Escorts Kubota Limited

February 13, 2025

BSE Limited Phiroze Jeejeebhoy Towers, Dalal Street, Mumbai – 400001	**National Stock Exchange of India Limited** Exchange Plaza, Bandra Kurla Complex, Bandra East, Mumbai – 400051
BSE – 500495	**NSE - ESCORTS**

Sub: Earning Call Transcript

Dear Sir/ Ma'am,

Pursuant to Regulation 30 read with sub-para 15 of Para A of Part A of Schedule III of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, please find enclosed the transcript of the conference call held on February 10, 2025, for discussing the earning performance of the quarter and nine months ended December 31, 2024, and the same has been uploaded on the Company's website at the below link:

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

The aforesaid transcript was uploaded on the Company's website on February 13, 2025 at 12:22 P.M.

Kindly take the same on record.

Thanking you,
Yours faithfully,
for **Escorts Kubota Limited**

ARVIND KUMAR
Digitally signed by ARVIND KUMAR
Date: 2025.02.13 16:19:21 +05'30'

Arvind Kumar
Company Secretary

Encl.: As above

"Escorts Kubota Limited
Q3 FY '25 Earnings Conference Call"
February 10, 2025

MANAGEMENT:	**MR. BHARAT MADAN – WHOLE-TIME DIRECTOR AND CHIEF FINANCIAL OFFICER – ESCORTS KUBOTA LIMITED** **MR. NEERAJ MEHRA – CHIEF OFFICER, TRACTOR BUSINESS DIVISION – ESCORTS KUBOTA LIMITED** **MR. SANJEEV BAJAJ – CHIEF OFFICER, CONSTRUCTION EQUIPMENT BUSINESS DIVISION– ESCORTS KUBOTA LIMITED** **MR. SANJEEV GARG – HEAD, FINANCE & TAX – ESCORTS KUBOTA LIMITED** **MR. PRATEEK SINGHAL – INVESTOR RELATIONS AND ESG – ESCORTS KUBOTA LIMITED**
MODERATOR:	**MR. ANNAMALAI JAYARAJ – BATLIVALA & KARANI SECURITIES INDIA LIMITED**

Moderator: Ladies and gentlemen, good day, and welcome to Q3 FY '25 Earnings Conference Call of Escorts Limited hosted by Batlivala & Karani Securities India Limited. 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 Mr. Annamalai Jayaraj from Batlivala & Karani Securities India Limited. Thank you and over to you, sir.

Annamalai Jayaraj: Thank you. Good evening. On behalf of Batlivala & Karani Securities India Private Limited, I welcome you all for Escorts Kubota Limited Q3 and 9 months FY '25 Earnings Conference Call. I also take this opportunity to welcome the management team from Escorts Kubota Limited.

Today, we have with us Mr. Bharat Madan, Whole-Time Director and Chief Financial Officer; Mr. Neeraj Mehra, Chief Officer, Tractor Business Division; Mr. Sanjeev Bajaj, Chief Officer, Construction Equipment Business Division; Mr. Sanjeev Garg, Head, Finance and Tax; and Mr, Prateek Singhal, Investor Relations and ESG.

We'll start the call with brief opening remarks from the management, followed by question-and-answer session. Before we start, I would like to add that some of the statements made by the company in today's call will be forward-looking in nature and are subject to risks as outlined in the annual report and investor relations of the company.

Over to management for their opening remarks. Over to you, sir.

Prateek Singhal: Thank you, Mr. Jayaraj. Good evening, everyone, and thank you all for joining us today. Please note that from quarter ended December '24, Railway Equipment Division business profitability is shown separately as discontinued operations. The financial statement for prior period has been adjusted accordingly. Continuing operations now consist of Agri Machinery and Construction Equipment segments.

Few highlights of the company's standalone financial performance for the quarter ended December '24 are as follows: Operating revenue from continuing operations at INR 2,935.4 crores, up by 8.5% year-on-year. EBITDA at INR 335.3 crores, up by 3.6% year-on-year. EBITDA margin in Q3 is at 11.4%. PBT from continuing operations at INR 380.2 crores, up by 6.4% year-on-year.

