

19th November, 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 Monday, 17th November, 2025 in respect of the Company's Unaudited Financial Results for quarter and half year ended on 30th September, 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 27th October, 2025 (Earnings Call Intimation"); and
3. Intimation of Audio recording of Earnings Conference Call held on Monday, 17th November, 2025 dated 17th November, 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 Monday, 17th November, 2025 in respect of the Company's Unaudited Financial Results for the quarter and half year ended on 30th September, 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
Q2 & H1 FY26 Earnings Conference Call”
November 17, 2025

E&OE - This transcript is edited for factual errors. In case of discrepancy, the audio recordings uploaded on the Stock Exchanges on 17th November, 2025 shall prevail.



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

Moderator: Ladies and gentlemen, good day and welcome to the Q2 FY26 Earnings Conference Call of Carraro India Limited. 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, Managing Director of Carraro India Limited. Thank you and over to you, sir.

Balaji Gopalan: Yes. Thank you very much. This is Balaji Gopalan, Managing Director, Carraro India Limited. Good morning to all of you, and thank you for joining us today for Carraro India Limited's Q2 and H1 FY26 earnings call.

I am joined today by Mr. Davide Grossi, our Whole-Time Director and CFO; Mr. Sudhendra Mannikar, our Chief Operating Officer and Whole-Time Director; and Mr. Ashok Rai, our Director of Sales and Marketing, along with members of our leadership team and our Investor Relations Partners, Strategic Growth Advisors.

Let me start with an overview of our performance for the first half of FY26. The first half has been steady and encouraging for Carraro India. Revenue from operations grew 18% year-on-year, supported by healthy volume growth across both domestic and export markets.

On the domestic side, revenue was up by 11% year-on-year, led by strong demand for four-wheel drive axles in the agriculture segment and a stable performance in construction equipment. Exports delivered an even stronger growth of 31% year-on-year, largely driven by teleboom handler axles.

While indirect exports of agricultural drive lines remained subdued, resilient domestic market helped us maintain overall volume momentum. Volumes have remained strong, reinforcing our confidence in the sustainability of our performance. That said, realizations and margins were temporarily impacted by a change in product mix.

The growth in domestic four-wheel drive axles, though very encouraging was concentrated in a lower margin family of products within the agriculture segment. As a result, we are experiencing some near-term pressure on profitability. Nonetheless, we remain firmly on course with our middle-term margin roadmap. Several focused actions are already underway to strengthen our product mix, accelerate localization, and drive deeper cost and process efficiencies across our operations.

Also, on the localization front, we have made steady progress with localized raw materials now accounting to 78% of our total requirement and expected to touch 80% by the end of this year, thus strengthening our cost structure and supporting long-term profitability.

Now, let me take a moment to delve deeper and share some color on the performance across our key segments. I start with construction equipment segment, the teleboom handler ramp-up of our new range of teleboom handler axles for a major global OEM continued through the quarter and is progressing very well. We see strong visibility for sustained growth here. Our new projects with both domestic and international customers in this product family are also on track.

Coming to backhoe loaders, exports registered positive performance supported by strong demand from China and early signs of recovery in other overseas markets. Overall, exports of construction equipment for Carraro grew 33% year-on-year.

On the other hand, the domestic construction equipment market declined by around 9% in H1 FY26 versus last year with backhoe loader volumes down 12% mainly due to a prolonged monsoon and the slower adoption of higher cost BS-V models.

Coming to agriculture segment, in the domestic agriculture segment, the shift from two-wheel drive to four-wheel drive has accelerated following the GST reduction, which has nearly equalized pre-GST two-wheel drive prices with post-GST four-wheel drive models. In response, Carraro India is ramping its capacity to meet the anticipated rise in four-wheel drive demand over the next few years.

Coming to higher horsepower transmissions, export markets were relatively flat, but are expected to recover in the coming quarters, which should improve offtake for high horsepower tractor transmissions.

It's also worth mentioning the two OEMs leading in India, including one from India and the other is a global one, showcased tractors equipped with Carraro's high horsepower drivelines at Agritechnica show in Hanover, Germany just recently, a proud moment that underscores our engineering strength and technological capability. Gear business remained subdued during H1 FY26 with lower sales compared to last year. We expect this segment to remain stable in the near term with limited upside until the overall market improves.

Coming to engineering services business, we are seeing strong traction with growing inquiries, especially for higher horsepower and more advanced configurations. A major highlight this half was our INR17.5 crores agreement with Montra Electric for industrialization and supply of e-transmissions for electric-powered agriculture tractors. This marks a key step in our technology roadmap and aligns well with our vision of enabling next-generation clean and efficient power trains. Revenue from our engineering services business was INR50 million in Q2 FY26, up from INR17 million a year ago.

Capacity expansion. During H1, we invested INR211 million into our world-class facility at Ranjangaon with two new sealed-quench furnaces and 800 mm pallet Mazak machining center. We also installed the TLB test bench in July and a robotic washing machine in September, further strengthening our operational readiness for future growth.

