February 14, 2025

National Stock Exchange of India Ltd.
Exchange Plaza
C-1, Block G Bandra Kurla Complex
Bandra (E)
Mumbai - 400 051

Through: NEAPS

BSE Limited
Phiroze Jeejeebhoy Towers
Dalal Street
Mumbai - 400 001

Through: BSE Listing Centre

Dear Sir/Madam,

Subject: Transcript of the analyst conference meet - financial results for the quarter ended December 31, 2024

NSE Scrip Code : ELGIEQUIP / BSE Scrip Code : 522074

In continuation to our letters dated January 21, 2025 and February 11, 2025 and pursuant to Regulation 30 of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, please find enclosed the transcript of Analyst Conference Meet held on Tuesday, February 11, 2025, at 10.00 AM (IST).

The aforesaid information is also being made available on the Company's website viz., www.elgi.com.

Thanking you

Yours faithfully,
For Elgi Equipments Limited

DEVIKA SATHYANARAYANA
Digitally signed by DEVIKA SATHYANARAYANA
Date: 2025.02.14 10:27:47 +05'30'

Devika Sathyanarayana
Company Secretary and Compliance Officer

Encl.: a/a

Q3 2024-25 – EARNINGS CALL

MANAGEMENT: MR. JAIRAM VARADARAJ – MANAGING DIRECTOR.
MODERATOR: MR. KAMLESH KOTAK – ASIAN MARKETS SECURITIES LIMITED

MODERATOR: Welcome to ELGI Equipments 3Q&FY25, 9 months earnings call hosted by Asian Market Securities. We have pleasure inviting Mr. Jairam Varadaraj, Managing Director representing the company. I request Mr. Jairam to take us to the presentation giving an overview of the financial performance and then we shall begin the Q and A session. Over to you, sir. Thank you.

MANAGEMENT: Thank you, Kamlesh. Good morning everyone. Pleasure to be with you. I will spend the first few moments reconciling our performance relative to the past year and then give you a general overview of the business and then open it up for questions. So, let me go straight into the EBITDA reconciliation for the third quarter of the current year. So, it looks like it's a disappointing quarter, but I would like to explain this to you. There's been a large increase in fixed cost to the extent of 15% and that's primarily one-time expenses. There was an increase in transport costs because of the Red Sea problems and all that, but they are beginning to taper off. So, I don't expect that to be a continuing issue. We had some issues with warranty provisioning. It is also one time. So, most of the increases that we are talking about are one time. So that's one part of it. So, I'm quite confident that going forward we will be reasonably good as far as the sales growth is concerned, we lost a bit of revenue because the GST portal went down in the last 4, 5 days of December. So, we lost a bit of revenue and the cutoff, we couldn't. We had the invoices ready but we couldn't ship. And as a consequence the revenue fell over to January. In addition to that, we had some sluggish performance in portables across the world. Waterville in India as well as the portable business in Europe, Australia and the US Particularly in the US we had a steep fall in the portable business in the third quarter compared to the third quarter of last year. So we are.

The growth in our fundamental businesses have been quite positive. So, this is not any concern for me at this point in time. Moving forward, just as a sales highlight, we have grown in every region, I would say even North America, because North America had the portable losses because of. And the portable business. It's an infrastructure issue and over-all the markets are down by almost 40, 45%. So, the industrial business in North America has done well. It's grown. And our distribution business, which had issues because of our ERP, it's, we are well past that. It's behind us and it's beginning to grow. So, all the regions have grown except Australia where the markets are quite sluggish at the moment. Moving on. So, this is a snapshot. Revenue has grown by 3% whereas our PBT is lower for the reasons that I explained to you.

Compressors continue to remain the largest. The ratio between automotive and compressors remains the almost the same. Similarly, India versus the rest of the world, the split in our compressor business remains almost the same. So, if you look at the consolidated financials, the PAT is better than last year. I mean, sorry, slightly lower than last year, but year to date we are still better than last year. And we hope and we are very confident that we will have a very strong fourth quarter. Moving on. Our cash position has been extremely strong this quarter and it will continue to grow. We have got put, we have put some very strong controls over our working capital, primarily our inventory which went a little out of control post the COVID Post the Red Sea issues. There was a lot of chaos.