Net profit from continuing operations at INR 290.5 crores, up by 7.7% year-on-year. Net profit including discontinued operations at INR 323.2 crores, up by 8.5% year-on-year. EPS stands at INR 29.39 as compared to EPS INR 27.14 year-on-year.

The Board has approved the sales and transfer of approximately 33,000 plus square yards of the land adjacent to Railway Equipment Business Division to Sona Comstar for a total of INR 110 crores. This industrial plot is currently being used for a spare part business division of the company. We will relocate the spare part division to a new location before finalizing the sale.

Board declared interim dividend at 100%, i.e., INR 10 per equity share. On consolidated basis, company financial performance for the quarter ended December '24 is as follows: Revenue from continuing operations at INR 2,948 crores, up by 8.1% year-on-year. EBITDA at INR 332.8 crores, with margin of 11.3%. Net profit from continuing operations at INR 287.9 crores, up by 6.5% year-on-year. Net profit, including discontinued operations at INR 320.6 crores, up by 7.4% year-on-year.

Moving on to the segmental business performance. Starting with the Agri Machinery business. On tractor business, in Q3 FY '25, the total tractor industry domestic plus export was at 2.89 lakh sector, up by 12.7% as that of the corresponding quarter last year. Our total tractor volume was at 32,556 tractors, up by 4.5% as against 31,155 tractors in the corresponding quarter.

On the domestic front, the tractor industry in Q3 FY '25 was at 2.67 lakh tractor, up by 13.5% as that of corresponding quarter last year. The industry in the North and Central region grew by 2.5%, while the rest of the country saw a substantial growth of 28.6%. Our domestic volume stood at 31,585 tractors, up by 6% as that of 29,784 tractors in the corresponding quarter.

We also reduced our channel inventory and our domestic market share in Q3 FY '25 stands at 11.8%. Continuing with our strategy to offer innovative products, recently, we have launched "Promaxx series" under Farmtrac brand in 30 to 50 HP category, Promaxx Series delivered exceptional performance with advanced technology and a sleek design, offering superior comfort and versatility for various applications. We currently have around 1,540 exclusive dealers for our Kubota Farmtrac and Powertrac brand.

For FY '25 full year, we expect the domestic tractor industry to continue its growth trajectory with a growth of around 6% to 7% for the full year. On the Export front, the tractor industry in Q3 FY '25 came at 22.1K up by 3.9% as against 21.3K tractors in the corresponding quarter. Our export volume came at 971 tractors as against 1,371 tractors in the corresponding quarter. During the quarter, the sales to Kubota global network accounting for approximately 27% of our total export volume.

Non-tractor revenue comprises of Agri Machinery business, Engine business and the service and the spare part business in Q3 FY '25 constitute 21% of the Agri Machinery revenue as that of 19% in the corresponding quarter and 18% in the sequential quarter.

Agri Machinery Products segment revenue was up by 9.4% to INR 2,416.6 crores as against INR 2,209 crores in the corresponding quarter. EBIT margin for the Agri Machinery business was at 10.4% as against 12.1% in the corresponding quarter.

Coming on to the Construction Equipment business. In Q3 FY '25, served industry volume for crane, backhoe load and mini excavator and compactor were up by approximately 14% as against corresponding quarter last year, mainly led by backhoe loader industry of around 18-odd percent growth. Our total volume for CE business were at 1,989 machines as against 2,008 machines in the corresponding quarter. CE segment revenue came at INR 515.7 crores, up by 4.1% as against INR 495.4 crores in the corresponding quarter.

EBIT margin for the quarter ended December '24 for the Construction Equipment business up at 11.0% as against 8.1% in the corresponding quarter. CE industry has moved to higher emission norms from January '25. During the quarter, we have introduced a range of Stage 5 emission standard compliant product and also showcased a new entry level Hydra crane and a new BLX 75 backhoe loader product. This is new addition under E-Kubota brand featuring a sleek design and cutting edge in functionalities.

