

Elgi Equipments

Operator: Good afternoon, everyone. On behalf of Asian Markets, we welcome you all to the Q1 FY25 post-results webinar of Elgi Equipments Ltd. We have with us Mr. Jairam Varadaraj, Managing Director representing the company. I will request Mr. Jairam to take us through the presentation and overview of the results, following which we will start the Q&A session. Over to you, sir. Thank you.

Jairam Varadaraj – Managing Director: Thank you, Kamlesh. Thank you, Asian Market Securities, for organizing this. Ladies and gentlemen, it is a pleasure to be with you. I hope you are able to see my screen because I am having difficulty seeing my own screen. Please give me a minute while I check the view option.

Operator: We are able to see your screen, sir.

Jairam Varadaraj – Managing Director: I know. I am not able to see it, so I am trying to determine which view option I should use. Please give me one minute. I am not able to get my screen. I am sharing it, right? What is the view option? Stop sharing. Get it back. It should be here. I have to see the screen there. Can you see the screen now?

Operator: Yes, sir. We are able to see it.

Jairam Varadaraj – Managing Director: Perfect. Thank you again. I apologize for this challenge. I changed the format for this year. I am starting with revenue and then moving to EBITDA. I want to look at the Q1 revenue numbers compared to Q1 of last year. We grew by about 23%, and excluding that, 6–7% of the 23% was exchange-related. Across the board, we had growth. I will come back and talk about region-wise performance. EBITDA grew by 28%. This has been good. I will again talk in greater detail about its constituents.

Moving on to the sales mix, it was broadly the same between compressors and automotive equipment, and the split between India and the rest of the world was also broadly the same. We have introduced this slide to give you a sense of where our growth is coming from. If you look at India, which is standalone, we grew by about 28%. North America grew by 37%, Europe grew by 21%, and Australia grew by 7%—I mean, sorry, 17%. Across the board, we have had good growth. Despite strong growth in India, we have been able to maintain the split between India and the rest of the world by virtue of growth in other geographies as well.

Moving to the classical EBITDA reconciliation that we normally present, exchange has been significant, so we have carved it out because there was a significant impact from exchange during the quarter. We had a good volume impact. We had a negative contribution impact, primarily because of raw material cost increases, tariffs, and product mix. We have responded to this through cost reduction, and we have also responded through price corrections in the market. However, we expect to see the impact of the price correction towards the end of the second quarter and more fully in the third quarter. Broadly, we are confident that we have mitigated this.

We started the year thinking that there would be a 3–4% increase in material costs caused by metal commodity prices, but in reality, it was 5%. Then there was a possibility that it could go to 9%. We have taken 9% and implemented some corrective measures, so we are confident that there will not

Report is AI-generated and may contain inaccuracies.

Elgi Equipments

be any impact. Even this quarter, we have maintained the same EBITDA percentage as last year; in fact, we are slightly better. I think it will continue to improve in the future.

This is the position on employee costs. Even though the increase seems significant, it is primarily because of the increments we have given across the world. Overall, costs are well within control. The same applies to other expenses. There was a 12% increase, primarily because we took on rental premises for our motor plant. In addition, after selling the facilities in the US, we moved into rental facilities.

Moving on to the final full financials, our PAT is at 9.7, roughly similar to Q1 of last year, and this includes some exceptional reorganization costs. We are going through some reorganization in Australia, Europe, and to a smaller extent in the US. We think there will be some continuation of these costs during the year, but the benefit of doing this will come in a very short time and will be good for the company. Therefore, we are not too concerned about this.

The company's net cash position continues to be very strong. Regarding capex, one component is MK2, our program for shifting our campus from the city factory to the new campus. About half of the capex has been allocated to that. The other component is the land we bought in Italy, which was contracted six years ago and for which we had to fulfill our commitment, along with some normal equipment capex in the factory.

This is what I wanted to present to you. I will now give an overview of the sales numbers, starting with Australia. Australia was somewhat muted relative to the other geographies. We have had some challenges in our service business and distribution operations. We are working to reset the processes and reorganize them, and we are confident that by Q3 and Q4, we will be back to where we are supposed to be.