We couldn't get the right ratios of inventory planning. All that is now beginning to get reined in. So, we expect in the third quarter, I mean the fourth quarter, the cash position would be even better. I would like to talk about two developments in the company which are pretty significant and then we'll open up for questions. One is a revolutionary new technology that we have launched. We hope the products will start coming out to the market within the month India and within the next six months globally. So, this is a revolutionary technology, and I will try my best to explain it in as simple terms as possible. So, if you look at a typical compressed air system, on the left-hand side you see the compressor and the pressure vessel that acts as a buffer.

And on the right-hand side you see various user equipments that have different levels of demand. You know, just visualize, it's like a air conditioner. When more people are in the room, the air conditioner comes on and when the temperature starts dropping, that air conditioner cuts off. So, it's very similar to compressed air. Various equipments will come on and off in terms of the demand for air compressor. So, this is how it typically works. So, what happens when you have a fixed speed compressor? The demand will fluctuate like this. So, the machine will cut in, cut out, cut in and cut out. So, this causes a lot of instability that has an impact on the energy efficiency of the compressor as well as the quality of the machine.

So today we supply a compressor with a variable frequency drive which is like an inverter the inverter, AC's. But that also is not without its own instability. It does have instability because it speeds up and speeds down, but more importantly, it's 30% more expensive. And there are reliability issues on the electrical. So, what have we done? Our technology is pretty simple, but very deep at a science level. We recirculate the air and recover. So, what happens is the compressor works constantly at the same speed, but the demand, the flow to the customer or the end application varies depending upon what the actual demand is. So, this is the real innovative part of it.

And, and this is accomplished by having a system which has two valves and our own controller that controls these valves where we recover excess air which is not required and recirculate it into the system. Thereby we save a lot of energy, and the machine is stable. So, the net result of that. Right. So, if you look at a fixed speed compressor, a compressor with VFD and what we call as our stabilizer, if you see it, there is absolutely flat operation. The reliability and the energy efficiency goes up pretty significantly. So, this is an actual field condition where we had installed the machine. These were the kinds of hourly fluctuations that were happening before we installed our system. And this is the flat thing that happened after we installed with this particular customer. So, this is the testimonial from the customer which is pretty dramatic.

So, the customer is saving close to 4 lakhs and this compressor itself is going, it'll cost maybe about 7 and a half lakhs. So, in two years with just this device, the customer will get the money back on the entire compressor in two years' time. And so, this is quite a powerful technology that we have launched. The second one is we've been talking about the lower tier, low-cost compressors coming from China and our plan to develop it. We have developed a range of machines and in the next financial year we will be launching them. They are far more reliable than the Chinese machines and extremely competitive from a cost point of view and far better in performance in terms of efficiency. So, these two changes and shifts in product and technology is going to be a pretty significant game changer for us.

So I wanted to share these two before we open up for questions. So thank you again for your patience. Thank you very much for being present. Now we can talk about any questions that you may have.

MODERATOR: Sure. Thank you. Jayaram Sir. Participants, please use the raise hand option or you may drop your question in the Q and A box. We'll wait for the queue to assemble for a couple of minutes and then we'll probably take the first question.

MODERATOR: So, first question we have is from the line of Mr. Harshit Patel. Harshit, you may unmute yourself and go ahead with your question.

HARSHIT PATEL: Hi, thank you very much for the opportunity, sir. So, my first question is on our US and Europe markets. I think despite the macroeconomic challenges in Europe, we have still posted a very decent top line growth over there. So what is enabling this? And second, are we on track to break even in both these geographies in FY26? I think Europe we will break even for the first time in this new expansion plan and were supposed to again turn profitable in the North American market. So, if you could update us on this please.

MANAGEMENT: So Harshit, thank you so much for the question. Yes, the economy in Europe has been challenging for a long time but things are slowly, I think it hit the bottom and it's slowly coming back. That's one reason why we are growing. The second reason is we have created a lot more focus in our go to market. There is very deliberate actions being taken to identify very strong distributors. We have brought potential channel partners to our plant, showed them what we are capable of doing. So, there has been overall deliberate steps that we have been, we are doing and we will continue to do to grow the business, grow our share in the business. So that's one part of what, that's the reason why we are growing. Yes, we are on our on track to break even this year.

