

02nd June, 2025

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 Wednesday, 28th May, 2025 in respect of the Company's Audited Financial Results for quarter and financial year ended 31st March, 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 29th April, 2025 (Earnings Call Intimation"); and
3. Intimation of Audio recording of Earnings Conference Call held on Wednesday, 28th May, 2025 dated 28th May, 2025 ("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 Wednesday, 28th May, 2025 in respect of the Company's Audited Financial Results for quarter and financial year ended 31st March, 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

Nakul Shivaji Patil

Company Secretary and Compliance Officer

Membership No.: A39990

Encl.: As above.



“Carraro India Limited
Q4 & FY25 Earnings Conference Call”
May 28, 2025

E&OE - This transcript is edited for factual errors. In case of discrepancy, the audio recordings uploaded on the Stock Exchanges on 28th May, 2025 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 OF SALES – CARRARO INDIA LIMITED

Moderator: Ladies and gentlemen, good day and welcome to Carraro India Limited Q4 and FY25 Earnings Conference 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 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 touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to Dr. Balaji Gopalan, Managing Director of Carraro India Limited. Thank you and over to you Mr. Gopalan.

Balaji Gopalan:

Thank you very much. A very good morning to everyone and thank you for joining us for Carraro India Limited Q4 and Full Year Financial Year '25 Earnings Call. I am Balaji Gopalan, Managing Director and it is my pleasure to welcome all of you especially as we close out our first full fiscal year post IPO.

This is a defining milestone in Carraro India's journey. I am joined today by Mr. Davide Grossi, our CFO and whole-time Director, our Chief Operating Officer, Mr. Sudhendra Mannikar, Mr. Ashok Rai, our Director Sales, along with other members of the leadership team and Strategic Growth Advisors, our Investor Relation partners. I would first start with something which is very positive and we look at the dividend today.

At the outset, I am pleased to share that the Board has recommended a final dividend of INR4.55 per equity share of INR10 face value for financial year 2025 subject to shareholder approval. This marks our first dividend post listing, a significant milestone that reflects our commitment to create shareholder value while ensuring sustainable and profitable growth.

Looking ahead, we continue to prioritize strategic growth and capex initiatives. We remain focused on maintaining a prudent and consistent dividend policy in alignment with our long-term capital allocation framework. Coming to financial year 2025 performance highlights, it has been a year of strategic execution, resilience and laying the foundation for accelerated growth.

We are very pleased to report that we have successfully met our top-line and EBITDA guidance despite operating in a challenging macro environment, particularly with global softness in export markets and muted demand in some segments during the election phase in India. While the total income for the year was relatively flat on a year-over-year basis.

We achieved a 24% year-on-year growth in EBITDA with the same revenue of previous year, underscoring the strength of our business model, operational efficiencies and the ongoing benefit of product mix optimization. On the margin front, ladies and gentlemen, I am pleased to share that we exceeded our guidance of 10% EBITDA margin, delivering a full-year margin of 10.2% up 192 basis points from the previous year, with a PAT at plus 29% from (Errata: Actual number to be read as 41%) INR62 crores last year to INR88 crores this year.

This margin expansion was driven by a stronger contribution from our high-value four-wheel drive product portfolio, increased localization which reached 77% up from 67% about four or

five years ago, tighter control on costs and supplier collaboration, early traction from high-margin segments like engineering services. Our domestic business, excluding indirect exports, continued to gain momentum driven by consistent demand in the agriculture and construction equipment sectors.

OEM partnerships continue to strengthen as customers increasingly rely on Carraro for integrated technology-driven solutions. We continue to see long-term growth potential in our export segment, supported by recent new business wins despite ongoing global uncertainties. In the near term, however, export performance has remained under pressure, primarily due to macroeconomic headwinds and cyclical softness in key developed markets such as Europe and the United States.

Importantly, this softness is entirely demand-led. We have not lost a single customer or contract, underscoring the strength of our relationship and competitiveness. While the timing of recovery remains uncertain, we are actively engaged with global OEMs and are well positioned to ramp up as the demand normalizes.

Let me walk you through some of the key strategic highlights for financial year 2025. In construction equipment segment, the teleboom handler recorded our first export shipment in Q4 of financial year 25. Though volumes were modest, this represents a strategic entry into a high-potential export segment.

Domestically also we secured two projects with local customers for the teleboom handler axle platform. Backhoe loaders – business remained stable across both domestic and export markets. We mitigated export softness by securing a new series order from an existing customer, dispatches of which began in April this year.

Additionally, one of our local OEMs secured a back-to-back supply agreement with a global player, supporting future volumes for Carraro India. Coming to agriculture equipment, we go to four-wheel drive axles and gears. Domestic growth continued driven by wider four-wheel drive absorption.

However, our gear business saw a slight dip in the last two quarters and is expected to remain stable with limited near-term growth. High-horsepower transmissions beyond 100 horsepower, we successfully developed and piloted a new prototype for export customers. Series production is scheduled to begin in Q2FY26.