Looking ahead, we anticipate a temporary volume impact due to price escalation within Construction Equipment industry due to transition to BS-V standards. Despite the short-term impact, we remain optimistic about the mid- and the long-term growth prospects driven by government initiative in infrastructure products such as roads, smart cities, railway, and irrigation system.

Moving on to the Railway Equipment business division, which is the discontinued operations. Revenue from the quarter ended December '24 came at INR 200.4 crores, down by 2.2% as against INR 205 crores in the corresponding quarter. Order book for the division at the end of December 2024 stand at more than INR 890 crores. This order book however excludes BMBS orders for trade variance for approximately INR 380 crores, supply for which have temporarily been hold by RDSO.

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

Moderator: Thank you very much. We will now begin the question-and-answer session. The first question is from the line of Gunjan Prithyani from Bank of America. Please go ahead.

Gunjan Prithyani: Thanks team for taking my questions. I just wanted to get your thoughts on the market share. Because if I look at the industry as a whole, it seems to be doing quite well. But I think our growth has been lagging the industry across regions. So, if you can just share some thoughts on what is it that is dragging the performance? And how should we think about market share improving from here on?

Neeraj Mehra: Gunjan, this is Neeraj Mehra. Thank you for your question. So actually, for quarter 3, the geographic growth of the industry is actually a bit unfavourable from EKL's perspective. As you heard in the opening comments, the growth has been to the tune of about 28% to 30% in non-strong EKL market. So, one of -- that is one of the factors that has impacted the quarter 3 market share.

Also, secondly, our retail are substantially higher. Our retail market share is better than what is shown in the wholesale market share. And thirdly, what we have done is, in quarter 3, we have, to a certain extent, reduced the channel inventory of our dealers. So, all these three combined, to a certain extent, gave the performance that you're seeing at the moment.

Gunjan Prithyani: And where does the channel inventories stand now? The reason I'm asking this is because I thought when this whole Kubota - once the Kubota entities were merged, there were a fair bit of product interventions that were due and even the captive FinCo, so when do we see the impact of all this start to reflect in terms of market share improving and growth coming back?

Neeraj Mehra: So, there are a lot of questions in one question. So, the impact of various product integrations and the captive finance, to a certain extent, you will see in the next fiscal year, that too in the second half of the next fiscal year. As regards to your initial question at what level the inventory levels are, currently, the inventory levels are at about 4 weeks.

Gunjan Prithyani: Okay. And maybe just a follow-up, and I'll join back the queue. On these product interventions, if you can share more what is it that we are doing in terms of the Kubota portfolio as well as your own portfolio. How can that help in terms of bringing back the growth? And again, captive Finco, is that a big lever, if you can touch on that? I'm just trying to get comfort on, when this integration plays out, how should we think about market share?

Neeraj Mehra: So, you heard in the opening comments, Gunjan, that we have very recently launched a new product range in Farmtrac, which is known as the Promaxx series. So Promaxx series is primarily for the western market, that is Gujarat, Maharashtra, and certain markets where we are not present currently. That is basically Chhattisgarh, Orissa and some parts of MP. Of course, we will sell it across the country, except South, but with the introduction of this range, which wherein the models are primarily some 37 HP category to 47 HP category.

So, the range actually caters to the mass segment, and it has a variety of models, 2-wheel, 4-wheels. So, there were a lot of product gaps. So, we see our market share improving. Again, it will take time. It's not going to be overnight. So, over the next couple of quarters, you will see the Farmtrac market share going up.

As regards to the captive finance, it has been initiated in some states. Pilot is going on. We've identified certain dealerships and certain districts where it has got started. But the due impact of the captive finance will actually come into play in the second half of next fiscal.

Gunjan Prithyani: Okay, got it. Thank you so much. I'll join back the queue.

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

Mitul Shah: Thank you for the opportunity. Similar to the previous question, sir, if you can quantify, as you highlighted, the retail market share were much higher. In terms of the number is against 31,500 wholesale number, what would be approximate difference between retail versus wholesale? Or how much retail was higher?