So, I'm not very concerned about it. It was a concern last year, but this year I'm not concerned about it. As far as North America is concerned, like I explained to you, all our businesses are doing well in terms of growth and profitability except our portable business. Now the portable business is a very infrastructure related. It's extremely cyclical. If you look at it two years ago, last year and the year before, we had some record revenues in our portable business. And as a consequence, both Rotair, which is a supplier for our portable business in the US and the US portable business did exceedingly well. Now the market is down about 30, 40%. So correspondingly our revenues have come down too. So that barring that, I think all our businesses are doing well.

HARSHIT PATEL: So, sir this portables business in the North America, what percentage of our North American revenues it would be.

MANAGEMENT: Portable business would be in a peak time was close to, let me guess, trying to think close to about 20%, 15 to 20% of our revenue and today it is probably less than 10.

HARSHIT PATEL: Understood. But then combining all three businesses, portables, distribution as well as industrials in US we will still make some profits this year. Would that be right? Understanding?

MANAGEMENT: No, we will probably just break even.

HARSHIT PATEL: Okay, so my second question is, could you highlight how our market share has progressed in various categories in the domestic market in the last three to four years? So how in reciprocating screw, both oil free as well as oil lubricated and centrifugal. So, which are the categories where we have gained over the competition, where we are stable and if at all we have seeded some ground in some of the categories. So, if you could highlight all these aspects, that will be very helpful.

MANAGEMENT: So, I don't want to give very specific numbers, but I can give you directionally something. As far as Recipe is concerned, it is a very commoditized business. So, we have not increased any share, nor have we lost anything. So, we are just kind of holding our share in that business. But there is a huge number of unorganized players. When we are really evaluating what our strategy should be to be able to get and be a significant player, then we are not ready yet. As far as the screw compressor market is concerned, if you take the bottom tier, which is really the very low-cost imports from Chinese, if you exclude that our market share has grown here this year, if you include that in the total market, our market share actually has dropped.

MANAGEMENT: Right now with the new product that we are bringing in, we will be able to enter the bottom of the pyramid and we will be able to grow our share of the overall business. Oil free. We continue to hold our share india Centrifugal, we are hardly a significant player.

HARSHIT PATEL: I believe we had a tie up with the Korean company and our machines were in the field testing. So, any progress on that by when we can expect launching our own machines in this area

MANAGEMENT: Strategically launching our own machine is not a priority. We have other products like vacuum that we are focusing on. Once we are able to, once we get to the finish up the other priorities, we'll get there. In the meantime, we will continue to partner with Hanwha.

HARSHIT PATEL: Understood, perfect. Thank you very much sir for answering all my questions and I'll get back in there.

MODERATOR: Thank you Harshit. Sir, next question. Next question is from the line of Mr. Chaitanya. Chaitanya, you may unmute yourself and go ahead with your question.

CHAITANYA: Hello. Thank you, sir. Good morning. My question is on the. Am I audible?

MODERATOR: Yeah, you are audible?

CHAITANYA: Yeah. Okay, so my question is on the after-sales market share, I think 15%, if my numbers are correct, 15% to 20% of our business is from the after sales business that we provide. So, any indication on when are we expecting to increase that, if at all? And I think margin also in that front will be helpful.

MANAGEMENT: So, our after-share aftermarket share India is quite healthy. There is opportunity for maybe a couple of more percentage growth so that we continue to do our aftermarket percentage outside of India is as a percentage is very low. And that's normal because aftermarket as a percentage of revenue grows only when your installed base becomes a certain size. And we are beginning to build that size, and we are growing the aftermarket year on year. But you will not see that 30%, 35% till such time the install base has become quite large.

CHAITANYA: So, any indication on when that can happen for like three to five years down the road.

MANAGEMENT: So, you can't predict it because you have to look at growth of market share of the product. Right, okay. And it will continue to grow along with that.

CHAITANYA: Okay, got it. Also, in the recent one of the article, I read that you guys are targeting to be one of the top three players in the world by the next 10 years. So, what our strategy in that terms that any particular product focus as we all know that on the R&D friend, ELGi is very high and very focused. But on that front also if any roadmap, sort of what are the thoughts in terms of the increasing that market share?

