted, ongoing initiatives to strengthen the business are expected to drive gradual improvement in the coming quarters.

Carraro Technologies, our engineering center, leveraging its in-house design capabilities, received multiple enquiries from OEMs for engineering support during the period. The engineering services engagement for the industrialization and supply of electric transmissions for electric agriculture tractors is progressing well. Engineering services revenue for Carraro India stood at INR50 million in Q3 FY 2026 and INR100 million during 9 months FY 2026.

On the manufacturing front, we strengthened our capabilities through key equipment additions aimed at improving throughput, flexibility, and quality. Two sealed-quench furnaces were installed at the gear plant and the 800mm pallet Mazak machining center was commissioned in June, improving throughput and flexibility. The addition of the TLB bench, the testing bench online, in July and the robotic washing machine in September further enhances our readiness for future growth.

Additionally, the board has approved a capex outlay of INR623 million to expand our axle capacity from 1,34,000 units to up to 1,54,000 units over the next 18 months, to be funded through a mix of internal accruals and debt. This expansion is aligned with our strong demand outlook, with the plant capacity operating nearly at about 90% utilization.

During the period, we advanced our efforts to strengthen the aftermarket and after-sales ecosystem. In January 2026, we inaugurated our first authorized service center in Faridabad, strategically positioned to serve customers across North India with genuine spare parts and OEM quality service support.

This marks an important milestone in our long-term plan to set up four authorized service centers across India. The initiative is expected to improve customer experience, minimize downtime,

and provide a scalable platform for growing our spares and aftermarket business over the medium term.

Innovation continued to be a key focus during the 9-month period with 14 prototypes developed, four of which have entered production. We also dispatched two T100 Evo prototype units to a leading OEM tractor manufacturer and successfully completed the first batch of CVT transmission units, representing a key milestone towards commercialization. Just for information, T100 are transmissions gearboxes for tractors above 100 horsepower, and CVT are automatic gearboxes which are primarily used in cars - Continuous Variable Transmission.

Coming to capex, INR304 million was deployed during 9 months FY 2026 to support new telescopic handler axle production, a high-performance range transmission for agriculture application, and incremental capacity additions for FY '26 sales. These investments are aligned with our strategy to support growth in FY '26 and the years ahead.

Our raw material localization stood at 78%, and we remain on track to increase this to 86% to 88% in the next 2 to 3 years. In the current context, the momentum we have built serves as a strong validation of the strategic choices made over the past year. This performance reflects the dedication and alignment of our teams across functions and reinforces the strength of our business fundamentals and customer engagement efforts.

As we look ahead, our journey remains well-aligned with the medium-term vision we have collectively set. Encouraging trends across our engineering capabilities, operational excellence, customer satisfaction, and market responsiveness to our technology and design continue to reinforce our confidence in sustaining this trajectory.

The outlook forward remains promising with Carraro India well-positioned for accelerated growth. In view of improving off-highway market sentiment, our strong execution momentum, we are confident of possibly reaching but also exceeding the earlier guidance of INR3,200 crores, and we would be moving close to INR3,500 crore, which will be higher than our earlier target of INR3,200 crore, which we mentioned as EUR350 million at that point in time. We will continue to focus on disciplined execution, value-led growth, and delivering sustained performance in line with our strategic roadmap.

With that, I now hand over the call to Mr. Davide Grossi, our Chief Financial Officer, to walk you through the financial details. Davide Grossi, please.

Davide Grossi:

Thank you, Balaji, and good morning, everyone. As usual, I will quickly take you through the key financial highlights for Q3 and the nine months of financial year 2026, and then we will leave room for your questions.

Starting with Q3, revenues from operations grew by 27% year-on-year to INR5,696 million -- INR569 crore. Our total income stood at INR5,768 million, also a growth of 27% year-on-year. Our EBITDA came at INR624 million --INR62 crore, with a growth of 71% year-on-year, translating to an EBITDA margin of 10.8% versus the 8.1% margin in Q3 of FY 2025.

The profit after tax for the quarter was INR281 million --INR28 crore, with a growth of 91% year-on-year, with a margin at 4.9% versus a 3.2% margin in Q3 of financial year 2025. Agricultural vehicle segment grew 27% year-on-year to INR2,608 million -- INR261 crore, while construction vehicles grew 20% year-on-year to INR2,386 million approximately INR239 crore.