Neeraj Mehra: So, as shared, one aspect is that we have reduced our stock. So, one way to look at it is, the stock reduction that we have done. So, we are currently at about 4 weeks of dealer stocks. The second aspect is that -- to quantify it, it will be -- on the retail side, it will be a bit difficult for me. But the growth is -- if I might say so, the growth is pretty decent in terms of retail.

Mitul Shah: Okay. Sir, second thing on this again adverse geographical mix, which impacting overall performance, but it seems that even that is also not so bad, for example, for the month of January or last few months, North seems to be as an industry-wide more or less flattish whereas our volume instead of flat, declining in double digits.

So, what is exactly happening either it is in terms of the product-related challenge or what we are hearing from the channel is that post new management it's the stricter norms on the credit side or we are reducing our debtors than all those type of initiatives, which has some impact? So, if you can to give some qualitative perspective here that would be more helpful?

Neeraj Mehra: Mitul ji, you are, to a certain extent right. It's a combination of all these things that you have mentioned. It is a combination of all these aspects. There is no issue pertaining to the product aspect as such, but the other aspect that you have mentioned, it has all those things, all those corrective actions that we are taking.

Mitul Shah: Sir, and lastly, again, on the market share side also as we earlier also as a standalone Escort entity, we reached to about 6% to 7% market share in our opportunity markets like AP, Telangana and all. But after amalgamation, where the Kubota was even more stronger still our market share seems to be about just 4%, 5% in those markets. On the other hand, Gujarat and Maharashtra, where it is even higher than our blended market share it's about 13% type. So, despite that, why the adverse geographical things should play out?

Neeraj Mehra: So, Mitul, I'll take a couple of minutes to explain this. So, in my previous two or three conversations during these calls -- these quarterly calls, I had mentioned that our focus -- initial focus was in North and in the West because these two markets actually together contribute about 72%, 73% of the total industry. And for the past 3 years, 4 years, we had been continuously dropping our market share in our stronger markets. So intent was to first get back that market share.

So, in the last 12 months or so, we have been working on that, and our market share game have been pretty decent in our stronger margins. In the West, though this year we have not gained market share, we have not dropped market share as we normally do when the industry grows substantially. So West also there are certain channel related issues, channel capacity related issues. So, because as the industry grows exponentially, the capacity of the dealers to grow with the industry is a little limited. So that aspect is there in the Western part of the country.

Yes, what has actually happened is the industry growth post September has been phenomenal in South, in West and in certain opportunity markets like Chhattisgarh, Odisha, Jharkhand. So -- and the growth was so phenomenal that it was unforeseen. And we have a lot of white space available at these locations. So, post September, we have started working on these opportunity markets on how to cover the white space. The product has come in for these opportunity markets.

So, I believe over the next 3 months to 6 months, you will see a gradual improvement in terms of market share. Now coming to the Kubota aspect that you have mentioned as regards to Kubota being strong in South and in West, you are right. But as you already know that for the past 12 months or maybe more, the industry was in a very declining trend in West and South. So, the dealers -- liability and the dealer's profitability got impacted severely. Yes, they are a strong player, but relatively still, with respect to the industry they are still comparatively smaller.

So, the dealers and the brand is slowly limping back. They have done reasonably well in the quarter 3. And we will see if the industry keeps up its momentum of quarter 3. In the West and South, we will see growth in Kubota market share and overall EKL market share as well.

Mitul Shah: Understood, sir. Thanks and all the best.

Moderator: Thank you. The next question is from the line of Jinesh Gandhi from Ambit Capital. Please go ahead.

Jinesh Gandhi: My question pertains first to -- any update on the Greenfield plant which we are looking for -- what are hurdles there because it's now almost more than 6 months since we cancelled the Rajasthan plant location. So, any update on this?

Bharat Madan: Yes. So, I think as we mentioned in the last call, so we had already given expression of interest to UP government for the land. And now it's the government who has to acquire the land from the farmers. So earlier they had told us they'll be able to complete the acquisition by January end.