Southeast Asia continues to be somewhat challenging. Part of our restructuring cost is also directed toward Southeast Asia. The market is large, but there are still challenges for an Indian brand in that market. We are working on different strategies there. It is a longer-term play and is not a significant contributor.

Coming to India, India performed well across all verticals, whether industrial, portables, aftermarket, or vacuum. All of them performed well in the quarter, and we expect to continue at this level. However, growth rates may be lower because Q1 of last year was somewhat muted, while we had very strong Q2, Q3, and Q4 quarters. Therefore, the growth rates may not be as attractive as they were in Q1, but we will continue to grow.

In India, we have made strong inroads into growth sectors such as EVs. Our growth in EVs has been significant, our growth in the renewable energy segment has been significant, and our growth in the semiconductor ecosystem has also been significant. We are riding on some of the industry waves taking place in India.

Europe is more of a P&L play for us right now. We have done everything to ensure that it reaches breakeven and stays there, and it is staying there. There are some initiatives to grow the top line. We have made plans to enter Germany and place somewhat more emphasis on Eastern Europe. There will be tighter cost control even as we try to grow some of the geographies and products.

Report is AI-generated and may contain inaccuracies.

Elgi Equipments

14 August 2026

Europe will show up in the medium term and will return to where it is supposed to be.

North America was a good story. Our distribution business is not performing as well as it should, primarily on the service side. We are working on a few initiatives. All the other businesses have performed well in North America, and we expect this momentum to continue in the future as well.

This is the overall summary of our performance for the first quarter. Our project to enter what we call the Tier 4 segment at the bottom of the industrial pyramid, where we have been facing very low-cost compressors from China, is fully lined up. Our products have been validated. In fact, we have already received our first orders. The formal launch is scheduled for this month in Coimbatore, at one of the exhibitions we are going to hold. We are on track. The launch will be in September.

We have our distributors lined up, the training program has been completed, and our internal organization is in place for both sales and service. That project is on track. This year is only a start year. It will contribute marginally to the top line, but over the next few years, we expect it to become a very strong player. I will stop here and rely on your questions to provide further clarification. Thank you.

Operator: Thank you, sir, for the opening comments. We will wait for the question queue to assemble. Participants, in case you have any questions, please use the raise-hand option. You may also submit your questions in the chat box below. Sir, the first question is from the line of Ravi Swaminathan. Ravi, you may unmute yourself and go ahead with your question.

Ravi Swaminathan: Hi, sir. Good afternoon. Congratulations on a good set of numbers.

Jairam Varadaraj – Managing Director: Thank you, Ravi. Good afternoon.

Ravi Swaminathan: Sir, my first question is with respect to the India business. It has seen very strong growth of almost 28%. Do you have any sense of how much of it was volume-driven and how much was price-led? A significant amount of raw material price increases has occurred over the past few months, especially since the war. How much price increase have we taken over the past few months, and have we completed our price correction, or is there a further price increase on the cards?

Jairam Varadaraj – Managing Director: I would say the growth has been primarily volume-driven, Ravi. There has been a marginal price correction. We anticipated about a 3% increase in raw material prices and corrected our prices to that extent. What really happened is that our raw material costs increased by 5–6%. To that extent, we were under-recovered, but we have corrected for that in the subsequent quarters. However, we are not able to see its impact in the first quarter yet.

Ravi Swaminathan: Understood, sir. If it is so volume-driven, that is more than 20% growth in terms of volume growth. Can you highlight some of the end sub-segments or sectors that have performed particularly well? Or have we entered some newer categories, with newer products such as aftermarket products or stabilizer products contributing to this incremental growth?

Varun Gahs: There are multiple reasons. Across all industry verticals, there has been growth, so I cannot say that one particular industry has contributed significantly. That is the first point.

Report is AI-generated and may contain inaccuracies.

Elgi Equipments

14 August 2026

Within specific industry segments, we have been able to grow by virtue of Demand Match. Demand Match was launched in September of last year, and the traction and receptivity have been outstanding. We have been able to gain entry into customers who were never our customers. The value proposition that we have demonstrated for the product has been very powerful, and that is driving growth. That is the second stream.

There have been no real new products that we have launched, but we have upgraded our entire range of products over a period of time. Today, our product range is one of the best in the world in terms of energy efficiency and competitiveness, by virtue of making our own motors. The overall value proposition that we are bringing to the market has been very strong. That is the third factor. I would say all three have contributed to the growth.