When we look at the nine months, revenues from operations grew by 21% year-on-year to INR16,488 million -- INR1,648 crore, driven by domestic volume growth and a healthy recovery in exports. Total income stood at INR16,698 million -- INR1,670 crore, also a growth of 21% year-on-year.

On the total other income, about INR60 million pertains to the reversal of provisions previously made for vendor payments. EBITDA came at INR1,765 million -- INR176 crore, with a growth of 28% year-on-year, translating to an EBITDA margin of 10.6% versus the 10% margin in the first nine months of financial year 2025.

Our profit after tax for the quarter was at INR889 million -- INR89 crore, with a growth of 38% year-on-year, with a margin at 5.3% versus a 4.7% margin for the nine months of financial year 2025. Agriculture vehicle segment grew by 13% year-on-year at INR7,408 million -- INR740 crore, while construction vehicles grew 30% year-on-year to INR7,224 million -- INR722 crores.

We continue to maintain a robust balance sheet with ample liquidity, enabling us to efficiently fund operations, support strategic investments, and stay agile in responding to market opportunities.

Looking ahead, we remain optimistic. Our FY 2026 financial outlook is supported by growth in high-value product lines, a rising contribution from engineering services, increasing exports, and continued benefits from localization initiatives. And I will stop here, and we now welcome your questions.

Moderator: Thank you very much. We will now begin the question-and-answer session. The first question is from the line of Mahesh Bendre from LIC Mutual Fund. Please go ahead.

Mahesh Bendre: Hi, good morning, sir. Thank you so much for the opportunity. Sir, last two quarters, the export has been doing phenomenal, I mean growing with significant growth rate. I think at the beginning of the year, we were not very hopeful about the export in the near term, but that has done really wonders in the last two quarters. So, what is the outlook for next 12 months on the export side?

Ashok Rai: Okay, this is Ashok here. Allow me to answer this question. See, when we talk about the last two quarters, the export is mainly, the traction has come from our backhoe loader drive line which were sold in China as well as in Latin America. And also, as we said that we are doing well in our Tele Boom Handlers segment for the international big customer, so those have driven the growth of our last two quarters.

And we are seeing that at least this traction remain. In the Tele Boom Handlers, we are seeing a good traction in the next year. And in case of the China as well as in the Latin America, it may, we are expecting that at least next two quarters should be good, but we don't have yet visibility for the subsequent two quarters of the next year.

Mahesh Bendre: Sure, sure. And sir, you are expanding our capacity with a INR63 crores of capex. So, when this capacity will be available with us? Because in the press release you have mentioned that we are operating more than 85% utilization?

Davide Grossi: Yes. So, this capacity, as we mentioned in our communication, will be deployed over 18 months. Of course, we are hoping to shorten this time and maybe reducing a little bit hopefully to 12 months, but it will be gradually deployed, it will not be in one go. In this expansion capex, there are also, of course, it's a mix of activities.

Some of them are also on the existing line to eliminate some bottlenecks and directly, quickly introduce some additional capacity on what we have already. So, those interventions might be slightly faster and will allow us to bridge the gap between our current capacity, and the demand that we see in the market. But overall, as we said, 18 months to deploy the investment, hopefully a bit faster than that.

Mahesh Bendre: Sure. Thank you so much, sir.

Moderator: Thank you. The next question is from the line of Raghunandan NL from Nuvama Research. Please go ahead.

Raghunandhan NL: Good morning, sir, and congratulations once again on extremely strong numbers. Good to see the upgrades on medium-term target to INR3,500 crores. Sir, firstly, can you talk about the outlook in the key export markets?

Firstly, how do you see the outlook for Europe for both tractor and construction equipment? Because Volvo and John Deere in their outlook for CY '26 have given a better expectation compared to CY '25. And secondly, in light of the recent trade deal announcement with US and Europe, how do you see that benefiting Carraro?

Ashok Rai: This is Ashok here again. When we talk about the export market, we are, as we said in case of the Tele Boom handler, we are seeing the demand would be consistent. We are not expecting any different than what has been happening. And in case what we are exporting in China, we are seeing that at least the next two quarters should be similar level as the previous one.

And Latin America, the demand is still at the similar level as we are expecting in the next six months. Coming to the benefit of this duty, which has been brought back to 18% by the US government, assuming that there is no change in the stance, we are expecting that there could be an increase in traction from the second quarter to third quarter -- we should have the increased demand of agricultural drive line from the Indian customer who are exporting to the US market. As we said in the past that we have around 7% to 8% exposure in the US market of our turnover, so that will improve.