MANAGEMENT: So, you know our strategy is on products and markets. We are focusing on lubricated pistons, lubricated screw and oil free screw as strategic focus for growing the business. And we are focusing on key geographies which is Australia, Indonesia, Thailand, India, Europe and the US or North America. So, these are the markets where we are strategically focusing. What we mean by that is disproportionately allocating our time and resources in these markets for these three product categories. So that's really our strategy. So, if you look at our investment in technology, what I just explained to you, both the products, both the technologies and both the technology as well as the product, it is pertaining to rotary screw compressors.

MANAGEMENT: So, if you look at the markets that we are talking about and the products that we are talking about, they will constitute close to 60% of the overall opportunity worldwide. Right. So that's a pretty-significant opportunity and we are focused on that.

CHAITANYA: Got it, Got it. Thanks. Also, is there any impact of the new tariff region that's going on in the US if at all, are we in any kind exposed. Exposed to that particular event that's going on?

MANAGEMENT: Sorry, I didn't get your question.

CHAITANYA: The Current U. S. Administration. After coming up to Trump, there has been an increase in a tariff across the, you know, multiple industries on. So, are we as an industry or company, do we fall in that particular category in any way as of now.

MANAGEMENT: Even during the earlier regime, Trump regime, when there were duties imposed, compressors were not in that category. So, we don't expect it. So even if it comes, those are business challenges. Those are not going to be game changers, yeah.

CHAITANYA: Got it. Understood.

MANAGEMENT: So, we got to understand something. Even if 10% there is a tariff increase, our rupee has depreciated by 10% as well. Right. It's not a one-sided kind of a thing. It's a larger, you know, multiple factors involved. Yeah.

CHAITANYA: Okay, got it. Thank you. Thank you so much for taking my question.

MANAGEMENT: Thank you.

MODERATOR: Thank you. Chaitanya, Next question we have is from the line of Ritvik. Hi Ritvik, you may go ahead with your question.

RITVIK: Yeah. Hi, Good morning sir. Yeah, so a few questions. So firstly, you mentioned one off expenses in Q3. Rs. 4 crores and 18 crores. So safe to say that majority of this is non-recurring.

MANAGEMENT: Yes. So, I said transport is one area where there was a significant increase primarily because were catching up on some inventory shortfalls and as a concept and combined with that Red Sea related increase in transport costs. But they are coming down and with our cutting back on our inventory down to normal levels, our shipments also are going to be less. So, I don't expect that to continue. Rick, I told you warranty provisioning was done. That is a accounting provisioning that had to be done. So that is there and a few other things that are all one time nothing that is of significance.

RITVIK: All right, got it, thank you. And the second question is on the stabilizer opportunity that you mentioned. You know, is there any product like this in the market or this is an innovation by.

MANAGEMENT: It's nothing. This is the first time we've got a patent which is global.

RITVIK: Wow. Okay. So globally there is no products like this.

MANAGEMENT: No.

RITVIK: Okay. And you mentioned that there will be savings of 4 lakhs per annum. So that would be on the power cost, or the complete savings would be on the power cost.

MANAGEMENT: This is purely power cost. But there are a whole host of other savings that are there. We have not really listed that out, but this is something that the customers actually experienced.

RITVIK: Okay. And how many pilot testing you would have done for this?

MANAGEMENT: So, far we've done a few hundred machines and plus few thousands of hours in our own factory.

RITVIK: Got it. And what would be the cost of this stabilizer.

MANAGEMENT: I don't want to talk specifics but let's say if the variable frequency drive is 100, this will be five.

RITVIK: Okay. And sorry, just few questions on this. So, can we sell the stabilizer to our existing installed base?

MANAGEMENT: Yes, there are two versions of the stabilizer. There is a light version and a heavy version. The heavy version has to be fitted from the factory, but we can give a kit for retrofitment. Whereas a light version can be fitted on the field as well. And the light version can be fitted even in competitors.

RITVIK: Okay. Oh wow. Okay. So, sir, what kind of opportunity opens up and you know what is.