After-sales network is an area where we have focused very recently and to reinforce our after-sales network, we have partnered with one distributor and two authorized service centers to enhance our aftermarket and spare parts coverage. Innovation continues to be a key focus for Carraro India. During the half, we developed six new prototypes and we productionized three from those developed last year.

Further, we dispatched two units of our high horsepower T100 EVO-HD prototype to a large Indian OEM and successfully completed the pilot batch of CVT automatic transmission units, which marks a significant step towards commercialization of this automatic gearbox technology. We are delighted to share that Carraro India received for the third consecutive year the Caterpillar SER award, the highest global recognition for operational excellence, quality and customer commitment.

With that, let me now hand over to Mr. Davide Grossi, our Whole-Time Director and CFO to take you through the financial performance. Davide?

Davide Grossi:

Thank you, Balaji, and good morning to everyone. We will quickly go through the main figures and then we will give some space for questions as usual.

Starting with Q2, income from operations grew by 33% year-on-year to INR5,863 million, INR586 crores. The total income stood at INR5,931 million, INR593crores, also growing by 33% year-on-year. Our EBITDA grew by 25% year-on-year, coming at INR593 million, translating to an EBITDA margin of 10%.

Our profit after tax for the quarter increased by 44% year-on-year to INR317 million, translating to a profit after tax margin of 5.3%. Agricultural vehicle segment grew by 16% year-on-year to INR2,541 million, INR254 crores, while construction vehicles grew 57% year-on-year to INR2,665 million, INR266 crores.

Moving to the results for the first half, we registered income from operations growing by 18% year-on-year to INR10,792 million, INR1,079 crores, driven by domestic volume growth and teleboom handler new business in export.

Our total income stood at INR10,930 million, INR1,093 crores, also growing at 18% year-on-year. Our EBITDA grew by 13% year-on-year, coming at INR1,141 million, INR114 crores, translating to an EBITDA margin of 10.4%.

Profit after tax for the half year increased by 22% year-on-year at INR608 million, translating to a PAT margin of 5.6%. Agricultural vehicle segment grew 6% year-on-year at INR4,760 million, INR476 crores, while construction vehicles grew 35% year-on-year to INR4,843 million.

Our focus remains firmly on achieving the guided margin profile through disciplined cost management and portfolio optimization. Our revenues are growing well with the market absorbing Carraro products and technology, and our balance sheet remains strong with healthy liquidity levels that enable us to fund operations comfortably, support strategic investments, and remain agile in capturing growth opportunities.

Looking ahead, we stay optimistic about the rest of FY26, supported by strong revenue growth, rising contribution from engineering services, and incremental benefits from localization.

With that, we can open the floor for question. I think we are ready.

Balaji Gopalan: Yes. We are ready for the questions. As I explained in the beginning, I have the CFO, Davide Grossi; Mr. Mannikar, Chief Operating Officer; Ashok Rai, our Director of Sales and Marketing. So, any questions, we can now take with the concerned people chipping in as required.

Moderator: Thank you very much, sir. Ladies and gentlemen, we will now begin the question-and-answer session. The first question is from the line of Raghunandhan NL from Nuvama Research. Please go ahead.

Raghunandhan NL: Congratulations to the management team on absolutely phenomenal results, and also receiving the Caterpillar Award. Firstly, on full year, EUR215 million to EUR220 million was the previous guidance. Would you be at higher end or beyond the guidance, which you previously gave? What can lead to upside to the previous expectations?

Balaji Gopalan: Yes. Thank you very much for the call, and thank you for your good wishes and good words. We are also excited by the situation that is emerging in the Indian market and our global exports are turning out to be much better than what we had anticipated. Coming to your specific questions, the guidance for the full year has been, realistically, we said EUR215 million and we said we will target EUR220 million.

Now we are very confident that we will surely touch EUR220 million and probably something more could be an added sugar to the entire revenue that we have. But things are very positive and we are very excited with the growth in revenue that is coming up. You have seen we have already clocked 18% higher revenue compared to the comparable numbers last year and the going goes in the way it is now, we should surpass even the EUR220 million guideline that we had given for the full year.

Raghunandan NL: Great, sir. Great. Good to hear that. One of the drivers is export. Export is going really well for you, 31% growth in H1 led by orders for teleboom and backhoe loader. Will it continue to support performance in H2 and FY27, the orders which you have? And specifically, on the TBH axle, how much is the revenue in H1? And how do you expect the full year revenue for FY26 and FY27?

Balaji Gopalan: Yes. The teleboom handler business and the backhoe loader, these are new businesses that have come up this year and the requirement is to understand that it is a ramp-up phase that we are in. So whenever we are in ramp-up phase, the initial takeoff is a little bit gray area because we don't know how the customers are responding to the new model, how the OEMs are looking at it from expanding their market with this product. So market penetration and market acceptability becomes the challenge whenever there is a new ramp-up.