Raghunandhan NL: Thank you for that, sir. Very helpful. And you referred to the international big customer to whom you are supplying TBH and backhoe where the revenue was INR122 crores in H1. Can you indicate whether revenue has sustained at a similar level for Q3 and also if you can talk about FY 2027, whether there will be a higher dispatch to this customer?

Ashok Rai: Okay. See, the revenue guidance for this customer remains similar level at what we have been doing. Like, for example, you said around INR1,200 (Errata: Actual number to be read as INR122) crores what we said in the H1 and in the next year also, of course, it will be an increased number that could be at least 10%, 15% more than we are expecting vis-à-vis this year end. So, we can expect like almost 10% increase because the volume of the machines are also increasing as planned.

Raghunandhan NL: Got it, sir. That is very helpful. And apart from this customer, can you talk about the support to the revenue from other order executions? Because you had orders even on the Tele Boom handler side for some of the Indian customers, Tele Boom handler and backhoe, you had some orders and also in the above 100 HP, you also had some orders. So, the question was how much can it help revenue next year in FY27 because of these executions?

Ashok Rai: See, as we said that these are recently been supplied as a prototype for the Indian customers, whether Tele Boom handler, specifically to Tele Boom handler. So, we are not seeing the revenue stream in FY27 because at least 12 to 18 months is required for testing. So, those effect we are expecting in the FY28. Even also for the higher horsepower tractor transmission which we have given it to the Indian customers, those are under testing and validation.

Raghunandhan NL: Got it, sir. And on the domestic tractor business, post the GST cut how has been the share of four-wheel drive in tractor industry increasing? What we understand is the demand seems to be outstripping supply. What has been your experience there, and also if you can talk about how do you see the outlook in the near term for Q4 and beyond?

Ashok Rai: See, until last year, the market which has moved was around 22% to 23% as a four-wheel drive above 40 HP and we are already seeing the market is around 25% at the moment. And the demand side is also, as you rightly mentioned is on higher side because of the GST benefit which has been passed in September, which has reduced the gap of earlier two-wheel drive prices vis-à-vis the today's four-wheel drive tractor.

So, we are seeing a significant increase in the four-wheel drive conversion from the two-wheel drive tractor. And we see that this demand remains robust for at least two quarters and we have to see the next monsoon, how monsoon is coming. And even if the monsoon is normal, this traction will continue.

At this point of time, we will not be able to predict how much percentage increase will be, but we are expecting that it will be further higher than this year. And it should reach, if you ask me in '27, it should reach to 26%, 27% of the market should be four-wheel drive against the 25% today.

Raghunandhan NL: Wonderful, sir. That's very helpful. Thank you so much. I'll fall back to the queue.

Moderator: Thank you. The next question is from the line of Op Gandhi from Siddhi Technology. Please go ahead.

Op Gandhi: Yes, good morning. Good excellent number from your side. My question is tractor industry in January is in India has grown 45% and also global guidance from the large player is also good. So, do you think that you will grow quarter 4 more than 20% from the current quarter? And Mahindra is also expanding tractor industry for Nagpur plant. So, do you think that you will get 20% growth from your tractor side?

Balaji Gopalan: Thank you for the question. It's a very valid point and this is what the industry wants as well. But there are certain, I would say, lead times before we can really ramp up. We are not in a manufacturing setup that you turn the key and then from next day onwards the production increases.

We have lead times. It is an engineered product, so there is a lot of checks and tests to be done before we can actually go ahead and assemble. So, to answer your question, it takes at least a month, month and a half for Carraro to significantly ramp up. Normal fluctuations which are historical, that are already considered in our production plan.

But any spike like this happening requires some time from our supplier base also to gather it, ramp up their production and then we have to ramp up internally. So, to answer your question, we don't want to significantly change our guidance for the full year. Yes, we are now confident that we will surely touch those numbers that we have mentioned and possibly also have some, I would say, additional revenue that would come up.

But we are not factoring in, in terms of a big percentage and trying to run behind it because we have to ensure quality, we have to ensure that the right products are going, the right product mix we have all the inventories with us. So, do not expect anything very dramatic.