Ravi Swaminathan: Understood, sir. Has there also been any mix change that has contributed to this? For example, have screw compressors grown faster than piston compressors, or has the mix remained largely the same?

Varun Gahs: The mix has been broadly the same. There has been no significant change.

Ravi Swaminathan: Understood. In terms of forward-looking enquiry numbers from large categories such as industrials, metals, water wells, infrastructure, and general infrastructure, how are you seeing the demand environment on the ground? Has there been any slowdown related to the war within India, or are you seeing demand and enquiry levels sustaining?

Varun Gahs: Enquiries remain very strong. As I said even on the annual call, enquiries remain strong, but the gestation time for finalization is longer than normal. It is still very strong. Water wells saw an uptick in the quarter, but it is not a day-and-night difference. There has been a positive contribution in terms of an increase, but apart from that, I would say there has been overall buoyancy in the economy.

Ravi Swaminathan: Understood, sir. Thanks a lot. I will come back in the queue for more questions.

Varun Gahs: Thank you, Ravi.

Operator: Thank you, Ravi. The next question is from the line of Manjit Rathore. Manjit, you may unmute yourself and go ahead with your question.

Manjit Rathore: Hello, Mr. Varun Gahs. It is very good to see you. I wanted to refer to the stabilizer product that we launched in 2025. It was described as a groundbreaking technology that we had developed. How has the adoption of that technology been, and how do we view product adoption when we introduce such technology? Does it typically have a gestation period of 2-5 years before reaching a sizeable scale, or has there been a very quick adoption? That is my first observation.

Varun Gahs: Manjit, as I just explained, when we first introduced the technology, we used the name stabilizers, but we actually launched the technology and the product is called Demand Match. We launched it last year, in September, as I was explaining, and the absorption has been outstanding. It has contributed significantly to the growth in some of the industrial products in which we have incorporated it.

Report is AI-generated and may contain inaccuracies.

Elgi Equipments

Demand Match is a technology that sits in multiple models of our products. The introduction of this technology into the models has been phased. Wherever we have introduced it into our models, market acceptance and the traction we are gaining have been outstanding. That has been a contributing factor to our growth this quarter, and that is only in India. We are launching Demand Match in the rest of the world this year, and that work has already started. We have installed validation machines in all the major geographies, and the feedback and experience have again been outstanding.

Manjit Rathore: That is very good to know, sir. At this point, are we working on some technology that really excites us? How do we think about the areas in which we should pursue research? Are we trying to improve the efficiency of our existing products, develop new products, or do both? Are we seeing something new coming up over the next few years? I do not want to specify one year or three years, but is there anything under development that really excites you?

Varun Gahs: There is a lot going on. There are two vectors for our technology and product development. One vector is to take the existing architecture and existing design philosophy and move them to the highest level of efficiency and life-cycle cost. That is one vector. That is where new products, higher efficiency, and lower life-cycle costs come in.

The second vector is fundamental technology development, which delivers things such as Demand Match. That is ongoing, and we have some very exciting developments. Unfortunately, I cannot talk too openly about them, but the overall philosophy is to reduce the customer's total life-cycle cost. We identify elements that are not so obvious and try to eliminate those costs for the customer. There are quite a few exciting things happening there.

Manjit Rathore: Thank you, sir. I will go back to the line. It is always very good to speak with you.

Varun Gahs: Thank you, Manjit.

Operator: Thank you, Manjit. Sir, the next question is from the line of Yash. Yash, you may unmute yourself and go ahead with your question.

Yash: Good afternoon, sir. Thank you for the opportunity. I have a broad question. What is our right to win in global markets? As you always say, we do not compete on price, nor does the industry work that way. What makes us different? Why would a customer who has been using Ingersoll Rand, Atlas, or any other competitor switch to us, or choose us over anyone else when expanding capacity?

Varun Gahs: There are two things, Yash. That is a very good question. Customers buy compressors based on certain well-known parameters. Energy efficiency is the biggest. The second is maintenance cost, and the third is the cost price of the compressor.

Around 80% of the market considers energy efficiency and maintenance more important than price. Around 20% of the market works purely on price and is not too concerned about efficiency and maintenance. That is roughly the split.