And I'm very happy to share with all of you that the response from the market has been quite overwhelming and to that reason there has been a big push for increasing the volumes from the big global OEMs. That shows, that only vindicates that Carraro products are exactly fitting the

market requirements and there is a recognition and appreciation of the value-add that Carraro brings to the table for the OEMs.

Coming to your specific question, are we looking at the same numbers to sustain? Yes, for sure, because it is a ramp-up and it is not something sporadic with some tender or a contract that the OEM has won that they are supplying to that region. This is a normal market absorption through their regular dealerships and this will continue and this is what is giving us the confidence that we will hopefully surpass the EUR220 million guideline for the year end.

Raghunandan NL: Wonderful. Good to hear that. So, will the TBH axle order be in excess of EUR20 million for the full year and for next year, can it go to EUR30 million?

Balaji Gopalan: Next year, yes, for sure, the numbers are looking close to the figures you have shared. This year, answering your previous question, in the first half, we have billed roughly around INR87 crores for Teleboom Handler -- this should continue in the second half as well. So it will be quite close to the numbers that we were projecting in the past, but INR87 crores is what we have done for this year. Additionally, for the same OEM -- the global OEM, in the backhoe loader, we clocked around INR34 crores - INR35 crores. So together, if you see, it is giving us a significant share of our exports in teleboom handler or in, I would say, the construction equipment as a whole.

Raghunandan NL: Thank you, sir. This is very helpful. To Mr. Davide Grossi, if you can kindly indicate domestic agri and construction equipment revenue for Q2?

Davide Grossi: Yes. Okay, so we had construction for Q2 was 45% of our total revenues from operations and agri was 43%.

Raghunandan NL: Domestic construction.

Davide Grossi: Domestic. Sorry, okay. I will get to that. Domestic construction was 38% and agri 53%. If we look at export, we have construction at 57% and agri at 27%.

Raghunandan NL: Thank you. Thank you very much. That is very helpful. And would we look at maintaining the margin guidance of 12% for next year and would we be closer to 11% for the current year?

Balaji Gopalan: Okay. See on one side, we are seeing development which is beyond what we had anticipated and that has resulted in higher revenues of 18%. EBITDA in the absolute value sense, we have grown 13% and PAT, Profit After Tax has been a very impressive 22% higher than last year.

So the numbers are all in our favor, but we want the market and the investors to understand that whenever there is a ramp-up and the technology absorption, in the beginning the margins do get affected because the kind of exponential growth that has come in, certain element of localizations were factored in because the numbers would have grown higher next year, by that time, our localizations have kicked in.

But when something gets advanced like this, then a lot of our cost-saving initiatives in terms of plant efficiencies, purchasing efficiencies, all these things get overridden because our target is more on achieving the revenue because we need to feed the market. And at that point in time, in

that rush, sometimes some of the costs are kind of going beyond what is to be the most efficient cost structure.

So answering your question, this year we are not saying that we will be very far away from the guidance that we gave. Our endeavor will be to run faster and try to catch up in the second half. But we don't want to look at a change in our guidance for next year because we are quite confident that all our cost-cutting initiatives and the localizations will kick-in and it will support us next year.

Having said this, we want to be as transparent as possible. And we have shown a history of saying what we do and doing what we say. So I would factor in a little bit marginal reduction, if at all, if it is there in spite of our best efforts. So, 11% could be 10.9%, 10.85%, something like that. But we are not looking at something very dramatic reduction.

And we are hopeful because all other parameters are positive for us. The efficiencies have to kick-in, localizations have to kick-in. The validations took time because we were expecting things to get validated because there is a cycle time, there are cycles for testing. So we were expecting those to happen by next year when the four-wheel drive market would have grown bigger.

From the 17%, 18% that we were anticipating, I don't have the real market numbers, but the feelers I have got is the four-wheel drive market has touched close to 24%, 25%, which we were expecting it next year. So these kind of big jumps that are happening sometimes puts our efficiencies and those things at a stress.

But answering again for the margins, next year, if not 12%, probably 11.9%, you know, those kind of numbers is what we are looking at. So we are close to the guidance that we are giving. If things go well, surely, we will exceed it. So in the long term, we are very, very confident of achieving what we have committed.

Raghunandan NL:

Thank you, sir. That is very helpful. The trajectory most importantly is very meaningful and in the right direction. Just a last question on the capex part, can you please indicate, given that there is capacity additions happening, can you please indicate how do you see FY26 and FY27 capex? From the financials, I can see that first half it was about INR147 million kind of investment in capex?

Balaji Gopalan:

Yes. Looking at the ramp-up that is happening and the kind of demand that is coming for our products and also the inquiries that are coming in exactly the areas that we want to penetrate in the market that is high horsepower transmissions, the CVTs, teleboom handlers. These are giving us a lot of hope at the same time pressure to build our capacities.