Carraro is in an industry where things don't dramatically go up nor do they dramatically drop. So, we maintain a kind of an equilibrium with reasonable ups and downs. That is what makes us, I would say, consistent and steady in the business that we are doing. Have I answered your question, sir?

OP Gandhi: Yes, partly yes. But you achieved INR570 crore. Should we expect in our projection INR600 crores plus in the quarter four?

Balaji Gopalan: We would see, we gave a guidance of initially EUR215, EUR218 million. I think we are very confident that we will be in the range of 215, 218, 220, 221. It will be around that. So, don't expect 230, 240. All I am trying to say is yes, there is a positive direction we are taking, we are mobilizing our manufacturing resources, and we are making sure we are meeting as much the order book request is there, but I don't think we will be doing anything very dramatic in the next 30 days or 45 days. So, we will still look at the ballpark figure: 215, 218, 220, 221.

OP Gandhi: And what about next year, sir? Is it possible 250 range?

- Balaji Gopalan:** See, we always like to be conservative. This has been the Carraro, I would say, character from the beginning; you people must have noticed. We don't want to give any numbers that are difficult for us to achieve, nor do we want to go around justifying why we haven't achieved. So, we have given a guidance of 8% to 12%, and we prefer to stick to that 8% to 12%. In that 8%, probably it may become 10% or 12% now. It is not in that 8% scenario. So, 10% to 12% is what we will try to focus on for the next financial year.
- Moderator:** The next question is from the line of Vijay Pandey from Nuvama.
- Vijay Pandey:** Congratulations for an excellent set of numbers. Sir, I joined a bit late, so wanted to get your view on the export outlook. I think you have mentioned, increased the guidance if you could just highlight what is your export expectation for '26, '27, and midterm. That will be pretty helpful.
- Ashok Rai:** Ashok here again. See, in case of the export market, as in the previous question couple of minutes back I said that in China, probably we'll have the variation at this point of time. We have a visibility of, next two quarter could be good, but beyond that, there could be fluctuation. And similarly, also in the Latin America side, we are also seeing at the moment the traction is still there, but knowing these economies historically, they have always been a quite short-term up, short-term down, whether China or Latin America.
- Only green shoot which we have seen in last 15 days or three weeks when the duty has been reduced to 18%. And assuming, that remain consistent, there is no change in the policy stance from the US, probably there could be some green shoot we will see in the second half of FY 2027 because the demand will start coming up and that is how we will have our turnover coming in the quarter three or quarter two of the next year.
- And otherwise, if you talk about the Europe market, in Europe market, the inventories are low because the demand is low, but the demand has not yet increased in the European market for the segment in which we operate.
- Vijay Pandey:** Okay. And you have also increased your midterm guidance for exports?
- Ashok Rai:** No, we have given you the overall guidance for as a company as a whole because that is a combination of domestic and export together and some new projects which we have acquired and which will give us result in next two to three years. That is a combination of many factors, not alone export.
- Vijay Pandey:** Okay. Okay, sir. Sir, then just want to understand about our new products which we had launched last few quarters. So, especially on the agricultural side, there was an export order in higher HP agricultural order. So, how is that progressing and like what is the revenue potential from there? And the new capex, so what could be the revenue potential coming from that new capex in terms of....?
- Balaji Gopalan:** Okay. Your voice was little muffled, so doesn't matter. We'll start with your last point on the capex and the revenue connected to it. Davide?

Davide Grossi: Yes. So, regarding capex, as we communicated, we are currently investing for additional roughly 20,000 axle capacity, which should sustain the growth that we see for the next one, one and a half years. Of course, this is going to be a first step of a larger project because we know that we are now operating at 90%-plus capacity utilization. So, capex will be a recurring subject for the next at least three years.

And those capex will be instrumental to achieve the level of growth that Mr. Balaji has already mentioned. Our north star remains INR3,500 crores revenues in FY 2030. Those capex are simply instrumental to that.

Vijay Pandey: So, wanted to check on the margin expectation. I think previously we guided for 100 basis point improvement every year, so that is to be the case for this year or I think that margin won't be increased like what is your expectation for that?

Balaji Gopalan: Yes. I'll answer this question very specifically. We are in a growth phase, and this phase was being anticipated for quite some time. Now that the technology absorption is happening fast, there is a movement from two-wheel drive to four-wheel drive, low horsepower to high horsepower, plus we were talking of TREM V which will open up the developed markets for exports in agriculture tractors for Indian OEMs.