We have also won projects with two tractor OEMs, one for export, one for domestic, for more than 105 horsepower transmissions with production starting in financial year 26-27 and 27-28 respectively. Encouragingly, we are seeing rising interest in this category of high-horsepower transmissions from Indian OEMs as well. Engineering services business is witnessing a growing number of enquiries for higher horsepower and advanced technology configurations.

Some of these are currently under active negotiation. We expect this business to contribute some revenue in FY26 as well as we got it in the past. Customer addition- We added six new customers during 2025, including two very recently in Q4. Out of these customers, two are in the domestic

construction equipment segment for axles and transmissions and one for electric tractor transmissions.

Export business- Overall, demand remains muted, particularly in the agriculture segment. While near-term recovery is not evident, we are proactively engaging with customers to be ready when volumes improve, probably during the last quarter of the year. Capex - In FY2025, our total capital expenditures stood at INR515 million.

This investment was primarily directed towards supporting new product introductions, including the launch of a new axle line for telescopic boom handlers and a high-performance transmission range tailored for agriculture applications, both aimed at enabling incremental capacity to support our FY2026 sales.

Additionally, we allocated capex towards process upgrades and maintenance in our plant to drive efficiency improvements and integrate state-of-the-art technology across all our operations. Product development - We developed nine prototypes during the year, with five moving into production. For us, prototype is a bellwether for future revenue because we develop prototypes only when we get a concrete order or contract signed with the OEMs.

Nine prototypes is an indication of how inorganically we will grow in future. This reflects our strong focus on technology-driven product development and deep customer engagement. While revenue conversion from these efforts takes time for a period from two to three years, they form a critical part of our market seeding and long-term customer stickiness strategy.

Recognition and Customer Trust - We are very happy to share that we were honoured with multiple customer awards during this year, including recognitions from Mahindra and Mahindra, Caterpillar and Escorts Kubota. These are proud moments that reflect our relentless focus on quality and delivery excellence.

In particular, I am very delighted to share that in April 2025, Bull Machines awarded us the Best Supplier Award for Strategic Excellence. This reflects not only our operational strength, but also the deep trust we have built with customers who view us as strategic technology partners and not just as suppliers or vendors. I will now move briefly to the FY26 outlook.

Looking forward to FY26, we expect top-line growth in the range of 8% to 12%, so we are surely going to add revenue in the current financial year. We are targeting continued progress towards our medium-term goal of increasing EBITDA margins by at least 1% year-on-year for the next three years, building on our financial year 2025 margin EBITDA of 10.2%.

So, we are looking at growing 1% EBITDA. We will add 1% EBITDA hopefully year-on-year for the next three years. Margin delivery may fluctuate quarterly due to product mix, but we urge all our stakeholders to kindly focus on full-year profitability. Key levers such as localization, operating leverage, value-added product contribution to the product mix remain central to our strategy.

Growth drivers in financial year 2026. Stronger domestic demand across agriculture and construction sectors. We see a ramp-up in teleboom handler axle volumes. Revenue contribution

from engineering services seems to be very much on the finalization of the contracts. Enhanced localization targeting around 86% to 88% over the three years. These are directions that were taken as strategy one year ago.

And we realized that our strategy that we took on, the journey that we took on is giving us results that were anticipated by us and hence we are continuing the same strategy for the next year as well. We are also enhancing operating leverage through productivity improvements in our operations.

As part of a recently signed wage agreement with our labor union, we have secured a commitment to an increase of 20% in our labor efficiency enabling us to support margin expansion without adding to our headcount. In conclusion, ladies and gentlemen, Carraro India is well positioned for sustained profitable growth built on the pillars of technology, leadership, OEM trust, deep localization and customer-centric innovation.

Our pipeline is robust, our foundations are strong and our confidence in our strategic direction has never been higher. With that, I now invite Mr. Davide Grossi, our Whole-Time Director and CFO, to walk you through our financial performance. Davide Grossi.

Davide Grossi:

Thank you, Balaji and good morning to everyone. Let me take you through our financials for the quarter 4 and the full year 2025. I will quickly walk you through and then we will leave some space, of course, for your questions. Starting with Q4 2025, our total income stood at INR4,479 million, INR448 crores, up by 13% on a year-on-year basis.

Our EBITDA was INR489 million with an EBITDA margin of 10.9%. Our profit after tax for the quarter came at INR237 million. When we look at the full year FY2025, we recorded a total income of INR18,234 million, approximately EUR200 million. We registered an EBITDA of INR1,864 million, INR186 crores, up by 24% compared to the last year.

The EBITDA margin, as already mentioned by Mr. Balaji was at 10.2%, up from the 8.3% of the last year, with a 24% increase year-on-year. Our profit after tax was at INR881 million, INR88 crores, from the INR62 crores of financial year 2024. Segment-wise revenue for FY2025 are as follows.

In agriculture vehicle segment, we recorded INR8,565 million, contributing 47% of our total revenues. The construction vehicle segment registered revenues for INR7,491 million contributing 41% of our total top line. The other segment, which includes gears, spare parts and other tools, reported INR2,019 million of revenues, contributing at around 11% on the total revenues.