But since there has been some delay in the acquisition process, so it's still going on. I think once they complete the acquisition, they will ask us to complete the balance formalities. So, we're waiting for government to revert when they complete the acquisition of the land.

Jinesh Gandhi: Okay. Got it. And secondly, the non-tractor machinery which we are talking of, which contributed at 21% to revenues, how much of the non-tractor machineries will be from non-tractor farm machinery?

Bharat Madan: See, like in Agri machinery we mentioned there are three, four verticals like we've got engines, spare parts and then you've got this Agri solution which is essentially the implement business. So, the larger business obviously is the implement business in this. So out of the 21% sales, spare parts and engine gave about 8% and balance really comes from - 12% to 13% comes from the Agri solution, which includes harvesters, transplanters, and other implements.

Jinesh Gandhi: Okay. And would it be fair to say some -- given that implement business has been seeing a reasonably good ramp up faster ramp-up than other categories, but we will be having some negative impact on our margins given it could be either lower margin or loss-making business at current scale?

Bharat Madan: Yes. So that's the reason you're seeing there's a dip in the Agri business margin even though the top line has grown and in the harvester business has done very well in this quarter and have seen almost 30% plus growth, but since it’s a traded item right now and we are importing, so the margins are not similar as you do in the manufactured component or manufactured product in India.

So, which is why you're seeing the dilution is happening and the growth of top line will continue to be there. I think once you start localization of a certain part, then you'll see the margin improvement will start happening there. But first, I think objective is to capture market shares.

As you know, Kubota in the tractor and harvester has got significant market share in India. It's almost 30% plus.

And the other categories, the numbers are not that high, in the transplanters and other implementers, the volumes are low, but harvester is the one which is driving the entire growth right now.

Jinesh Gandhi: Got it. Got it. And lastly, on the construction equipment business, given that emission norms have been implemented from Jan '25, what would be our outlook for FY '26 and what kind of price increases we have taken in this segment?

Sanjeev Bajaj: Yes. So, it has come into effect from 1st of January and our intent initially is to pass on the cost to the customer and we will try to recover that cost. It will be slightly difficult because in about 3.5 years it has been the second emission norm change and the cost to the customer is going up consistently without much of an increase on the rental rates.

So, there will be a pressure in terms of recovery of that cost, but that's how every time when the price increase happens, it takes a bit of a time for price recovery. So, we have increased in line with what is our contribution margin on the increased RMC. And we will see that in the next 3, 4 months, we will try to recover it, but, however, given the condition that we are also approaching monsoon in Q1, so it might take a little longer. So that will be dependent on market conditions at that time.

Jinesh Gandhi: Okay. But what would be the total cost increase because of the emission norm. We may take it standard manner the pass-through, but the total cost increase because of norm. And in that context, would FY '26 be a flattish year or you see a decline?

Sanjeev Bajaj: So, we are not expecting a decline, it will be a flattish year. But, in terms of cost it varies from product-to-product. So, there are certain products which are moving from BS-III straightaway to BS-V, where the cost increase for the customer is to the tune of 10% or so or slightly more than that. And products which are moving from BS-IV to BS-V, which is about 5% to 6%. So, it's quite a steep increase for the customer.

And therefore, we are not very bullish of a huge jump in profitability, but we would -- over a year of period, I think we will be able to recover the cost to be slightly positive to flattish kind of profitability growth.

Jinesh Gandhi: Got it. And lastly, possible to share railway business PBIT for the quarter?

Bharat Madan: It's about INR 44 crores and this is about 22%, 21.9% in this quarter.

Jinesh Gandhi: Got it. Great. Thank you and all the best.

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

Vijay Pandey: Sir, just wanted to check about what the industry outlook, both for the fourth quarter and for the next year after the -- like the recent government budget announcements. If you can just give us a brief overview about how the industry looks like, what will be the growth like in FY '26 and then 3 to 4 years time frame, that will be very helpful?