But as a management, we have decided not to go in for a big expansion and leave the capacities idle for a couple of months before the ramp-up takes place. Instead, we are adopting a very step-by-step approach. You have seen we have spent over INR20 crores this year. We have introduced the Mazak machine, horizontal machining center. We have introduced two sealed-quench furnaces, test benches.

Now this is what we call as a progressive improvement in our capacity. So, we leverage on whatever efficiencies and improvements, concurrent improvements that we can do in our existing facility before we really start building another factory or another plant, which we call as plant 3. That activity should start next year. But again, it will be step-by-step. So we will defer it or rather stagger it over two years or about 30 months starting from now onwards.

So the incremental improvements and investments that we are making should hopefully take us through next year as well. Davide, would you like to add a few words?

Davide Grossi:

Just a couple of things, Raghu. The amount that we have spent this year so far is mostly what we call as maintenance capex, which means that those are capex for a replacement of machine or making sure that our plant in general remain at the quality that we need, and also some interventions to create some debottlenecking of a few lines. You might have noticed that the growth is mostly happening on axle side. So, we have to make sure that those lines can sustain the volumes that the market is demanding.

When we look at the future, we know, we have always said it, that if we want to reach our target of EUR350 million, more important capex and real expansion capex will be required. We are starting this. We have a few ideas, a few options on the table because when you do this kind of capex, you have to look not just at three, four years ahead, but maybe 10 and more than that. So probably for the next two years, three years, you will see an amount of capex which will be more significant and this will be for meeting such future requirements.

But as Balaji mentioned, it will be a phased manner approach. We also have to be mindful of how the market is reacting, whether the global economy is recovering, whether our markets -- the markets where we sell are recovering or not. So we have to be cautious also.

Raghunandan NL:

Thank you. Thank you for that. Overall, wonderful performance again and congratulations and wishing all the best.

Balaji Gopalan:

Thank you.

Davide Grossi:

Thank you very much.

Moderator:

Thank you. We will take the next question from the line of Mahesh Bendre from LIC Mutual Fund. Please go ahead.

Mahesh Bendre:

Yes, Sir, congratulations. Great set of numbers. Sir, the most heartening part was the recovery in export. I think earlier we were slightly cautious on export side, but exports have rebounded significantly. So, do you think this is sustainable?

Balaji Gopalan:

Yes. As we said, the exports were basically banking on the teleboom handler for a large global OEM. And that was a new launch. The market had to test it. The market had to accept it. And that is why it was little subdued in the beginning, considering the global scenario at that point in time.

But when the market -- the test batch and the pilot batch went into the market, the response was overwhelming. And that product got accepted by the market. And that is the reason they have kind of upped the ramp-up to a very sharp numbers, and we are now in that position to meet that expectations.

We have a requirement roughly of around 1,700 numbers per quarter, and we want to meet the customer expectations of higher volumes as well. So answering your question, the ramp-up will take place. It will continue, and we hope that it will sustain for the next one or two years when the market fully gets covered by this new product that the OEM is launching. So the answer is yes.

Davide Grossi:

If I can just add one thing. Actually, the performance that we expect in the future from the export should be much better than this one because as of today, we keep repeating. To be honest, this increment that you see today is due to new projects that we have acquired in the last 1, 1.5 years.

But there is a big bunch of sales for which we are still waiting for a recovery of the market. Export market in general still remains not very sparkling at the moment. So when the market bounce back, you will be probably able to see a much better performance in the export segment, which is what we are also betting for the future.

Mahesh Bendre:

Sure. Great to hear, sir. And sir, earlier, we were indicating that we will improve margins by 100 basis points every year for the next two, three years. So, what I heard from you is that because of the ramp-up and the sudden demand and scaling up the businesses, instead of 100 basis points, we could -- it be around 85, 90 basis point improvement in margin for next year. Am I right, sir?

Balaji Gopalan:

Yes. See, as we said, for us, the margin calculation is always dependent on the product mix. And when we say product, it is not just the large product like a teleboom handler, axle or four-wheel drive axle, that is the family. But in that, the configuration that goes in also matters in our marginality.

Now when the new technology is getting absorbed into the market, there is always a tendency to start at the lower spectrum and then keep adding on to the technology as the product stabilizes in the market.

So to that reason, our product mix keeps changing because depending on the region, depending on the dealer, the overall numbers for the year may get captured within what we have estimated. But quarter-wise, month-wise, sometimes we are unable to predict and estimate the impact of the product mix on our EBITDA. So to that reason, from the beginning, we have been using this slogan that for Carraro, trust us in the long term, don't get too disturbed by what you people perceive as some disruptions, but we see it as a normal business activity that is happening.

And we know it because we are here for 27 years. So we won't go wrong. It is a matter of trusting what we have been saying. The numbers we have shown, the revenue, EBITDA, PAT at absolute value, everything has gone up. The market is accepting us. The market is accepting our technology, this is what is the North Star for us. This is what will keep us going. And we are an organization who want to be humble. We don't want to browbeat too much the kind of revenues we are achieving.