MANAGEMENT: Hello?

RITVIK: Yes, Am I audible?

MANAGEMENT: Hello?

RITVIK: Yeah, am I audible?

MANAGEMENT: Sir? Ritvik?

RITVIK: Yeah sir, am I audible?

RITVIK: Kamlesh, can you hear me?

MODERATOR: Jairam. Sir, we can hear you. We can hear Ritwik as well.

MODERATOR: Hello? Go ahead sir, we can hear you.

RITVIK: Yeah, Sir, I can hear you. Can you. Are you able to hear me?

MANAGEMENT: Hello? Hello?

RITVIK: Sir, you can hear me?

MODERATOR: Yeah, yeah, he can hear you.

MODERATOR: Yeah, yeah, go ahead. Yeah, yeah. So.

RITVIK: So, when we are taking this product.

MANAGEMENT: Can you hear me?

MODERATOR: I think there is some problem with your audio.

MODERATOR: I think. Hello? Hello? Hello, can you hear me? Yes sir, we can hear.

MODERATOR: Yes sir. Yes sir. Yeah.

MANAGEMENT: Sorry. Yeah,

RITVIK: Yeah. So on this stabilizer, when we are taking it to the customer, what kind of feedback are we getting in terms of installation and what kind of conversions are we seeing?

MANAGEMENT: No, not we like we just launched a technology Ritvik. We haven't got the product out on a regular basis. Like I said, within the next one month is when we'll be putting it into the field.

RITVIK: Okay, so what kind of market opportunity size this opens up? Because you mentioned 6, 7 Lakhs.

MANAGEMENT: So right now if you look at it, 25 to 30%. In India, I'm speaking 25 to 30% of the compressors are VFT. 65 to 70% of the customers want the advantages or the energy saving of a VFT. But they don't want to make that investment because they have to spend 30% more. Now that entire 75% is a huge opportunity for us to present significant savings in energy cost. Right? Where you recover the cost of the compressor itself. Not just the investment in the device, the cost of the compressor itself. You get back in a couple of years. So that's huge. Yeah, right.

RITVIK: Right. This. This is interesting. Okay sir, I have few more questions. I'll get back in the queue. Yeah, thank you sir.

MODERATOR: Yeah. So next question we have is from the line of Manish, you can unmute yourself and go ahead with your question. Manish.

MANISH: Yeah. Yes, very good morning, sir. Hope you're doing well.

MANAGEMENT: I'm well, thank you.

MANISH: Yes, a couple of questions first on the low-end compressor, which you were referring to, which probably is seeing a lot of competition or a lot of inputs from China. If you can just provide perspective as to what could be the size in terms of volume and the value which probably is getting disrupted in terms of market opportunities.

MANAGEMENT: So, we believe that the total market size at the low end from the Chinese is about 6 to 7,000 machines a year India. Yeah. And the market, the volume, the value wise, it's very difficult to make an estimate. But roughly I would say it's about, each machine is probably around 2 and a half, 3 less. So about 200 crores is the size of that market. Right. We're not playing in that market. Yeah. So, for us to aspire to get 50, 60 crores is not unrealistic. Yeah. So that's only one part of the story. The other part of the story is there is a general shift globally for low kilowatts machines. This, you know what I'm talking about, this, 6,000 machines that are coming into India are all low kilowatts. They are not the high kilowatt machines. They're all lower than 30, 37 kilowatt in that, it's in that range. But we are also seeing a global pattern of customers wanting to shift to lower kilowatt on lower kilowatt machines to cheaper machines. Not really worried about energy efficiency. Now these are all low duty cycle applications where customers don't want to pay a premium. Now this product that we have made is a global product. It is not just an India product. The certifications, the standards, this can be sold anywhere in the world. So we are building a much larger opportunity for the future.

MANISH: So how cheap would it be? Like say today if you would have a product and if China, if there are inputs from China, how cheaper would it be? And in terms of performance wise also that also matters.

MANAGEMENT: From a cost point of view, it's about 40, 45% lower cost. And from a performance point of view, it's about 15 lower in specific efficiency.

MANISH: Right. And, and in India, like typically where would this application, you did mention that low duty cycle application, but in typically like which industries or which market it cuts across.