We would like to focus on the 80% that buys based on efficiency and maintenance cost. That is where we ask how we can make the most energy-efficient compressor in the world. Today, for

Report is AI-generated and may contain inaccuracies.

Elgi Equipments

14 August 2026

close to 70% of the models on the industrial side, we are the best in the world. This is not something we are claiming; these are independently published numbers.

When it comes to maintenance, the biggest maintenance cost, which is not very well documented, is the cost of failure. When a compressor goes down, even if you only consider the cost of renting another compressor to run the plant, that becomes the second-largest cost. We are obsessively focused on quality, and we have the lowest defect rates in the market. That is why we are able to provide lifetime warranties and 10-year warranties in different market segments while still having one of the lowest warranty costs as a percentage of revenue, and the lowest in the industry. That reflects the quality we bring to the product.

This is what gives us the ability to win disproportionately when we are in front of the customer. Combining that with Demand Match technology, which nobody else has, takes the value proposition to the next level. That is another layer of our right to win in these markets. That is how we are driving our overall go-to-market strategy.

Yash: Thank you for the answer, sir. How are we working on getting in front of the customer?

Varun Gahs: That is a long process because this is primarily a distribution-led business. Distributors own relationships with customers all over the world. The real challenge is not just giving a value proposition to the end user, but determining the unique value proposition we can give to distributors. That is a longer process than getting in front of the customer.

We are very confident that when we are in front of end users, we win disproportionately. The real challenge we are working on is how to get more distributors to represent our products. That is an ongoing process, and there is no switch we can quickly turn on to make that happen.

Yash: Thank you, sir. That is all from my side.

Varun Gahs: Thank you, Yash.

Operator: Thank you. Sir, the next question is from the line of Mr. Ravi Swaminathan. Ravi, you may unmute yourself and go ahead with your question.

Ravi Swaminathan: Hi, sir. I have a few follow-up questions. Given the strong growth we have seen during this quarter, is it safe to assume that we would have gained market share in the Indian market?

Varun Gahs: I think so, but I would like our competitors to tell us that.

Ravi Swaminathan: Understood, sir. My second question is with respect to after-sales service. Would after-sales have seen similar growth to product sales? What kind of contribution does after-sales have in our overall revenue mix, both at the India level and globally?

Varun Gahs: I expected this question based on your previous questions on the same subject, Ravi, so I prepared myself for it. Aftermarket has grown not only in India but all over the world, and that has been one of the reasons why, despite an increase in material costs, we have been able to sustain our profitability. I am not saying that is the only reason; it is one contributing factor.

Report is AI-generated and may contain inaccuracies.

Elgi Equipments

14 August 2026

As far as aftermarket revenue is concerned, if you consider only parts, globally we are at around 22–23%. In India alone, we are at approximately 30%, or 28–30%. The US has a mixture of parts and service because our distribution business also provides service. Service is a very lumpy business because we charge hundreds of dollars per hour for service. That affects the overall figure, but we are at around 30%. If you remove the service component, we are probably at around 16–17%.

I would say it is fair to say that in India we are at around 28–30%, while in the rest of the world, at the parts level, we are at around 15–16%. There is room for us to grow in India, as well as room to grow in the rest of the world.

Ravi Swaminathan: The global benchmark for after-sales service as a percentage of revenue used to be in the mid-30s. Is that a correct understanding? Would we try to—

Operator: Sir, you are on mute.

Operator: The next person is on mute, sir.

Management: Sorry, I was just clearing my throat. It is somewhere between 35% and 40%; I would say 38%, probably.

Ravi Swaminathan: Understood, sir. With respect to the EV application you mentioned in your initial comments, could you elaborate on where compressors go into EV applications? In your initial comments, you mentioned that we have performed well in electric vehicle applications. Could you explain where the compressors go into EV applications?

Management: No, I said the EV ecosystem. If you look at EV vehicles, there are suppliers to EV vehicles and there are the EV vehicle manufacturers themselves. The compressors go into the factories; they do not go into an EV vehicle.

Ravi Swaminathan: Understood. So it is an extension of the automotive products that we have supplied in the past?