When we look at the split by geography, our domestic sales were INR12,155 million, contributing for 67% of the total top line, while the export segment with INR5,921 million, contributed 32.8% of our top line. As you can see, we maintained a healthy balance sheet throughout the year, ensuring sufficient liquidity to support operations and strategic investments. Capex was directed towards product development, capacity enhancement and process automation.

Looking ahead to FY 2026, we expect improvement across key financial metrics, supported by higher value product sales, engineering service growth and localization gains. This is all from my side. Balaji, back to you.

Balaji Gopalan:

Thank you, Davide. I will just take 30 seconds to summarize, after which we will have the question and answer session. To summarize, financial year 2025 was a year of consolidation and margin recovery. Financial year 2026 will be a year of acceleration across core, new and emerging segments.

We remain focused on our long-term roadmap of reaching EUR350 million in revenue and enhancing our EBITDA by 1% each year in the medium term. We deeply value the continued support of our investors, customers and partners. Thank you for your trust and for joining us on this journey. We now welcome your questions. Thank you.

Moderator:

Thank you. We will now begin the question and answer session. The first question comes from the line of Raghunandhan with Nuvama Research. Please go ahead.

Raghu Nandhan:

Thank you, sir, for the opportunity. Congratulations, Balaji sir and Davide for strong margin performance for both Q4 and FY25. A few questions. Firstly, the outlook for domestic tractor industry is positive for FY26. How do you see the underlying industry growth, especially for four-wheel drive tractors?

Balaji Gopalan:

Good morning, Mr. Raghu. Thank you for the question. It is a very valid question. You have rightly touched the point that the four-wheel drive market has been the strategy for growth of Carraro in India. This is the field that we entered just about four years ago and we have been capturing significant market in the four-wheel drive segment.

And we are still continuing to acquire more business and grow, but what is relevant and important is to understand that the absorption of four-wheel drive technology in the Indian tractor industry four or five years ago was just in the range of 1% to 2% of the total tractors being sold in India. One year back or one and a half years back, it had reached around 14% to 15%.

And I am very happy to share that it has already reached close to 20% in this financial year and it is very important that the global four-wheel drive tractor market stands in developed countries at 99%. So we are at a nascent stage. Carraro's strength in technology is in four-wheel drive axles and that segment is growing and you have seen it has grown beyond what we had estimated.

During our earlier calls and during the roadshow, we were estimating it to become around 17%, 17.5%, but it has grown much faster. This is very normal when it comes to any new technology absorption in the market. So the initial seeding takes a little bit of time, but when the threshold reaches, then it just shoots up the absorption.

So we are hoping for it to reach about 40%, 45% in the next two to three years, which will all be a favorable direction for Carraro in India. Have I answered your question?

Raghu Nandhan: Yes sir. Thank you very much. That provides a very optimistic outlook. Sir secondly, the company started small supply for teleboom handler in Q4. How do you see the ramp-up in FY26 and FY27? Also, would this order have higher margins compared to the blended level of margin of the company?

Balaji Gopalan: See teleboom handler is at a nascent stage in India. It is occupying no more than 1% of the total construction market industry at the moment and it is inching forward. So it is at the infancy stage. All other similar vehicles and technology which already entered India in the last five years, initially were 1%. Today, they are at about 8% to 9%.

So we are expecting teleboom handler also to grow in the similar direction, but we have a big advantage that the initial small step that we took has turned out to be very significant because of one global customer who is one of the largest players in this world. We have been able to secure that order that we had spoken in the past.

And I am very happy to share that the OEM is pushing us to ramp up much faster than what they estimated because the product that they launched with our axles has been very well received by their global final customers. For that reason, the ramp-up is growing and we are in a position where we will be required to do a plant expansion to cater to their requirements in the next one to two years.

So we will be able to manage with our improvement in efficiencies. We are trying to keep our fixed costs the same, not investing too much and maximizing the capacity that we have. So that is bringing in the operational efficiencies, plant efficiencies, is helping us in ramping up the new volumes that are being demanded. But very soon, in about six to nine months, we would be in a position where we have to do the ground-breaking ceremony for expansion of our plant.

And we will do it keeping in mind the ramp-up. So it will be done in at least three steps. The expansion, which we are expecting ultimately to be around 25,000 square meters, which is around 2.5 lakh square feet, will be the extra expansion for these kind of axles, but in a phased manner so that we don't have to put in all the investment in one go.

Coming to the margins that you had asked about, I will rope in Mr. Davide Grossi to give you insight.

Davide Grossi: Yes, good morning. So when we talk about margins for teleboom handler, we can say that the current set of orders that we have will be in the midterm, accretive in terms of margins, compared to the average of our portfolio. However, in the very short term, you will not be able to appreciate that because whenever we introduce a new product, there are a number of efficiencies that we need to develop in terms, of course, quantities that need to be produced.