MANAGEMENT: It cuts across all. It is not specific to certain industry. Let's say there is a, you typically, if you look at it, a spinning mill, which is large, 25,000, 30,000, 50,000 spindles will look for efficient machine. But let's say there is a spinning unit which has got 4,000 or 5,000 spindles. Right. They are, they are more capital start. And they are not worried about this additional cost of energy because their overall cost is low, because it's only 5,000. So, it's not just one industry, but it cuts across certain. A characteristic segment across all industries. Yeah.

MANISH: Okay. Okay. And sir, on our new product, on the stabilizer, like what. What could be say, like if existing machine, existing compressors need to get retrofitted. And so, what could be like time involved and potential cost incurred for. And what would be the downtime? So, is it worth for that someone who's operating on a daily basis to properly take this retrofittment and do it? That was the first question. And like, what would be the potentially market opportunity you see for you in next three to four years?

MANAGEMENT: So, in terms of retrofitting in the field, it's only a few hours. It won't take more than that. Yeah, I'm talking about retrofitting the heavy version, which means there is a big significant removal of our errand and fitment of a new errand. Right. So that's a few hours of work. So, it's not a big downtime. The retrofitting of the light version will be probably less than an hour. Right. So that's from a downtime point of view. From a cost point of view, it depends on the size of the machine. Right. Smaller the machine, lesser the cost, larger the machine, more the cost. So, I don't have one number to give you. It says this will be the cost. So if it's a 22 kilowatt will be different, 45 kilowatt will be different. But the point here that you need to understand is for a new machine, the, compared to a VFT, if VFT costs 100 more, this will cost 5 for a new application across this. This logic applies for all kilowatts. But for retrofit, you can't apply the same logic because we are removing a big part of one part of the compressor and fitting another one. Yeah. And as far as the opportunity is concerned, like I said, if you take a total market size of 30,000 or 35,000 compressors, india, only 7, only 25% are VFT. Right. So so close to 22, 23,000 machines are running without VFT because the customer doesn't want to pay that money for the additional money, which is 30% of the cost of the compressor. Now what we are going to give is a fraction of the cost. But the same functionality. Not only the same functionality but a reliability factor which is night and day difference different. Yeah.

MANISH: Okay.

MANAGEMENT: So, this is a huge value proposition for the customer.

MANISH: And sir, on other expenses. Sorry, I probably missed that earlier. This Rs. 4 crores was pertaining to freight one time and 18 crores was for warranty. Am I right?

MANAGEMENT: It is what Transport is about 5 crores and warranty is about 2 crores. Yeah.

MANISH: Oh okay.

MANAGEMENT: Then there is a whole host of small things like building repair and maintenance which are all. You know, it is a timing issue. Right. It's not something that is going to get repeated. You know.

MANISH: And you did mention in your initial remarks just last month this would be the. Yeah.

MODERATOR: Manish. This would be your last question.

MANISH: Sure, I'll come back. Yeah. How much sales we would have missed because of downtime of the GST portal?

MANAGEMENT: It has lost about, I think about 150 million. 15 crores.

MANISH: Okay. Okay. Thank you sir. I'll come back.

MODERATOR: Thank you. Manish, next question we have is from the line of Mr. Bhavin Vetlani Bhavin. You may unmute yourself and go ahead with your question.

BHAVIN: Good morning, Jay.

MANAGEMENT: Hi Bhavin, how are you?

BHAVIN: Very well, thank you. Hope all well at your end?

MANAGEMENT: All good, thank you.

BHAVIN: So this question is more on the India market and were just adding the revenues of all the India players and ELGi India revenue and we saw from 2019 to now it's gone up from about 6 or thousand crores to 11,000 crores. This includes services. What I want to understand is some of the market internals. How are you seeing the share of oil free move up within that, how has ELGi moved up in terms of market share for the oil free? How has the centrifugal move up and within that, how has ELGi moved up in centrifugal? Because I think the Chinese is something whereas you come as your company graduates, I think that's something you'll have to leave it and the focus has to be in the higher margin products like oil free centrifugal, etc. So just want to get the perspective a little bit on the higher level on the market size and how is ELGi been able to capture incremental market on a slightly longer last five-year basis.