Management: Absolutely. However, the number of new players in the electric vehicle category, especially in the two-wheeler segment, is much higher than in the four-wheeler segment. They are all setting up factories, and we are involved with them in helping them with their factories.

Ravi Swaminathan: Understood, sir. My final question is whether you can give us the sales mix between industrial, infrastructure, and retail sales, and also between piston and screw compressors.

Management: I do not have the number with me, but I would not like to split it between piston and screw because that is too competitively sensitive. Regarding industrial, infrastructure, and retail, I do not know what you mean by retail, and I do not have the numbers in front of me, Ravi.

Ravi Swaminathan: Retail means automotive garages, woodwork, and similar applications. I think one can classify those as retail.

Management: We do not break it up that way. We do not break it up that way, so I will not be able to tell you what we sell to automotive garages. We do not measure that separately.

Report is AI-generated and may contain inaccuracies.

Elgi Equipments

Ravi Swaminathan: Sure, sir. Thanks a lot.

Operator: Thank you, Ravi. Sir, the next question is from the line of Mr. Vipul Kumar. Vipul, you may unmute yourself and go ahead with your question.

Vipul Kumar: Congratulations, sir, on a very good set of numbers. In reply to an earlier question, you said that we have one of the lowest warranty costs. Is it possible to quantify our warranty cost as a percentage of sales and explain how it compares with our peers?

Management: I do not want to give you a specific number, Vipul, but our warranty cost is less than 1% for {? ELGi ?}.

Vipul Kumar: How does it compare with our peers?

Management: We do not know because nobody reports it. However, based on casual references from people who are with competitors, their warranty cost is higher than 1%. That is the comparison: they are higher than 1%, while we are lower than 1%.

Vipul Kumar: In your opening remarks, you also mentioned the semiconductor ecosystem. Where are compressors used in the semiconductor ecosystem?

Management: In manufacturing, oil-free machines are used. There are suppliers to the semiconductor industries where regular compressors are used. The semiconductor ecosystem has a wide range of applications. The final one, the fab, is the cleanest and has the highest standard of air quality. We are participating there, and we are also participating in the entire semiconductor ecosystem.

Vipul Kumar: What percentage of our turnover is related to semiconductors right now, sir?

Management: I would not like to share that detail, Vipul. Considering that it is a nascent industry that has come into India, it is not a significant number, but it is a growing number.

Vipul Kumar: It is a very fast-growing sector. Is that understanding correct?

Management: It is a growing number, yes.

Vipul Kumar: Thank you very much, sir, and all the best for the future.

Management: Thank you.

Operator: Thank you, Vipul. Sir, the next question is from the line of Mr. Ankur. Ankur, you may unmute yourself and go ahead with your question.

Ankur: Hi, sir. Thanks for the opportunity. My first question is on the distribution side, both in India and in global markets. You mentioned that Demand Match has been launched across India. Would it be fair to say that more or less the entire nation is covered now, or are there still some areas—

Management: Absolutely. Demand Match is a technology that gets embedded in all our products. We have sequenced its introduction based on the most popular products. Wherever we have

Report is AI-generated and may contain inaccuracies.

Elgi Equipments

embedded that technology into a product, it has been fully absorbed. Even as we speak, we are continuing to add more products to the Demand Match technology. I expect that within another year, all our products will have Demand Match embedded in them all over the world.

Ankur: Sure. The timeline you expect for the global side is also only 1 year, correct? India is largely done, and globally you are saying 1 year.

Management: This year we will have it globally, yes.

Ankur: In terms of the physical expansion of our distribution network, including deepening our presence in existing markets and adding newer markets, especially globally, how have we been ramping this up over the last couple of years, and what initiatives are we taking?

Management: I do not have a specific number showing that we have moved from one number of distributors to another. In India, it is not about increasing the number of distributors; it is about reorganizing our network across various geographies to make it more effective.

There could be a distributor in one area that has too large a territory, which prevents us from penetrating certain sub-areas. We split territories and go deeper. That type of activity is ongoing in India even as we speak.

For our Tier 4 business, we have now established a completely new set of distributors. We are not sharing this with our existing distributors because it is a completely new business with a completely new mindset.

In the US, our growth has primarily come from accessing new distributors in new territories. That is another aspect. However, as I said, getting distributors to come on board takes a long time. It is not as easy as converting a customer, for instance.