And also and this is a bit of a paradox, but whenever you have a new product, your localization components will be lower. So you first start producing, start manufacturing and once the volumes ramp up, you are able to produce with a level of efficiency that you want and you are gradually able to localize the components that at the beginning you have to import.

So long story short, this project, yes, will be improving our margins, but it's something that you will see in due course.

Balaji Gopalan:

Yes, let me come in again. Any new product, because of quick time to market, we get available parts probably from our global sources to launch the product. Then after we start stabilizing and the volume increases, it becomes interesting for local vendors also to become part of that, then we localize. So that is when the margin will start growing. To answer your first question also, let me give some numbers for your satisfaction.

The expected volume for this year is roughly 6,000 axles. This will move to 9,000 next year and then go beyond 14,500 in this third year. This 14,500 translates to a revenue of EUR35 million, which is roughly around INR300 crores. So we are getting from one customer a single product growth of INR300 crores in the next three years. So I hope you people will realize and understand the magnitude of this business that we have got. And this is largely or I would say more or less export business that has come into India.

Raghu Nandhan:

Thank you, sir, for the detailed answer and wonderful to know the magnitude of work you're doing. Sir, on the localization part, 77% is the share of Indian suppliers and raw material. How do you see the share increasing in FY26 and how do you see it going over say the next three years?

Balaji Gopalan:

Yes, localization is a focus. We had explained this during the roadshow. We have put a special team that is identifying not just localization. Now we have fine-tuned it to identify high-runner products in our order book and focus our localization on that so that we are able to see the benefit in our numbers. Otherwise, localization remains on paper. It doesn't reflect in my performance.

So we are now focusing on high-running components and we are focusing on that. We have looked at a total of 46 components that qualify for cost optimization and we have already closed 20 of them in that 46 basket. So our estimation based on the product mix for that particular year, we are expecting to touch 80% localization for the current year.

So this also depends, as you all know, the order mix can change quarter-to-quarter. So if it is as per what we are anticipating now, looking at the order book, we will be 80% this year.

Raghunandhan:

Thank you very much, sir and wishing you all the best. I'll fall back to the queue. Thank you.

Moderator:

Thank you. Next question comes from the line of Sonal Gupta with HSBC Asset Management India. Please go ahead.

Sonal Gupta:

Hi, good morning, sir and thanks for taking my question. So just continuing with this localization bit, while you said we have touched 77% localization, I would have imagined that we will see – do you think that benefit will also flow through or we will see the benefit of this localization more in cost terms next year?

I'm just trying to understand, like we are – and I think Davide also mentioned that some of this will flow gradually. So I'm just trying to understand that have we reached optimum from a 77% or we just touched 77% and the benefits are yet to come?

Balaji Gopalan: Yes, you are very right. This localization is kind of a sun and cloudy season. So when the product mix is good, we get a good benefit into our numbers. When the product mix is going towards existing products or it is too much of the new technology products, then although I have the localization, those components are not going into the products that are getting dispatched for that month or for that quarter.

Hence, answering your question, the consolidation of all this localization will take place at the end of 1.5 years, 2 years, 2.5 years depending at which stage we have started the localization. So we assume that with the growing volumes, the absorption will be better and we will get the benefits.

So to answer your question, the localization benefit accruing directly into my financial numbers will be on a staggered basis, but it will keep getting consolidated between what was in the past and what is emerging in the future.

Sonal Gupta: Got it, sir. And sir you also talked about on the backhoe loaders, we have won orders and you said we have added two customers on the construction equipment side and the domestic. So, I mean, like construction equipment because of this CV5 norms, I mean, we understand that there is some amount of a slowdown.

So, I mean, just from your perspective, how do you see, I mean, even if the industry is sort of more flattish this year, how do you see construction equipment growing for you?

Balaji Gopalan: Yes, see, the model of Carraro business, we are at a stage where we are not dependent fully on the organic growth in the industry. So, we are beating the industry estimation because we are growing in this segment that we operate. So, I always tell everybody that please look at the big in the small.

We are part of a larger market, but the whole market does not affect us because we operate in a smaller segment and we are big in that small segment. So, keeping that as the background, for us, for example, in construction equipment, teleboom handler, I have given the reference of the contract that we have got, which is leading us to INR300 crores in the next 3 years or rather 2-2.5 years.

Similarly, in backhoe loaders, there are new orders that are coming. And one of very big significant backhoe loader player in India, who is in the top two in the market has got a contract manufacturing for a big global OEM. And he will be assembling it in India and using it for their global requirement for export. And he will be taking the transmissions from us. So, I don't want to take the name of the big brand for which he will be doing it.

But the fact is, he has got an order for branding it. So, it's like a white good manufacturing white label. And he is able to sell it to that global player. And he, in India is in the top two, top three of the backhoe loader market. So, these are the kind of projects and wins that we get with our customer that is helping us grow in a very challenging market, where the market itself is showing growth between 3% to 5%, 3% to 6%.