You have seen we have maintained a very low profile last quarter when we gave the guidance, although we knew something good may happen this quarter, but we kept it subdued. We want to be realistic. We want to be reliable. That is more important. And look at the numbers, the growth and the market response to Carraro in India. This is very important.

And Carraro globally, that is coming up with the kind of exports, although the export market is low, our product, our segment is doing very well. So we are exceeding the market numbers for exports. We are exceeding the numbers in India as well in some of the segments that we are operating in. So my suggestion, again, I reiterate, please don't look into 100 points, 90 points or 80 points.

In the long run, we will achieve the guidance we have given. And the fact that the market is coming to us and our revenues are growing, that should give us confidence that Carraro India will achieve what guidance we have been giving. So there will be some fluctuations up and down, but don't read too much into it. As long as the market is growing, our revenues are growing, the margins will catch up. It is only a matter of time.

And as human beings, we have been estimating, these have been our targets, and we are working towards it. But there are some temporary setbacks that come in. These are not fundamental structural setbacks. These are momentary, temporary setbacks that come in, which will get eased off as we grow in the future.

So again, I reinforce look at the organization, look at the technology, look at how the market is treating us, and you will realize what we have been saying is well within what we have committed in the past.

Mahesh Bendre:

Sure. Thank you so much, sir.

Moderator:

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

Jaymin:

Thank you so much for this opportunity, sir. On the teleboom handler ramp-up, I mean, we have seen a strong ramp-up with the major international OEM and your domestic programs are also progressing well. So just wanted to understand one thing, for this specific major international OEM, can you clarify -- I mean, it's just a regional award or eventually is a part of the broader global sourcing opportunity?

And secondly, in domestic program, when should we expect the additional customer wins or the program nomination for this teleboom handler platform? Is it like it's going to be in FY '26? Or is the pipeline more back ended?

Balaji Gopalan:

Okay. See, as far as Caterpillar, who is the big OEM that we were talking about, we have shared it in the past as well. That is a global project that we are doing with them. So they will be sourcing it from India for their global requirements. So answering your question, it is a global project and the market is being managed by them, and we are exporting it to one of their plants. From there, they are further distributing it into their market.

So the going will be good. As I said, this is not a small project, localized project. It is a global project for that entire platform. So that is why it is a very prestigious and very significant project.

And the fact that we are able to give a product like that to a very big reputed OEM, which is a benchmark for quality standards, that only strengthens our position as a very good product supplier, and that is a normal, I would say, go-to factor for other OEMs that they come to us because we have already established the credibility and the performance of our product.

So this is a big, I would say, a marketing tool, a big advantage that we are building into our portfolio that our product stands validated and accepted by one of the world's largest OEM player in the construction equipment. So that is the reason there are many inquiries coming in. So we will have a competitive advantage when it comes to finalization of the contract. These are ramp-ups.

Again, keep in mind, it will take time. They will initially take small numbers, test the market and then go in for the ramp-up. So, it will all start next year, but the real meat, I think, will come after about 24 months. Ashok, do you want to add something? Our Sales Director, he is in Europe now, he could probably add a few words. Ashok?

Ashok Rai:

You are absolutely spot on, sir, regarding the -- it will take 18 to 24 months before the serial production start with the local OEMs because we have given the prototypes to them. And there are certain prototype we have given in this quarter and a couple of prototypes we'll be giving in the next quarter. So that will take around 18 months for field validation and all. So it will take 18 to 24 months to get into the serial production.

Balaji Gopalan:

Yes. Thank you. Another indication, like we always say, the bellwether for our future revenue is the prototypes that we give because we build protos only when there is a serious contract for the project. We don't make protos and keep it in our portfolio. So this year, we are -- we have already delivered six different prototypes for six different products. And this year, we have productionized three of the previous prototypes that were tested by OEMs.

What I'm trying to say is there are these prototypes which are in the pipeline, including six of this year, which means we are getting six new additional contracts in the future. And our revenues, our market penetration seems very, very encouraging. There are no two ways about it. Carraro is really breaking the barrier and entering into the OEMs for higher horsepower transmissions, for automatic transmissions and for the backhoe loader segment. So we are doing exactly what we wanted and the market is responding favorably to us as of now. Thank you.

Jaymin:

I mean it's great to hear. Just one piece. You highlighted, I mean, temporary factors which are affecting a few basis point margin profile on annual guidance. Apart from mix driven, is there something I mean delay in localization or cost reduction program, which might affect your annual guidance?

Balaji Gopalan:

Yes. See when we -- yes. Have you finished? Can I answer?

Jaymin:

Yes, sir.

Balaji Gopalan: Yes, okay. See, when we talk about localization, these are estimates that we are doing based on how we are able to clear the testing process, testing and validation. Testing happens at the component level and at the aggregate level and then at the vehicle level. So three different tests are done, and these are called basically validation process.