Ankur: That is helpful, sir. I have a related question on the aftermarket side. How does the split you shared vary between India and global markets? Secondly, do we have an AMC for our products across all markets that is automatically renewed, or is it a product-specific service where we charge when a problem or issue arises?

Management: If you look at the full spectrum of aftermarket, there are parts and there is service. ELGi predominantly operates in the parts business. We leave the service component to the dealer.

In India, because labor costs are very low, revenue from service is very small. If you consider a typical dealer in India, and say that 20-25% of their revenue comes from aftermarket, probably 2-3% of that 25% is service.

If you consider the same situation in the US, if 30-40% of their revenue comes from aftermarket, close to 25% of that will come from service.

We do not provide service. In India, we provide a little service to our direct customers, such as large corporates that do not want to work with dealers. We provide direct service to them, but that is not a significant part of our income. Our main aftermarket business is parts.

Elgi Equipments

It is also our philosophy that we do not want to intrude into the profitable service segment of a distributor. They have the capability and trained service technicians, so we let them earn. It is part of coexisting in that ecosystem, and we are comfortable with that.

As I explained, the split in India is 28–30% for aftermarket, while worldwide we have approximately 15–16%, again considering parts.

Ankur: Excluding service, yes. Great, sir. Thanks a lot for all your answers, and all the best.

Management: Thank you.

Operator: Thank you, Ankur. The next question is from the line of Shri Agarwal. Shri, you may unmute yourself and go ahead with your question.

Shri Agarwal: Thank you, Mr. {? Bhadraj ?}. Congratulations on the good numbers. My question is about the improvement in margins for the international subsidiaries. You mentioned that an increase in aftermarket as a share of overall revenue is one of the contributors. Apart from that, what have been the drivers of this improvement? At a time when commodity costs are high, this is quite notable. Also, regarding the sustainability of this improvement, should we expect it to continue in the coming quarters? Thank you.

Management: Shri, thank you. There are multiple factors. Let us take North America as an example. The significant growth in the top line has obviously contributed to the health of the bottom line as well. There is no doubt about that, but that is not the only factor.

As you saw in one of the expense items, reorganization, we are taking costs out to make the organization leaner, more nimble, and more efficient. That is another factor.

The third factor is that, despite the increase in raw material costs and despite holding our prices to a larger extent in the first quarter compared with the increase in raw material prices, the cost-reduction activity taking place in the company has also contributed.

In-house sourcing of motors and our own motor design have been significant contributors, just as an example. Similar to the motor, we have introduced many other things that have brought significant savings to the bottom line. It is a series of these factors.

We expect this to continue because it is not a one-time activity; it is ongoing. Reorganization wherever required will continue, and cost-reduction activities will continue. As I explained, we have corrected our prices based on the new reality of cost increases. That will take effect toward the end of the second quarter or fully in the third quarter. We expect all these factors to help us sustain this performance in the future.

Shri Agarwal: Fantastic. Thank you.

Operator: Thank you, Shri. Before we move to the next person, I will take one question from the chat. It says, "Sir, do we supply compressors to CNG filling stations?"

Management: No, we do not. We do not make gas compressors.

Report is AI-generated and may contain inaccuracies.

Elgi Equipments

Operator: Sir, the next question is from the line of Mr. Dhaval Shah. Dhaval, you may unmute yourself and go ahead with your question.

Dhaval Shah: Hi, sir. Congratulations on a great set of numbers. You mentioned in your opening remarks that renewable energy has also started contributing meaningfully to growth and incremental growth. Which part is it—wind, solar, or both?

Management: We are not supplying directly into the solar panel or wind turbine. However, compressed air is required throughout the production ecosystem for solar, from cell manufacturing to panel manufacturing and all the way through installation. We are present across that full supply chain. The same applies to wind turbines.

Dhaval Shah: Great. You said that margins, which were already very good in this quarter, can only go up. Is that what you said?

Management: We expect that. Of course, we do not know what Mr. Trump will do in terms of tariffs. Assuming that remains stable, we have done a lot of work to absorb it. Right now, our tariff is 25%, and we have been able to absorb that very effectively. Barring unforeseen shocks of that nature, we should continue to improve.