MANAGEMENT: So let me take it category wise. So, if you look at oil lubricated screw, let me start there. Oil lubricated screw compressors, there are two segments, the premium segment and then there is the discount segment where the Chinese are playing now. If you take the combined market share, we have lost market but primarily because of the low end in the premium segment we have held our market share. But in this year, we have grown it. Right. And we hope that we are confident that we will continue to grow it in the coming years. Not only because of our new technologies that I talked about a stabilizer but also because our enhanced go to market presence and strategy. So that's on the lubricated stuff. Now in the lubricated stuff we believe we have a lot of depth in expertise of compressors. So, we can't just say oh, the Chinese are coming in with cheap machines and therefore we should vacate that space. We need to use our technology and our capability to come up with a product which at a quality level is at an ELGi standard. But from a price point of view to a customer's expectation, from a Chinese machine performance also to ELGi standard. Now it took us about a year and a half to engineer that solution. Now when we engineer it, we have the ability and the right to win in the segment. So, we're not going to vacate that and run away. Yeah. So that's on the lubricated screw on the oil free. In the last five years the market has grown. Our share of the market is growing. Absolutely, it is growing.

MANAGEMENT: So, I'm very confident that our presence compared to five years ago, we have a much more stronger presence and a growing presence in that sector. Centrifugal, like I explained it is not. We are representing Hanwha and you know, there are challenges on delivery, there are challenges on pricing. To the extent that we are able to meet the customer's requirement on pricing and delivery, we are able to play in some way. So strategically we are not there in that market. Besides that, compared to the rest, the oil free and the oil lubricated screw, that's a relatively small market. So, we'll get that but one step at a time.

BHAVIN: I just a follow up. I think we had the product related challenges earlier on the water well which we have now been able to mitigate. So, I mean if you along with that. So, we just want to Understand how has ELGi's market share moved up? Because in our view it has moved up. We want to understand whether we are correct or not because the gaps in the water well and in the oil free segments that you have bridged the market share, let's say five years ago versus today and how do you see it going forward.

MANAGEMENT: In water well? See, water well is a cyclical business, like right now last year was a phenomenal year. This year is a down year right now. Our share of the market continues to grow but the size of the business goes up and down depending on the cyclicality of that segment. Net net. If I have to average out what is our share of the market it's somewhere around 40%. Right. We think that's where our share of the market is. Is there an opportunity to grow that? Yes. But you know it's going to the in terms of the impact on our business it's going to be incremental because of overall marketers has shrunk at the moment. Oil fee, like I explained to you Bhavin. It's. It's. We are growing market as long as it continues to grow we will grow and we have some exciting products there as well. We. It's too early to talk about it. Once we have that then our ability to win more also goes up.

BHAVIN: Yeah, sure. Just last question on. Given the way we have seen the budget and the overall when you talk to your customer side on a three-year basis, if you were to hazard a guess on the growth in the domestic market, what would that be?

MANAGEMENT: I will talk about steady state as well as the non-steady state. On a steady state basis we should be able to in the current circumstances, current market conditions, anywhere between 9 to 10% growth is possible with the introduction of our stabilizer technology and the low end market product. I think adding another 3, 4 percentage points to that growth is not unrealistic.

BHAVIN: Yeah. Yeah. Thank you so much, Jay. Thank you so much for taking my questions.

MANAGEMENT: Okay

MODERATOR: Next question we have is from the line of Mr. Vipul Kumar Shah. Vipul, You may unmute yourself and go ahead with your question. Vipul, I think there's some technical error at Vipul?

MANAGEMENT: Hello.

MODERATOR: Next question we have is from the line of Mr. Amit Anwani. Amit, you may please go ahead with your question.

AMIT: Hi sir, I'm audible.

MANAGEMENT: Yes.

AMIT: Thanks for taking my question. My first question is on the low-end product which you highlighted and you said both the products incrementally can bring 3,4% extra growth. Wanted to understand this low-end Chinese product, are we going to cater to the US market? Is there any Chinese importing low end there and are we not going to face any competition because I understand, I think Kirloskar also talked about kind of low-end product. Correct me if I'm wrong. Is there a comparison between these two products and which specific markets we are first going to target?