Neeraj Mehra: So, Vijay, we're looking at about 14% to 15% of growth in quarter 4. So, this quarter is going to be a robust quarter. So, we're looking at a growth of about 14%, 15%. And for quarter 1 also, we are looking at a pretty decent good growth in industry. So, for financial year '26, actually, it's a little bit early to comment. It will actually depend on the monsoons.

So, what actually has happened, if you see in the current fiscal year also, we were able to -- we were a little bit pessimistic before the monsoons. But as the monsoons were very, very good, the industry has taken a sharp upturn post September. So, to comment on financial year '26 as of now will be a little bit premature. We can look at it post the monsoons for the entire year.

Vijay Pandey: Okay. Thank you.

Moderator: Thank you. The next question is from the line of Mumuksh Mandlesha from Anand Rathi Institutional Equities. Please go ahead.

Mumuksh Mandlesha: Just firstly, on the -- just on the inventory correction. I just want to understand, are we done with the inventory correction as of Jan or do you see more correction ahead as well?

Neeraj Mehra: No. So, we are almost through with the inventory correction. So, I will not call it an inventory correction, it's more of rationalization, bringing it to a level primarily to look at the profitability of our channel partners. So that is what we've done, and we are more or less through with the correction.

Mumuksh Mandlesha: Got it. Sir, mostly, sir, basically, as a company going ahead, mostly the 4 weeks would be like a normal range, but then a 5 to 6 earlier we used to have break, sir?

Neeraj Mehra: Earlier, we were at about 5 weeks, 5.5 weeks. Prior to that we were at 6 weeks. So, the last year, we have, to a certain extent, operated a little more than at 5 weeks. So, we brought it down to about 4 -- a little over 4 weeks kind of a thing now.

Mumuksh Mandlesha: That should be the normal levels going ahead for us, right, sir?

Neeraj Mehra: Yes.

Mumuksh Mandlesha: Got it. Sir, in the export side, we have seen a recovery -- very good recovery in recent months. I just want to understand what is driving the recovery and any outlook for the exports tractors?

Bharat Madan: So, this is essentially the export to Kubota has started. As we indicated earlier that from this quarter, the numbers will start improving. So that's what we've seen now. And in January, also these are good numbers and we're expecting similar numbers will continue. So, the growth has started there. So hopefully, things should only continue to improve from this level.

Mumuksh Mandlesha: And sir, which market generally we are exporting now through Kubota, sir?

Bharat Madan: Mostly Europe.

Mumuksh Mandlesha: Got it. And there the new products have been launched, sir?

Bharat Madan: So that is being introduced. So that will also go along with the product volumes.

Mumuksh Mandlesha: Got it. And sir, in this quarter, we have seen a notable gross margin change Q-on-Q around 350 bps change in the gross margin. Can you just help us understand what has happened Q-on-Q, sir?

Bharat Madan: See, major reason was because in the second quarter, there is an inventory buildup which happened because the production levels were high. And in third quarter, the sale number is high. So, all your overhead absorption actually get addressed in second quarter itself which is the reason you're seeing a swing happening. So, the production benefit has come in the second quarter. While in Q3, that impact is missing, which in a normal quarter your production sale would have been equal, then you would have seen a better margin, but this major string is because of that.

Second is also because of there's some inflation on commodity we've seen in this third quarter, which hopefully, in Q4, we are seeing again softening. So Q4 should be better than Q3. And then in the season time normally the discounting levels in the industry are higher. So, most of the schemes still get floated in this festival season time of September to November, which is also the impact, which is there, so -- which will not be there continuing month basis. So there, we will see better margins coming forward because of these two reasons.

Mumuksh Mandlesha: Got it, sir. Sir, on the component exports, sir, just can you share some details, how is the current run rate for the component exports and you have the new warehouse there also, so how is that is ramping, sir?

Bharat Madan: So, it takes some time. They are already talking to the suppliers now and building up those product inventory which they need to really start exploring. So obviously, this is subject to lot of quality checks. The Kubota team also will be visiting the suppliers and informing the suppliers before they start sourcing.