These were, if you remember, some of the enablers that we said will help us grow. Now, in that, most of them as per our strategy are falling in place. Now, when any ramp-up happens, there is not going to be a very dramatic profitability change that will happen because in my speech, I mentioned that the product mix is still very dynamic now. So, it has to settle down. It will take 6 to 9 months for us to trickle down that effect into our EBITDA numbers.

Having said that, we have given a commitment of 100 points year-on-year. I think more or less we will still stand by it, and we feel we will achieve it. There could be a marginal difference; instead of 100, it could be 80, 85, but the direction will be there. You will find improvements in EBITDA happening over the next quarters, and we are consistent that we will be improving our EBITDA every year.

So, please be rest assured that we are not going back in any way. We will be looking in the north direction, and we will move. How much will be the impact? We don't want to be over-enthusiastic, we don't want to over-commit. So, we will still be realistic in our statements, and we stand by 100 points plus-minus 10%-15%, which is something which is part of business cycle.

Vijay Pandey: Okay, sir. Thank you. Thank you for detailed answer and I'll fall back in the queue. All the best for upcoming quarters.

Balaji Gopalan: Thank you for your support.

Moderator: Thank you. The next question is from the line of Jaymin from Ardeko Asset Management. Please go ahead.

Jaymin: Yes, hi, sir. Thanks for taking my question and congrats for the great set of numbers. For the domestic, I mean construction equipment segment, you outperformed the underlying CE market and specifically the backhoe segment. So, if you can just help us understand the key drivers behind this outperformance? Be it like new program initiation, any market share gain, or is it more of a stronger performance with the specific OEMs.

Ashok Rai: Okay. In case of domestic market, there are -- we supply to the OEMs who sell in the domestic market and also export. And as you know, in the export segment across the board, in the construction segment, there is a growth. And that is where our few customers have got some good contract with the export market, and that has helped in increasing the overall indirect export from those OEMs. That is one.

Second, as we said in the previous calls also, that we have some specific product launch by some customers like haulage tractor we have mentioned. Those were not in the competition. Those also got additional order in the last 8-9 months. That has helped in increasing our indirect export, in the export market from the Indian OEMs. So, that is why overall we could grow in the domestic market sale.

Jaymin: Got it. And so.....

Balaji Gopalan: Let me just add to it. Like you were talking about any new customer gain or something. I want to emphasize that in the backhoe loader market, we are having 100% spread on the non-captive OEMs of backhoe loaders. Which means that people who don't manufacture in-house the gearbox and axle, which is only one company, the balance 10 companies which make backhoe loaders are 100% with Carraro for axle and transmission.

So we don't have new customers that come in. Yes, there are some new players, startups and others who do come to us, but that is not what we consider in any of our business decisions. But here one important point is we are supporting all the backhoe loaders except one in the technology partnership ramp-up and the growth, which means that now we are in the process, there is a prototype going on, testing going on for a backhoe loader in which all the four wheels will be steerable.

So, it will be four-wheel steerable backhoe loader which will be probably the first to be in India with the Carraro technology. So, we are making progress, we are feeding the need, we are pushing up the technology spectrum in the Indian market, which is what is required at this point in time. The government is also pushing for it, and because of the concept of leasing companies coming in, they are all looking at modern products, efficient products, and competitive products in terms of value content in those machines.

So, vehicles, even though construction and off-highway, are not standard items that people just go and pick up like it used to be done 10 years ago. Today people compare technologies, they compare features, they compare ergonomics, they compare efficiency. So, everything is now driven and built on technology, and you will slowly see that these companies will also start marketing it from a technology and feature-rich point of view.

So, answering your questions, not any significant big new customer we have acquired because we have already acquired all customers in India in the non-captive segment, but we are working with them and making them grow and making them export based on the technology that is available with Carraro. That's it from my side.

Jaymin: Great, sir. I mean, great to hear. And just one question for Davide. I mean, we have seen 165 basis point of gross margin expansion year-on-year during the quarter. Is there any element of seasonality or a product mix change or any recovery from the OEM during this quarter?

Davide Grossi: So, when we look at Q3 versus Q3, there is one immediate difference between those two quarters and is represented by the engineering services. We got INR5 crores in this Q3 which was not there in the Q3 of last year. And then yes, we have done some progress in terms of cost savings, cost optimization, and also on the pricing front with a couple of customers. And those are pretty much the main differences when we look at the gross margin.