We are beating that and growing. And to that reason, even in the last financial year that we closed now on 31st March, we have shown a significant increase in our revenues as we projected, we crossed that estimation. For this year, we are looking at growing to about EUR215, EUR218, EUR220 million.

So, there would be about 8% to 10%, 8% to 12% growth coming into our revenue. That is why we always suggest to all the analysts that don't gauge us by the growth projection of the market itself. In the market, our segment is growing. Our customers are taking more products from us. Our export is also growing, although we are saying in general, the export market is soft.

So, our storyline is a bit different, which is very specific to our products and the customer penetration that we have in those segments.

Sonal Gupta:

No, that is well understood. I understand. I mean, that's what we like about the story that, I mean, it will grow faster than the market. So, and just on the domestic, I mean, sorry, just on the export side, do we see any impact from the US tariff situation?

Balaji Gopalan:

Okay. US tariff is a very interesting discussion everybody has. But for us, this is a hanging sword, to be very honest. At the moment, we have limited exposure to the US market. We have done a kind of analysis. We don't have a reliable, direct, validated number because we supply to the OEMs. And from that stock, the OEM can decide where to dispatch their finely built vehicles.

But looking at whatever information we have gathered from the market, it seems like we are in the range of 4% to 7% or I would say we are in single digit exposure to the American market. So, it's not a very big concern for us, number one. Number two, we dispatch from our factory and our responsibility is over.

The customs duty, the import duties are paid by the OEMs who are buying from us. So, we don't pay any of the duties or we are not affected directly by any of the tariffs. We have a price contract and we get it based on that. Number three, the nature of our business we have explained, it takes two years to three years for replacing any of our products. We are mission critical.

20% to 25% of my transmission axle cost, is the cost of the, I would say is the cost compared to the cost of the vehicle. So, it is very important and it takes 2 years to 3 years to do the testing, validation and then replace us (i.e. Carraro India). So, very honestly speaking, they (i.e. our Customers) have no choice. They have to continue taking it (i.e. our Products). They have to manage the impact of any type, but they have very limited choice in the next 2 years to do anything.

And there is nothing better they can get because they are sourcing it from India to then develop it in another country and source it from there. It's a long shot for them. So, all in all, we feel we are very well protected and we are insulated from any negative effect because of the U.S. market.

Davide Grossi:

And maybe Balaji, we could just add that as of now we have not seen any, let's say, red flag. None of our customers have reached out to us trying to open a discussion on this point. So, of course, it can happen in the future, but as of now we don't see this happening.

- Sonal Gupta:** Got it. So, yes, that's where I understand your point. I was more concerned, like, say, I mean, we have deemed exports also like supplying to customers domestically within exporting or to exports to parent who is potentially then exporting. So, we're not directly impacted by the tariffs, but if the end demand sort of slows down, then that will sort of. So, I'm just trying to understand from that point?
- Balaji Gopalan:** It could happen, but also consider the fact that the indirect sales from Indian OEMs abroad is not to most of the developed economies because there are emission norms that could kick in over there. So, they are more for the developing countries and the unregulated market. So, we don't see a very big impact.
- None of the OEMs have reduced their volumes or anything. We are going steady. And that is the reason we are giving a guidance of 8% to 12% revenue growth in my current financial year.
- Sonal Gupta:** Okay. Great. Thank you so much and wish you all the best.
- Balaji Gopalan:** Thank you very much for your support.
- Moderator:** Thank you. Next question comes from the line of Mahesh with LIC Mutual Fund. Please go ahead.
- Mahesh:** Hi, sir. Thank you so much for the opportunity. Sir, I mean, most of my questions have been answered. You mentioned about the 8% to 12% of growth current year. So, this is assuming that exports are going to remain soft. So, next year, if exports come back, is there any case we will be able to grow more than 15% for next year?
- Balaji Gopalan:** See, I'll put it this way. There could be setbacks. We are in an environment where things are uncertain. So, we will not say that there are no risks. But we have to look at an optimistic and realistic situation. And being in the business, we have all the data points with us. We have the market intelligence. We are directly dealing with all the OEMs.
- In India, all the tractor manufacturers are our customers. So, we have a better database and an evaluation of how the market is moving because it is not a single source of input that comes to us. We get inputs from all the OEMs. So, we are able to validate it. We are able to normalize it. And then we make our estimation. So, it doesn't matter. Last year, the exports were low.
- But we compensated it by domestic. So, we are always in a position and we have that maneuverability to ensure that we are meeting our targets. In business, we say our strategy is that we adjust our sales rather than trying to control the wind. So, we don't have to really worry about what is going to hit us.
- What is more important for the business is are we prepared to handle the storm if it comes. And let me assure you, we are well protected. We are well strategized to handle any ups and downs. We will go steady. This is the strategy of Carraro. Consolidation and sustainability is the key words that we use for our business.

So, answering your question, we will still achieve 8% to 12% irrespective of how the export market will behave.

Mahesh: And sir, you mentioned about 100 basis point margin expansion every year and for the next 3 years. So, if the growth comes back, I mean, I understand there is uncertainty in the environment. I mean, no one knows what is going to happen, but as things stand now, if the growth comes back and in FY27 more than 10%, is there an upside to this 10% margin expansion every year?