Very often, the third level of validation at the vehicle level gets delayed. And because of that, our program, the absorption of that localized part into the product or into our revenue gets affected.

So that is why we said these kind of things slightly here and there, a little bit, it will happen, but they are not anything structurally wrong or we have flawed in any of our efforts that it's a dead end and we are not able to move any further. This is ongoing, and we have consistently said that the margin improvements will come because of higher growth, absorption of fixed cost, localization, improvement in efficiencies, cutting non-critical expenses.

So we are doing it across the enterprise like a business process reengineering and making our organization very lean and very efficient so that we are one of the benchmark in the industry that we are in.

So answering your question, nothing fundamental, nothing structural. These are all small variations that are happening. If the validation is delayed by four months, my absorption of that localization is deferred by four months. So even the absorption, some OEMs are willing to totally change into all their supplies that we are giving. Some say, bring in 25%, then after three months, another 25%. So they also want to have a ramp-up in terms of the localized product into their vehicle.

So all these things are a little situational, very difficult to predict. That is why we give that factor and tell you that long term, we will achieve. Short term, please overlook any of these ups and downs that are happening. Have I answered your question, sir?

Jaymin: Yes, sir. I mean, you have perfectly answered it. If you allow, I mean, can I ask more on this one?

Balaji Gopalan: Yes, go ahead.

Jaymin: So I mean, when you look at the Carraro Group, I mean, India plant has been doing exceptionally well in terms of the performance and across, I mean, other factors also. Is there any Carraro Group, as a whole, they are undertaking any manufacturing footprint rationalization globally, which will lead to indirect benefit in terms of your higher volume or the product transfer to the India plant over the next one to two years?

Balaji Gopalan: Yes, see, we are working on the industrial footprint of center of excellence. Okay. So, anything that is working in the agriculture transmission side, globally, wherever we get contracts, and if it is of a significant volume, then it comes into India, from anywhere in the world. We are not setting up any new facility as of now.

We just have expansions that are happening in whichever market we are growing, okay, from the infrastructure point of view. However, we are exploring new markets, with the US Trump issues that gave us an opportunity to look beyond what we are normally catering. And we are seriously looking at exploring all other markets.

And we will have some benefits because of the TLB, the transmission for Backhoe loader, that is also gaining some momentum in some countries like China and other places. And those volumes automatically will come into Carraro India.

So, we could see a growth in the TLB transmissions for Teleboom, which we have a couple of models from various technology standpoint. And that seems to be gaining momentum in our global market. And that is being sourced out of India.

So, answer is yes, but it's not going to be a game changer, but it will help me in reaching my higher revenue guideline that we are looking at today of crossing that EUR220 million target that we had earlier given, which we said is optimistic. But now that has become realistic, optimistic could go to EUR225 million or something close to that.

Jaymin: Sure, sir. Thank you for answering my questions and best of luck for the future.

Balaji Gopalan: Yes. Thank you.

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

Lakshminarayanan: Yes. Good morning, sir. Just one question. You know, I understand that we are, we, you know, most of our products are system based and not necessarily, you don't have like a build to print kind of product, right? You know, having said that, how do we explain that our margins, our gross margins are low because even if you look at forging companies and some of the other axle companies, they have a higher gross margin.

So therefore, is it possible for us to do even much better than what we are actually looking at in terms of 11% margin or so? Just want to hear your thoughts. Are we kind of under promising that we can't increase more because all the comparables you look at in the industry, be it forging or be it some of the axle companies stand higher gross margin, right? So, what prevents us from aspiring even higher margins?

Balaji Gopalan: Okay. So this is a very good question. And this is a question that has been in every investor's mind right from the beginning. We don't manufacture to the OEMs design. It is Carraro technology. It is our IP and we manufacture it. We only co-design and adapt it to the vehicle performance that is sought by our OEMs. Okay. So this is our strength that we have.

Now, don't compare us with a forging company because they make huge margins. We are stuck in between. We have the components which are below us, which have their set of margins because there is a big demand for them. If not for Carraro, they can give it to somebody else. They can go to automotive, they can go to any field and they can fill their capacity.

So there is always a demand at the component level and thereby the margins are higher over there. Even in our own Carraro India, the gear plant, obviously my internal margins are much higher compared to my main plant. In the main plant, we are bringing in technology, we are doing machining and we are doing assembly. That is largely the activity that we do with a paint shop that we have.

Now, when we introduce it into the market, there are factors. Our main competitor is probably in-house itself. So they have their numbers on their table and they have to take a make-by decision. In that, we have to get that foothold into the organization. Looking at the long term, we have to sometimes look at a lower margin in order to get entry into that product line for a big future.

Now, when we do these kinds of alignments, our margins are reduced. We are not underperforming. We are not away from the benchmark. We have to take the right benchmark. If you take, say, our competitors like similar, like Dana off-highway or Comer and others, we are quite within that range that we operate in and we don't think there is going to be a very big improvement that will happen. That is why we are looking at localizations. Something that is intrinsic will be in my control.