And one last point which I forgot to mention, we also got much better turnover discounts from our suppliers during this quarter. If you remember when we commented the numbers last year, one of the reasons of the drop of marginality was due to the fact that the season didn't go very well in terms of volumes and we didn't get at the time the kind of turnover discount that we were hoping to get. This year it's a completely different story, and that helped the performance of the quarter as well.

Jaymin: Got it. Yes, that's it from my side and best of luck for the future.

Balaji Gopalan: This kind of growth and the kind of consistency we have shown in the market, it is giving us a big advantage not just with the customers as well, but also with our suppliers because they are seeing a company that is consistent, a company that is growing, a company that is showing future technologies into the market. So, we are having better negotiating capabilities with our suppliers as well. So, the going is good for us.

The ecosystem and the context in which we are working is highly favourable. This is what we want as a support for growing our business, and the ecosystem in India and the market in India is actually enabling us to improve our efficiencies. Whenever you grow, you can call the shots. You can work on our efficiencies, you can work on your costs, you can work on your price. And that is what is coming Carraro's way. So, it's possibly good time for us for the next couple of quarters.

Jaymin: Got it, sir. Yes, that's it from my side.

Moderator: Thank you. The next question is from the line of Lakshminarayanan from Tunga Investments. Please go ahead.

Lakshminarayanan: Yes, thank you, and wonderful set of numbers. So, one question is that as you scale up, you know from your side you are actually adding capacity, but if you look at two-three years down the line, what are the two or three things where you -- which could be limiting for you? While the market is there, while you can actually expand your capacity, etcetera. Any other limiting factors you actually feel, and how are you planning to address that? That's the first question.

And the second question is that, if you just look at the next three years, and look at the revenue pie, how much of that, like maybe three years down the line would be coming from new products that you have actually launched between 2026 and 2029?

Balaji Gopalan: Okay. We will have to break your question into two units. Can you reframe your question and ask one by one?

Lakshminarayanan: Yes, the first question is that what are the limiting factors you see in that is coming on your way to growth? While you can add capacity, how do you develop your inbound supply chain as well as any other vendor capabilities you need to have, or what are the limiting factors you think you have, if at all you have any limiting factors on the growth?

Balaji Gopalan: I'll bring in Ashok also to supplement my answer because I am not sure whether I would be touching the point you're looking at. See, for our growth, we are very clear that we have all the resources. Now, it is left to us when to pull it out and do the execution. In terms of land bank, we have a total of 53 acres of land in which we have currently used just about 50%, 55%, 60% of that land. So, we still have a very active land bank within the same premises of Carraro India. So, we are able to rationalize, standardize some of our operations and work around within the same setup that we have.

So, capacity will not be an issue. We have a clear idea of how we will need an evolution of our capacities to reach the 3,200-3,500 numbers that we are talking about. Now, these numbers are based on projects that we have already started and are in the pipeline. And as I mentioned to you this in this speech, we have already converted many of our protos into production this year. I am not having the number right away, but I think it was double digit that we productionized.

Ashok Rai: It was 14 prototype we have done; four are projects, yes.

Sudhendra Mannikar: 14 prototype launched and four have been productionized.

Ashok Rai: Exactly.

Balaji Gopalan: So, these 14, the usual span is between one and a half to two, two and a half years. And by the time the ramp-up happens, because initially you just feed initial numbers, but the regular ramp-up and production will take roughly about two years to two and a half years. So, the protos that we are doing now are the bellwether for our revenue stream in the next two to three years. So, considering all these things, we have factored in what is going to happen, and we are reaching that amount of 3,500. So, the modular expansion will keep happening.

Even now that we are doing, see when we have capacities, you can live with bottlenecks, because they are not really bottlenecks at that point in time. When you are short of capacities, then you start working on bottlenecks. We have identified all those bottlenecks, and that is the reason what we were thinking of expansion probably six months before, because in the roadshows and during IPO we were talking of a need for expansion, but we changed our strategy. We looked at de-bottlenecking some of the processes. So, with minimum investment, we were able to increase our capacities.

We will continue doing the same philosophy step by step. We don't want to over-invest, have a huge factory and under utilised.. We want to have a, very dynamic & active factory, and we are making sure the long lead items in terms of construction and others, will be taken up accordingly , but the machinery, the assembly lines, and the technological aspects of manufacturing/Process engineering, will be added based on the capacity needs from time to time.. So, this is how we are looking at capacity to be integrated with the growth.