Dhaval Shah: On your Investor Day, I think you said margins should reach 16–16.5% by FY28. Is that correct?

Management: Our target is to grow to 18%. We had given guidance that we would reach 18% by 31.

Dhaval Shah: Okay, sir. Thanks a lot. All the best.

Management: Thank you.

Operator: Thank you, Dhaval. Sir, there is a follow-up question from Mr. Vipul Shah. Vipul, you may unmute yourself and go ahead with your question.

Vipul Shah: Thanks for the opportunity. Is Demand Match optional, or is it mandatory for all new dispatches, sir?

Management: We have made it standard, Vipul, for all ELGi compressors catering to a certain tier of the market. For instance, Tier 4 compressors will not have Demand Match. However, our Tier 3, Tier 2, and Tier 1 compressors all have Demand Match as standard.

Vipul Shah: Just one small clarification regarding the tariff. You said the tariff is currently 25%. Is that correct?

Management: I am sorry, Vipul, you are breaking up.

Vipul Shah: The current tariff is 25%, sir?

Management: Yes.

Vipul Shah: Have we received refunds for all earlier paid tariffs, or is anything pending?

Report is AI-generated and may contain inaccuracies.

Elgi Equipments

Management: I think we made a disclosure to the market. We have approval for a refund of close to 4 million, and I think the actual refund received is about 1.6 or 1.8 million.

Vipul Shah: Is the balance pending?

Management: Yes, we have to wait.

Vipul Shah: Okay, thank you, sir.

Operator: Sir, there is one follow-up question from Ravi Swaminathan. Ravi, you may unmute yourself and go ahead with your question. Ravi, please unmute yourself and go ahead with your question.

Ravi Swaminathan: Hi, sir. One final follow-up question. With respect to some of the new-age sectors, such as EVs and renewables, and probably even data centers, what would be their revenue contribution to India and global revenue? Do you have any broad sense of these segments? I am trying to determine whether they are meaningful contributors to our revenue.

Management: They are developing segments, at least in India. Semiconductors and renewables are developing segments. They have significant growth potential themselves, but you cannot compare the buying power of those industry sectors with textiles, cement, or steel, which are well established. Therefore, they are not significant contributors, but they have very high growth rates.

Ravi Swaminathan: Understood, sir. In terms of metals such as steel, copper, and aluminium, are you seeing significant traction in enquiries? Usually, these sectors can change the entire growth rate because of large orders.

Management: There are enquiries, Ravi, but I do not know about copper and the other metals; we are not that large in those areas anyway. Steel is a large segment. At one point, there was a huge capacity build-up, followed by all these issues. I think the steel industry is first working through its capacity utilization before it starts looking at further investments.

Ravi Swaminathan: Understood. Do centrifugal compressors mainly go into this segment, or is the addressable market also for screw compressors?

Management: It depends on the size. There are centrifugal compressors in large plants, and there are also many screw compressors.

Ravi Swaminathan: Understood, sir. Thanks a lot.

Operator: Thank you, Ravi. The next question is from the line of Manjit Rathore. Manjit, you may unmute yourself and go ahead with your question.

Manjit Rathore: Hello again, sir. I am not seeking a very specific answer; I just wanted to get your thoughts on this. Please feel free to answer in whichever way you feel comfortable. When we look at Atlas Copco and Ingersoll Rand, and compare their technological capabilities with ours, where do you see a gap, if there is any?

Report is AI-generated and may contain inaccuracies.

Elgi Equipments

Management: As far as technology is concerned, there is no gap. The fact that we launched Demand Match demonstrates and provides evidence that we have a good mastery not only of the know-how of technology but also of the know-why of technology.

When you have know-why, you can build the next products. If you have only know-how, you cannot build the next products. This is a clear demonstration that we have the know-why. Know-why is understanding why something is built the way it is, so that you can question it and build the next product. That is the trajectory we are on.

This did not come easily. We have been working on it for the last 30 years. Technically, there is absolutely no difference. In fact, we would say that in some areas, our understanding is superior.

Manjit Rathore: Understood, sir. Apart from scale, what organizational capabilities would be different?

Management: If you look at our company, we took an Indian company and tried to grow it internationally. It has been a huge learning process because there is no textbook that says, "Step one, step two, and step three: this is how an Indian company will build a global company." You go out there, do certain things, make mistakes, and learn.