What is eccentric, that is external, which goes to the OEMs for negotiation, price negotiation, repricing, or going to our suppliers for alternate sourcing or a lower price sourcing. These are things that happen and these are ongoing. But the actual, we are banking on something that we have to do by ourselves and that is improving efficiencies, fixed cost control, localizations. These are things that will surely come into the kitty and that is why sometimes there are some fluctuations. And answering your question, sir, we have benchmarked ourselves with other companies in the processes that are common and we feel that these are quite appropriate.

To improve our margins now, we are also looking at spare parts because spare parts, as everybody knows, has a higher margin and we have a better leverage in negotiating for the spare parts because these are original spare parts and the kind of duty cycle guarantees we give for performance is much better than what is in the aftermarket products that are available to them.

So that is why we have increased the dealership, we have increased service centers, we are pushing OEMs to take more of our spare parts, we are monitoring it, and I would say all in all, using these kinds of strategies, our margins are bound to increase.

Lakshminarayanan:

Got it, sir. As we go along, now what are the critical places where we may get bottlenecks? Is it our supply chain, which is your inbound supply chain or your capacity internally, which you can actually manage? So as you grow, especially in exports, what are the places where you think bottlenecks will be there?

And second, exports, I always understand that it comes with some kind of an order book, whereas in India, you have maybe rolling three months. So in these two aspects, what kind of visibility we have in terms of order book? And secondly, in terms of what would actually constrain us from an inbound supply chain because we rely on other suppliers to provide us materials?

- Balaji Gopalan:** Yes. So, these are, I would not say real constraints, these are challenges in front of us. And being a mature organization and having gone through the business cycles over the last many years, today we are able to anticipate and kind of contain any of the things that are disrupting. Looking at the supply chain, yes, it is a challenge when there is a boom then capacities at the supplier end also gets affected.
- So we have to factor in all that. So we get into a very detailed analysis on which are the suppliers we are dealing with? Are they sustainable from a financial point of view, from a capacity point of view, from a quality point of view?
- So we keep doing these kind of regular assessments because these are perceived as risks that if ignored can create a disruption. And to what is scientifically and humanly possible, we are anticipating it and we hope that there will be no disruption going by the way we are looking at those instances that can crop up when we are growing.
- The future is very strong for us and you have, I must compliment you, you have rightly highlighted the point that although the revenue could grow, what are the other challenges that could pull us down? And let me assure you, we are very well clear on what could be the issues that are coming up and we are having a very scientific and systematic approach in handling those kinds of disruptions, potential disruptions that could come up.
- As of now, we don't see anything major. If there is a shipping line issue, if there are disruptions in the sea and in the port that is something we have to handle it at that point in time. In the past also, the Mumbai JNPT port was full, was choked, but we had to go to the Gujarat port and then transport it by road into our plant.
- So that gave us a delay of about a week or 10 days. So these are kind of small, small things that come up, but nothing structural, nothing fundamental. That is what I would like to reassure all of you.
- Lakshminarayanan:** Yes sir. Sir, on the order books of exports, how you think about it?
- Balaji Gopalan:** The order books for exports are more or less stable. There is no spike in the second half, nor there is a big reduction. So I would say we would sustain more or less at the same level. Davide, anything you want to add?
- Davide Grossi:** No, no. This is also what we mentioned at the beginning when we commented the expectation for the full turnover for the year. We have a decent visibility. We believe that what we have seen so far can pretty much continue for the next six months.
- Lakshminarayanan:** Got it, sir. Thank you for your detailed answers and very good disclosure. Thank you so much.
- Balaji Gopalan:** Thank you.
- Moderator:** Thank you. The next question is from the line of Satyan Wadhwa from Profusion. I'm sorry. The participant has left the queue. We'll move on to the next question, which is from the line of Vijay Pandey from Nuvama. Please go ahead.