Lakshminarayanan: Got it, correct. And as the second question is that, if you look at your revenue build-out in the next three years, I mean, let's look at a maybe three years down the line, how would the revenue pie would look like for you? I mean, there is an existing business and there are new business that are coming out. Now how much would the new business in your opinion would be?

Ashok Rai: Yes, we'll keep this question because we need to check it, but we can expect that at least 20%-25% of our revenue should come from the new business. Now the question is what is the starting point? If the starting point is the previous year as a new business, then probably we are talking about 30%-35%.

Lakshminarayanan: No, I'm talking about, sir, I'm talking about the current base or whichever way you are exiting this year, this calendar year you exited or this year. Some kind of a sense, saying that, look you have these base load of products which you are doing, and then there are new things you are doing in terms of exports, in terms of prototypes, etcetra. So, in that context, how much it could be, as this will be let's say base is 100 now, something will go off, something will come back, just kind of sense of numbers.

Balaji Gopalan: See, I think we can take a kind of a ballpark figure between 18%-19% to 25%.

Lakshminarayanan: Got it, sir. That's very helpful, sir. Thank you.

Moderator: The next question is from the line of Raghunandan NL from Nuvama Research. Please go ahead.

Raghunandan NL: Thank you, sir, again for the opportunity. To Ashokji, sir, if you can indicate for exports, what would be the broad geography mix: Europe, US, China, and Latin America?

Ashok Rai: It's very difficult to inform in terms of geographical mix, because we sell to our parent company, and they sell it to the OEM.

Balaji Gopalan: Not only that, what we sell to parent and goes that is within our Carraro group, we can always get that information, that is not a very big issue. But the second issue is what is not in our circle of control is very often we supply to a particular plant in Europe, and it doesn't remain in Europe. It is then exported to Latin America or US. So, there are many companies that are doing it.

Some of our products, I would say quite a significant amount of our products are going to UK, getting assembled in the OEM, and then exported around the world. So, to be very honest, it will be just a guess that we would be making, and it keeps changing month-on-month, quarter-on-quarter, so difficult to monitor, and we've never got into that exercise very honestly, to check where the final OEM is dispatching. We only restrict ourselves to where we need to kind of dispatch.

Raghunandan NL: Noted, sir. Thanks for that. On engineering services, INR10 crores of revenue has been booked in nine months and we totally have that INR17.5 order from a customer. Just wanted to understand how could be the pipeline for next year?

Ashok Rai: We are expecting at the similar level because INR10 crores we have done this year, and we'll be expecting in the similar range including the balance 7.5 in the next year.

Raghunandan NL: Got it.

Balaji Gopalan: Engineering, see, I'll put it this way: it's not that we are not aware. This is something which has just started; it is at a nascent stage. But surprisingly, there is a lot of enquiries that have come up for engineering services. Because our suppliers also, because there is a technology upgrade that is happening, many of the component suppliers are trying to do some sub-assembly, add value and then sell. So, they don't have proper engineering centers, and they don't want to go to these design centers which are generic design centers, engineering design centers.

When they have probably a customer like Carraro because for our suppliers we've been working with them for 25 years, and they know our capability. So, many of them are coming to us and exploring engineering services. Not only that, lot of big OEMs also approaching us to support them on some of their projects. So, wherever they feel they need a global input for the technology, they find Carraro the best fit because we have experience at the local level for last 25 years, and we have last 90 years global experience in different soil conditions around the world.

So, considering both they come to us wherein we give service in India through Carraro Technologies, but we take help when it is digital and others, we take help from our Luxembourg center. Anything else we take help from China, Italy, and we had a plant in Argentina, we had a center there also, so they also help us as required.

So, it's very difficult to see what will be the scope of work that will be given to us, at what price will it be given to us. So, we are working on it. Certainly, there will be a revenue stream coming from engineering. That we are very, very confident. And if we have said around INR10 crores to INR17 crores this year, we will try, our endeavor is to see that we keep that revenue stream coming in.

Raghunandan NL: Thank you, sir. And on the authorized service centers, the first one you have inaugurated, and totally you will have four of them. So, can you speak a bit about the rationale, what is the cost of setting up these centers, and what would be the revenue potential?