One of our learnings is that if we want to undertake the next round of scale, we need very strong processes that will help us remain efficient and maintain control over our operations without surprises. This is something we are going to build over the next few years: a very strong process layer in the company.

Through that process layer, we will be able to eliminate many of the inefficiencies that currently exist. I would say the scale will come once we have built that layer, and we are going to start doing that now.

Manjit Rathore: Thank you, sir. It is very good to hear from you again. I will get back in the queue.

Management: Thank you.

Operator: Sir, the next question is from the line of Mr. Ritwik. Ritwik, you may unmute yourself and go ahead with your question.

Ritwik: Hi. Good afternoon, sir. My question is on employee costs and operating costs. Over the last 3–5 years, we have seen them grow in the mid to high teens. You mentioned that we are looking to rationalize costs in Europe and become more cost-efficient. Do you think this trajectory should rationalize from current levels, or should it continue over the next 3 years as well?

Management: It will start getting rationalized on two levels, Ritwik. First, we obviously have to grow the top line. As soon as we grow the top line, even the current level of costs as a percentage will decline. That is pure arithmetic.

Apart from that, we are looking at where a particular job can be performed most effectively. This again relates to the process project I discussed. When you have a clearly defined process layer and process map across the company and across all its geographical entities, there will be clear

Report is AI-generated and may contain inaccuracies.

Elgi Equipments

identification of where jobs can be performed most efficiently.

I am not saying everything has to be done in India, but certain locations perform certain activities far more efficiently. Once we develop that understanding and achieve consolidation, overall costs will decline and efficiency will increase. That is something we hope to achieve over the next 3–4 years.

Ritwik: The journey from, say, a 15–16% EBITDA margin toward your target of 20% would involve some operating leverage on the current base and some contribution from the new products you are launching. Would that be a fair assessment?

Management: Some of it will clearly be operating leverage, which is also linked to new products because they contribute to the top line through market share gains or growth in new markets.

We will also look at improving our gross margin through constant cost reduction and re-engineering. That is an ongoing process that we have now embedded in the company. The other aspect is to rationalize our fixed costs through this process exercise.

We will be looking at improving our EBITDA margin on three levels, rather than relying only on operating leverage.

Ritwik: Understood. That is helpful. All the best, and thank you.

Management: Thank you.

Operator: Thank you, Ritwik. I see no more questions, so I will hand over the microphone to Kamlesh for the vote of thanks and closing remarks, followed by your closing remarks.

Management: Thank you very much for moderating this session.

Kamlesh – Asian Market Securities: Sir, just one point. Can you help us understand the progress of the Italian joint venture and when we expect the product to be launched?

Management: I am sorry. Could you say that again, Kamlesh?

Kamlesh – Asian Market Securities: The new product that we are launching in collaboration with the vacuum products business.

Management: Vacuum is already in the market, Kamlesh. We have indigenized it, and local production has already started. We have started selling it. The first quarter has been very good. I do not want to give a specific number yet, Kamlesh, but we have had phenomenal percentage growth in the first quarter, and we expect that to continue.

However, you have to understand that we are a very small, late-entrant player in this segment. These kinds of growth numbers can happen to anyone who enters this segment. It is encouraging to see this because the quality of customers we have been able to acquire is very high, which reflects the quality of the products and our entire marketing program. It is encouraging, and we will continue to grow the business.

Report is AI-generated and may contain inaccuracies.

Elgi Equipments

14 August 2026

Kamlesh – Asian Market Securities: Great, sir. Thank you for all the insights. Are there any closing remarks you would like to make?

Management: Thank you very much, Kamlesh. Thanks to you and Asian Market Securities for hosting us. It has been a good quarter, but this is only one quarter in a lifetime. We do not rest on this. There is still a lot of work to be done, and we continue to look toward the future with great optimism. Thank you again for everyone's time. Thank you.

Operator: Thank you, everyone. With that, you may come off the call. Have a good day. Thank you.

Management: Thank you.

Note: {? ... ?} indicates a figure or name where audio clarity was insufficient for confident transcription. Verify against the source audio or the company's published filings.

Report is AI-generated and may contain inaccuracies.