Balaji Gopalan: See, it's a very difficult question for me to answer today because I am not an astrologist or I cannot predict anything. But the fact remains that with the current situation, we are talking of 1%. Now, why do we give this kind of guidance is to give a kind of a flavor to our investors that we are working on our marginality and our profitability will keep increasing year-on-year.

We have different strategies in place. It is not because of one extraordinary income that we are showing an increase in EBITDA. We are structurally strengthening ourselves to ensure that we are sustainable in the EBITDA that we are giving to our investors. So, this will keep increasing. We have plan A, we have plan B. And you are seeing in the last one year, we have lived up to what we are saying.

So, we do what we say and we say what we do. So, please be rest assured that yes, if there is a holocaust or a nuclear war, then you and me won't be even having this call, but if the business goes on in its normal way, fluctuations are there. It is part of our business strategy. Setbacks could be there, but we have to reset our sale and we have to ensure that we deliver to the market what has been committed.

We are working for ensuring that we deliver what we say. And the numbers that we say and the guidance that we give are all realistic. We don't want to come back and give excuses. This is not the storyline that Carraro would take now or in future. Every call will only strengthen that we have achieved what we have committed.

Mahesh: Thanks so much.

Moderator: Thank you. Next question comes from the line of Ashok Shah with Eklavya Invesco Family Office. Please go ahead.

Ashok Shah: Thanks for taking my question. Sir, I must congratulate you for excellent results. Sir, you told in your presentation and talk that four-wheel drive is around 99% except India. So what is the addressable market in India? Can you just give the approximate size of it?

Balaji Gopalan: See, we are looking at roughly 1 million. 10 lakh is the industry. And in that 10 lakh, we are looking at 2 to 2.2 lakhs. 1.9 lakhs to 2.2 lakhs will be the four-wheel drive market. And that will inch up slowly, moving to 40%. And we feel that the 40% could be a pivot point, deflection point, where from 40% it can start shooting up and going to about 60%, 65%.

Ashok Shah: Sir, that is actually size-wise. Sir, I want it in monetary form?

Balaji Gopalan: Monetary form as part of our revenue?

- Ashok Shah:** Yes. It could be -- no, as a market addressable size whether it could be a INR300 crores, INR500 crores, INR1,000 crores. What is the size if it is we reach around 70%, 80%?
- Balaji Gopalan:** This is a good question. Actually, it is out of syllabus for us now. But we will try to work on these numbers and probably you can reach out to us and we will give it to you.
- Ashok Shah:** So what is our current sales and size? We are around 20% and what are sales in 20% four-wheel drive?
- Ashok Rai:** We operate in 41 horsepower and above market. So in 41 horsepower and above market, the market size is approximately 170,000, 180,000 tractors this year. Now in that, in the non-captive segment, we have almost 60%, 65% market share. But when you ask about the number or the value on the crores, probably we will prepare this answer for you and we will answer you offline. Because there are different sizes of the axles in the market, so it is very difficult to immediately answer as the value of the market.
- Ashok Shah:** Could it be 40% of our sales? Sorry to disturb you, sir. Could it be 40% of our sales currently?
- Ashok Rai:** Yes, in case of domestic agricultural, if we talk about it could be in that band. 40%, 45% would be the band in which we are selling.
- Ashok Shah:** So what is the value of the 40%?
- Davide Grossi:** 40% of our domestic sales more or less.
- Balaji Gopalan:** So roughly about INR400 crores to INR500 crores.
- Ashok Shah:** So definitely it is a more than addressable market, more than INR2,000 crores for India if it reaches 60% over the next 3 years to 5 years?
- Balaji Gopalan:** Yes, that can be an inferred value. Why we were reluctant to give numbers was we have not calculated it, but the way you are doing it, you are quite spot on.
- Ashok Shah:** Are we have a capacity to supply such a market over the next 5 years?
- Balaji Gopalan:** Yes. We have a land bank of roughly about 30 acres still available for the expansion. And even in the current 53 acres that we have, we are able to expand our existing plant also. So we can go up to EUR500 million to EUR600 million, around INR5,000 crores, INR5500 crores. The land is available. The land bank is already with us.
- Ashok Shah:** No, sorry. Sir, I am not talking about land bank. I am talking about actual plant's capacity to supply?
- Balaji Gopalan:** Sir, we explained to you that even this current teleboom handler business of INR300 crores requires expansion. So we will be investing in three steps starting the last quarter of this year and ending it in the next to next financial year. So it will be an investment that has been planned and it will be invested in a phased manner depending on the ramp up.

So we first get the order, by then we start ramping up. Till then we squeeze our existing capacity to cater to the market. So answering your question, we will have to invest periodically to reach that figure of INR5,000 crores. The next expansion immediate that will happen will take us to EUR350 million, which is roughly around INR3,200 crores.