Balaji Gopalan: Okay. See, spare parts and service is a very focused vertical that we have taken up in our total review that we did two years back. We realized that other than pursuing localization, improvements, and whatever we have said, if you see, we had also mentioned spare parts as one of the focus areas that we have taken. To the extent that we structurally made a vertical of spare parts and service in Carraro India. We dedicated separate shop floor area for them to work, and independently do their dispatches as well. So, we are focusing on that.

Now, the target is because everybody knows the margins in spares are very significantly high. And looking at the numbers that we have sold, we feel that at least 10% of the revenue should come from spares in India because our products are good. We have a disadvantage that our products are so reliable and so well-engineered, that the requirement for spares is very less.

But since we have been present for a very long time, but the high technology products are there in the market only since last three to four years, we feel that the spare parts market is increasing and we have tied up with four centers. There is no investment that we have to do; it is done by the service provider himself because he becomes the authorized service center. What we do is we provide him the genuine spares, we train him in our factory, his team comes and they are trained in all the products over there.

These service centers are not roadside service centers for any tractor to just be driven inside -- you can drive it in, but largely they are authorized service centers for big other systems like Bosch Rexroth for hydraulics. So, they become service centers for all these kind of issues that come up in vehicles. And we have tied up with them who have the AMC, the servicing contract with big leasing companies like Singhi & Co in Bombay.

So, they don't go to the company service centers; they tie up with these kind of ancillary service centers who in turn tie up with the hydraulic specialist, the pump specialist, the Bosch, the fuel pump specialist, and then they service it. Not only service it, they also reman it. Reman means you bring a tractor that is 20 years old, 25 years old to these centers, and these centers will contact Carraro, and we will give them spare parts and others to rebuild the tractor with a proper warranty from this service center.

So, we are remanufacturing, remodeling old tractors as well. This is very common abroad; this is going to pick up in India because the leasing companies want to keep their fleet very healthy and with the latest technology. So, this is the model. Advantages: quick time to market because these people are completely trained.

Today when there is a field issue, I have to send people from Pune. Now, if there is a field issue from Faridabad, he will reach there in six hours and then remotely we will support in solving the problem. So, our OEMs will also be taking help from these service centers; they will be the first responders instead of Carraro in Pune.

Raghunandan NL: Got it, sir. Very helpful. And you said 10% of revenue should come from spares in India. What would it be currently, approximately?

Balaji Gopalan: Today we are between 3.5% to 4%.

Raghunandan NL: Got it, sir. And just my last question on the capex side to Davide. On the capex side, would the annual spend be around INR70-INR80 crores per annum? And if I understand the way you have shown the performance, your operating cash flow should be as high as INR150 crores per annum over this year and next year. So, there will be positive free cash flow generation and debt reduction. Would that thought process be correct?

Davide Grossi: So, for this year, you're right. For coming year, it's a bit different. This INR60 crores that we have mentioned are the share of capex which is dedicated to pure expansion. But the total capex for the next full year will be much higher than the INR60 crores. So, we do not see, at least at the moment, a further reduction in FY'26-FY'27 of our net debt.

However, it has to be mentioned as well that yes, the operating cash flow is improving if we manage to move along the way that we have mentioned, also in terms of profitability improvement. This will strengthen much further our operating cash flow generation, and there might be a bit of reduction of leverage even after the capex, but we will see step by step.

Raghunandan NL: So, would the total capex for FY'2027 be around INR130-INR140 crores?

Davide Grossi: More or less, yes.

Raghunandan NL: Got it, sir. Thank you. Thank you so much. That's all from my end and all the best for future.

Balaji Gopalan: Thank you. Thank you very much.

Moderator: Thank you. Ladies and gentlemen, that was the last question for today. I now hand the conference over to Dr. Balaji Gopalan for closing comments. Over to you, sir.

Balaji Gopalan: Yes, thank you very much. We want to thank all our investors, partners, and customers for your continued support and trust. We deeply value your confidence in us and we are excited about the road ahead. Thank you for your participation today. We hope we have addressed your questions satisfactorily. For any further questions, please feel free to reach out to Strategic Growth Advisors, our Investor Relations team. Thank you all very much. Thank you for your support as usual. Thank you. Good day.

Moderator: Thank you very much. On behalf of Carraro India Limited, that concludes this conference. Thank you all for joining us today and you may now disconnect your lines. Thank you.