So, we expect, I think that pickup will start happening from next year. So, we have taken some targets for next year for the sourcing team and the numbers should start looking up for next year onwards. This year, it will not be much, really.

Mumuksh Mandlesha: Got it. So, a notable jump next year is something we can expect from like a INR 250 crores current run rate, sir, yearly?

Bharat Madan: So, it will really depend on how the Kubota requirement for global market really start picking up. If the demand picks up there, then we expect the sourcing from India should also start picking up over this number.

Mumuksh Mandlesha: Got it sir. Thank you so much for this opportunity.

Moderator: Thank you. The next question is from the line of Harsh from Marcellus. Please go ahead.

Harsh: My question was with respect to margins in the Agri machinery business. There has been 160 bps impact on a year-on-year basis. So, is this impact largely because of the production swing, which happened from Q2 to Q3 or is there something more to it, the margin decline?

Bharat Madan: So, I said three reasons. One obviously is the production swing. Second was the inflation in this quarter which you've seen on the commodity side which is provided for which is roughly 0.5%. And then there's also the discounting which is slightly higher this year in the September to November festival season time, which is in line with the competition. So that has also an impact. But this was only for the season months. So going forward, this will not be there. So, we'll see, assuming there will be a positive impact going forward on the margin front.

Harsh: But shouldn't the production swing in the festive season impact last year's Q3 margin result?

Bharat Madan: So, it again depends on which month the festival season falls in. So, this time since everything happened in October, so the inventory buildup was more until September which came -- the benefit of which came in the Q2. Last year, it was spread between October and November, so the production continued into Q3 also. So those string will always be there depending on the seasonality, how the season moves. So, these ranges will be normal.

Harsh: Okay. Got it. And on a sustainable basis, you -- do we roll it out initial guidance or margin improvement in the console entity?

Bharat Madan: Yes. So, like I said we are continuously working on improving the margin in this business. So, this similar trend will continue even in next year. So, you will see the gradual improvement will be there. But we don't see a significant jump certainly on the margin front. So, unless you see a major operating leverage playing out and the volumes start picking up, otherwise at the normal level the kind of inflation which is there and the kind of commodity price we have, we expect will have marginal improvement over the current year level next year. And we'll continue to work on cost line items to see where we can have further improvement possibility.

Harsh: Okay. Got it. And secondly on the exports bit with – not getting access to the Kubota network, especially in the European market, can you give some guidance with respect to how the -- how you see the export business growing in FY '26?

Bharat Madan: So, we expect the next year we should see double digit growth and for high double-digit growth could be anywhere between 20% plus, 20%, 25% sort of growth should be there. One, because the base is also very low this year. We're not going to do much numbers. I think overall export will be close to 5,000-odd numbers. So that base is very low. So, I think once your European markets start picking up, the export number should start looking good. So, we expect next year should be a good level of growth.

Harsh: Okay. Thank you.

Moderator: Thank you. The next question is from the line of Nandan Pradhan from Emkay Global Financial Services. Please go ahead.

Nandan Pradhan: Sir, just a follow up on the export bit, we have talked about introducing some specialized products in European markets, if you could just give some flavour on that aspect as well?

Bharat Madan: So, like I mentioned the product has already gone into production. So, the export is starting from this quarter, which is going to be part of the volume, which we'll see coming in.

Nandan Pradhan: Yes. Sir, that answered my question. And sir, in terms of margins how would this product vary? Would it be better than a domestic sale or how would that work out?

Bharat Madan: Generally, export margins are, I think, more or less similar to what we have in domestic, even though contribution is slightly lower. So, your realizations are better in export. But now, with the exchange rate the way it is, I think the margins are more or less in line with the domestic market.

Nandan Pradhan: Okay, sir. Thank you sir. All the best.

Moderator: Thank you. As that was the last question, I now hand the conference over to the management for closing comments. Over to you, sir.

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

Moderator: Thank you. On behalf of Batlivala & Karani Securities India Private Limited, that concludes this conference. Thank you for joining us, and you may now disconnect your lines. Thank you.