Ashok Shah: So we have lots of confidence in four-wheel drive. So why we are planning for expansion at the end of a year and not just starting just now because we have cash and everything with us?

Balaji Gopalan: Sir, it is a strategy that we use. The requirement for the four-wheel drive will come more or less from the efficiency and other improvements that we are doing. The expansion is largely required for the teleboom handler business, which is basically the construction equipment segment, that is going to grow and our capacities will be tuned in for that.

The four-wheel drive market, we already have installed that capacity. We just have to keep increasing the number of ships, increasing the number of people in the line. We have to plan our supply chain. So these are more practical things for which we have already factored in everything. So infrastructure is existing. I have to increase the headcount, increase the number of ships, and I will be able to get the output.

Ashok Shah: Sir, I have one suggestion. Since this is the first year, you organize a plant visit for the investor analyst and also do the annual general meeting in physical format. So everybody can visit the Pune and have a look at it and have a good discussion. Thank you. That's all from my side. I will fall back in queue.

Balaji Gopalan: We will be very happy to host any of the investors who are visiting. It could be done in a set of small groups through our Strategic Growth Advisors. You can contact them and we are willing to open the factory for investors as many days as they want. So it may not be convenient to have it on a single day. We are open to have it over a period of time on pre-fixed days. So all are welcome.

We will be very proud to showcase our facility. And trust me, investors will get more confidence when they see the world-class facility that we have.

Moderator: Thank you. Next question comes from the line of Anish Rankawat with UTI Mutual Funds. Please go ahead.

Anish Rankawat: Hi, thanks for taking my question. Sorry if I missed this. The others segment is down about 10% on a full year basis. Can you highlight what comes under the others business and what could be the reason for this decline, that's my first question?

Balaji Gopalan: So the others is -- yes you got a valid point. Others is basically our gear business that we have. We also have engineering services over there. We also have spare parts over there.

Davide Grossi: We have also some loose components which we provide.

Balaji Gopalan: Some assemblies that we provide to our other plants globally. So those are the others business.

Anish Rankawat: And what's driving the decline? I mean, what's the key reason?

- Balaji Gopalan:** The gear business is a little bit down. So to that reason, because the gear is not going directly to construction or to agriculture sector. We supply gears to other industries as well. So the offtake of gears has gone down a bit. Like even Cummins is our customer. So they use it for engine timing(51:25) gears. So the drop is largely on the gears.
- Anish Rankawat:** And what's the outlook for FY26 for gears?
- Balaji Gopalan:** It is more or less stable. We are looking at protecting what business we are doing in the last year. And we are getting similar indications that it will bottom out. So it is already at the lowest. And they are also looking at some growth in this year, but people are being very conservative and saying that growth is going to be flat. And in that environment, I am giving all of you the hope that we are looking at 8% to 12%.
- So you could sense what is giving me that confidence based on our product portfolio, which is very balanced. Agriculture, construction, domestic, export. So the revenue basket that we have is very balanced. So when one pulls down, we are able to work on the other and bring in the stability that is required.
- Anish Rankawat:** Secondly, last year I think the capex number was INR 515 million if I am not wrong and how much are you envisaging for FY26?
- Davide Grossi:** So we have budgeted for FY26 INR70 crores of fresh capex. And this is not including any possible addition that we might deliberate related to the expansion. Since Balaji already mentioned about expanding our plans, we are currently assessing some options. We have not finalized yet the final plan. Whenever that will be done, we will also communicate the same. But as of now, we can take a number of INR70 crores for the financial year. In case of any update, we will also communicate.
- Balaji Gopalan:** We don't want underutilized capacity in our operations. When you people will come and see the plant, you will see that every corner of the factory, every machine in the factory is being utilized. You will see that flow that is happening over there. So our investments for expansion will be need-based. Only when we have a confirmed order will we invest so that it will help us in our ramp-up, but no investment based on anticipation. We don't want to do that mistake.
- Anish Rankawat:** Just to confirm, the expansion that you are looking for is for the teleboom itself or any other product line?
- Balaji Gopalan:** We will be expanding as a concept of assembly lines. So when we move from the current assembly line and we set up a new one for teleboom handler, the existing one also gives me some capacity. So largely the expansion is for construction equipment, that's it. So it could be used for teleboom, it can be used for something else, it could be used for mobile cranes, but the family is largely construction equipment.
- When I do the expansion for construction equipment, I will get the residual benefit of moving the current line to a new line. So my agriculture line gets more capacity. They are all interlinked. You get my point?