- Vijay Pandey:** Thanks sir. Thank you for taking my question. Congratulations for excellent numbers. Sir, I, very recently started to look at the company to have few understandings, so wanted to check. In the axles two-wheel drive business, in the prospectus it was mentioned that non-captive is like - what will be the non-captive business in the axles two-wheel drive and what will be our market share?
- Balaji Gopalan:** Two-wheel drive market share?
- Vijay Pandey:** Yes.
- Balaji Gopalan:** We are -- yes, two-wheel drive is largely captive, and historically, Carraro had never wanted to compete in the two-wheel drive, because the OEMs are well having the capacity and the right price points because they have been doing it historically.
- What Carraro does, because we are a technology company, we want to focus on where the future is going to go with the adoption and absorption of the technology that we would be providing.
- So in terms of market share, I don't think we have anything worth talking about in the two-wheel drive market, because that is a dead axle. It's a very low-end product, there is nothing, anybody can do it. Largely, it is a fabricated axle. It's a fabricated beam, whereas four-wheel drive is all casting. So it is the same material that gearboxes are built.
- So to that reason, our focus will be only in the four-wheel drive market and that is where the future is. As I said, five, six years back, four-wheel drive was zero. It was 100% two-wheel drive. Today, unconfirmed sources talk about 23% to 25% penetration of four-wheel drive. Once technology like four-wheel drive gets absorbed in the market then the ramp-up becomes very steep. So, what we were anticipating 40% after three to four years, seems like we will achieve it in the next 12 to 18 months period itself. So, our focus is four-wheel drive.
- Vijay Pandey:** Okay. So sir, that means that the addressable market for us will increase significantly over the next 12 to 18 months?
- Balaji Gopalan:** Yes, yes. Not in two, three months. Did I hear two, three months?
- Vijay Pandey:** 12 to 18 months.
- Balaji Gopalan:** Yes, exactly, because these kinds of technology absorption two, three months is nothing. A relevant period, the least count should be at least 18 to 24 months.
- Vijay Pandey:** And sir, when we talk about the export in the construction equipment, so what are the sales in the second quarter?
- Balaji Gopalan:** The second quarter is more or less mirroring the first quarter.
- Vijay Pandey:** In construction equipment?
- Balaji Gopalan:** Yes. Export, right?

Vijay Pandey: Yes, yes.

Balaji Gopalan: Yes, yes. It is more or less mirroring the first quarter -- sorry, first half.

Vijay Pandey: Okay. And sir, how are you seeing the domestic construction market coming up, because there has been a good decline? You mentioned I think 9% decline.

Balaji Gopalan: Yes.

Vijay Pandey: So in terms of our business, it has been similar. And are you seeing the momentum to pick up from like October onwards or is it still very weak?

Balaji Gopalan: Yes. See -- yes, the domestic market largely because of the heavy rains and extended period of rains. Usually when you have rains and this kind of environment, then the construction industry goes into a kind of a low-level sustenance situation. That is what we have faced.

We are, as usual, we don't want to be over optimistic or commit or get too excited and excite the investors as well. We want to be steady. We want to be realistic. We will assume that the market will be subdued till the end of the year and then, probably pick up for next year. But we don't want to factor in something that is not in our control. So we are factoring in that it will remain subdued for the rest of the year as well, and probably it will show a ramp up in the next financial year.

Our Sales Director is there, Ashok Rai. Would you like to double-click and say a few words on this, Ashok?

Ashok Rai: Yes, sir. In case of construction market, as we said -- as Dr. Balaji said a few minutes ago, because of the rain and also, the Stage V prices, because we introduced the Stage V norm in January 2025, the prices of the machines were high. So both the factors have kept the sale of the new machine at the lower level in the first half.

In the second half, we are expecting slightly better than the first half, but not as a... overall year would be more or less flat. We are not expecting to have an increase in the sale of the machine in the full year vis-à-vis the previous year.

Vijay Pandey: Okay. One question, sir, if I may. I wanted to check, like, in terms of the new emission regulation that is expected to come. So, is that still in the pipeline? How is the discussion looking? Because a couple of OEMs have said that it may be delayed for the tractor business, and how much that will impact our four-wheel drive business for FY27, if that becomes the case?

Balaji Gopalan: Yes. Ashok?

Ashok Rai: Okay. I'll answer this question in two parts. One is the emission norm in the Tractor segment is delayed. That is confirmed. It is expected to be after 2027.

Second part, it doesn't affect our four-wheel drive business, because that engine and the emission norm, has no link with our product. Basically, the conversion which is happening from two-wheel drive to four-wheel drive is irrespective of the emission norm, it will continue to happen.

It is like this. In the past, people were not using the power steering, and as soon as they started using the power steering, they never gone back to the manual steering.

The same is happening in the four-wheel drive axles. Any customer who has started using four-wheel drive tractors, he rarely goes back to the two-wheel drive. And this conversion will continue irrespective of the emission norm, and it has no bearing on the conversion of two-wheel drive to four-wheel drive tractors. I hope I answered your question.

Vijay Pandey: Yes, sir. Yes, sir. Thank you. Thank you, and all the best for upcoming quarters.

Balaji Gopalan: Yes. Thank you.

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

Balaji Gopalan: Yes. Thank you very much. Thank you all the participants for taking interest in Carraro India. The going is good. We are in control of the situation. The market is responding very well to our products. OEMs are respecting what Carraro can bring to the table.

A lot of discussions are going on for new projects with OEMs, so we are very confident of a very successful future. The next half is going to mirror what we have done now. So, all-in-all, we are feeling that we are in control of the situation, and we will be surely able to fulfil the guidance that we have been giving from time-to-time.

And I hope all of you will support Carraro as a long-term investment and long-term opportunity. So, thank you very much once again, and good day to all of you.

Moderator: Thank you, members of the management. On behalf of Carraro India Limited, that concludes this conference. We thank you for joining us, and you may now disconnect your lines. Thank you.