- Anish Rankawat:** Understood. Yes. Very well. Just lastly, if you can quantify what could be the overall utilization?
- Balaji Gopalan:** See currently for the industry which we operate in, that is gearbox and axles, anything in the range of 80% is considered adequately utilized because sometimes there are spikes from our customers. So they get some new tender. They win some contract for, say, developing countries or for Africa.
- And they would give us a requirement of, say, 500 axles and gearboxes to be supplied within 45 days. So it is important for us to keep that. It is also important to keep a little bit of a buffer backup in case of any failure of a particular machine or something. So all machines will not be at 100% capacity. We will collapse if that is done. So we are at the right level, optimum level of around 75% to 80% is our utilization now.
- And we will continue. It may go up to 85%, 88%, 87%, but we will not be keeping it at that. The moment expansion happens, it will probably come down to 70%. And then as we ramp up the numbers, it will go to 80%, 85%. To answer your question, we will consciously not fill our capacities beyond 80%, 85%.
- Anish Rankawat:** Understood. That's all from me. Thank you and all the best.
- Moderator:** Thank you. Next question comes from the line of Aabhas Verma with East Green Advisors. Please go ahead.
- Aabhas Verma:** Yes. Hi. Good morning, sir. Yes. I just have one question. Could you please share your R&D spend as a percentage of revenue for FY25 and how do you expect this number to evolve going forward?
- Davide Grossi:** So this is a bit of an articulated answer, but you can take the fact that at Carraro level, R&D expenditure is usually in the range of 3%, even higher than that in some years. In Carraro India, the situation is a bit more complicated than this because R&D comes in two different ways. There are some R&D services that we buy from our exporters sometimes as needed and they are very erratic depending on the projects on which we are working.
- The other chunk of R&D expenditure comes from our subsidiary, Carraro Technologies. Carraro Technologies is a company that sells R&D also within the group and it is a kind of a profit center for us because it's a company that operates with a profit. It sells services to Carraro Group as well as Carraro India.
- So we do not have a specific number that I can give you and also please keep in mind that this setup that I just mentioned is something that saw the light of the day less than one year ago. So it's a number that will have to stabilize over the year. So we will probably be able to create a history and tell you exactly what are those figures, but as of now we do not have a reliable number.
- Balaji Gopalan:** In any case, it's a profitable subsidiary that we have. We are making profit in that, although it could be small because it is basically services, human capital, but it is giving us a positive bottom line.

Aabhas Verma: Sure, sir. Thank you. Thank you so much. All the best.

Moderator: Thank you. Next question comes from the line of Sriram R., an Individual Investor. Please go ahead.

Sriram R: Yes. Thank you for the opportunity. I just have one question. Could you please share the domestic revenue split between agri and construction?

Davide Grossi: Yes. Just give us a second. So domestic, we have 42% in construction, 50% in agri and 7% in others.

Sriram R: Okay. That's helpful, sir. Thank you.

Moderator: Thank you. Next question comes from the line of Ashok Shah with Eklavya Invesco Family Office. Please go ahead.

Ashok Shah: Thank you for giving me again an opportunity. Sir, you stated that we would be increasing 1% margin every year. So how it will be done? So can you just elaborate?

Balaji Gopalan: Yes. So there are a couple of factors that will add into our EBITDA. One significant is the localization. Whenever we localize any part, we save roughly, if not more, at least 15%. So the range is between 12% to 15% because we save on the duty, transport, everything, but if it is from a low-cost country like China, then my savings are probably close to 10%.

So this will add. Today, we are at 77%. We are moving to 80% in the current financial year and our target is to reach 88% in the next two years. So this will add to my margin significantly. Number two, plant efficiencies are being increased on a daily basis. For example, the revenue we will grow by 10%, but my headcount goes down by 100 people.

So we are using manpower and our plant and machinery more efficiently and more effectively. And all other fixed costs, we are controlling so that as the revenue grows, I am not having a model where my costs are also growing along with the revenue. My costs will be capped at the current level of EUR200 million to EUR210 million and I will try to push my revenue by keeping the costs under control.

All these three things. And it is a strategic concerted effort where even with the union, we have got a 20% improvement in labor efficiency over the next 1.5 years, 2 years. And they have signed, as a very special case, a 4 year wage agreement, which normally in India, all agreements are for 3 years.

Carraro India is one of the, probably 1% of the companies in India have a 4 year or a 5 year agreement. We are very fortunate we have signed a 4 year agreement. So the plan, the journey for reaching EUR350 million, that is more than INR3,000 crores is already charted out. Everybody has the buy-in in it and we are all going together as a team to achieve it. So there will be no surprises because we have tied the knots wherever it is required for them to contribute to our EUR350 million journey.

Moderator: Thank you. We have lost the line. Ladies and gentlemen, due to time constraints we have reached the end of question and answer session. I would now like to hand the conference over to Dr. Balaji Gopalan for closing comments.

Balaji Gopalan: Yes. Thank you very much. We hope we have addressed all your questions satisfactorily. We tried to be as transparent and as open to share the situation with us because we feel the situation, the reality is in our favor and we have got into the right track of the journey to reach the EBITDA numbers that we have been planning to achieve and the revenue that we want to achieve in the next 3 years.

So you're all in a company that is very stable, sustainable, realistic, transparent and professionally run. So please, I thank all of you again and I hope I will have the continued support of all the investors. And lastly as suggested by one of the investors, I open-heartedly welcome all the investors to our plant. Please come and spend a couple of hours with us. It will be our pleasure and our honor. With this, I would like to end this call. Thank you very much once again.

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