MANAGEMENT: So, our first target is the Indian market because that's really where we are seeing a significant presence or influx of the Chinese machines. So that will be our focus. But we also, but the product is ready to be sold in most of the 50 cycles market. As far as the 60 cycles which the US right now we don't see as much of that behavior in the US market as we are seeing let's say in Australia, in Southeast Asia and probably in some markets in Europe. So, we will, we'll take a measured progression but India will be our first focus.

AMIT: Sure. Second on Europe you highlighted we're expecting a turnaround. Any further investment required there. If you could highlight us with respect to kind of manpower distribution or any other aspect where we'll be doing more capex in Europe and what could be the peak revenue we are targeting from Europe in next two, three years.

MANAGEMENT: Yeah, so we're not see this Europe was an incubation that started six years ago. We invested up front and we declared that we are going to, we have completed all that so we have gained traction in the market. Now it's a time to produce profits. Right. And we will begin to see that from the next financial year onwards. In terms of growth, I would say low double digit is what is possible. But with these new products that we have we could realistically expect a lot more.

AMIT: Sure Sir, thanks for taking my questions. Thanks.

MODERATOR: Next question, we'll have it from the line of. Manish. Manish, you may unmute yourself and go ahead with your question.

MANISH: Yeah, thank you so much sir. On, on continuing on the Europe operations and probably when I'm looking at last year's annual report so the subsidy level at Belgium was probably a loss of nearly 50 crores. So, when we are talking of breakeven sir, are we probably looking at EBITDA level breakeven or PAT level breakeven and do you expect that pat level losses to come down? And similar observations were for even our US operations where if you probably look at all the two, three entities we had reported pat loss. So just if you can clarify on both aspects.

MANAGEMENT: So, our breakeven is at an EBITDA level Manish. Now the only reason why we have a part level loss in Europe is because of the interest cost that was there. And today with tighter controls over our working capital we expect progressive reduction one hand cash generation and on the other hand progressive reduction in our working capital. Net, net the capital employed will start coming down and therefore the interest is going to come down as well. The same thing with the US Right. If you look at it, we have a huge portable inventory because we expected the market to continue but it just kind of nosedived, all of a sudden. So, we have that inventory that was shipped from rotor. So, all that is getting tightened now and we have capital employed because of that for which we're paying interest. And the US interest rates are pretty high compared to Europe. So all this will come down.

MANISH: Okay, so. So okay. This only factor which is probably. But sir, that amount doesn't seem to be quite large in terms of the interest outgo. If you probably look at. If I probably look at your consolidated interest outflow which probably 9 months is just 22 crores and where is the bad loss?

MANAGEMENT: Manish, consolidated you are. We are earning interest India. Please remember that we have surplus cash India and we are earning interest in the treasury operation.

MANISH: But that is anyways reflected in other income sir, which is 41 crores in nine months and interest expense is 22 crores. So, I am just. Maybe if you can clarify that interest expense is net of the income or.

MANAGEMENT: I. I need to get back to you. I. I don't have those numbers in front of me. You can take it offline.

MANISH: Because even in the first nine months of the current year probably we see that at EBITDA level there is probably a slight decline in the margins for our international operations on a roughcut calculations. But probably at pat level it is a very marginal profit. So just wanted to get your perspective as to how should we get.

MANAGEMENT: Maybe we'll take that offline and we can give you the details for this.

MANISH: Thank you. Thank you so much. Thank you so much.

MODERATOR: Participants, if there are any other questions you may please use your raise and option.

MANAGEMENT: There was one person, Salil, who had raised his hand, but I don't know whether he has disappeared.

MODERATOR: Yes Sir. So, I couldn't see his hand up again and that's the reason I had to.

MANAGEMENT: Okay. And Vipul of course continues to have his hands up.

MANISH: Can I ask one or two more questions?

MANAGEMENT: Oh sure.

MODERATOR: One second Manish. We'll just check with the Vipul in case if his line is audible. Otherwise, we'll allow you to ask. Do you have a question to ask to Mr. Jairam? You may unmute yourself and go ahead with the question. I don't think so. Vipul is around sir, but Salil happens to have come in. Hi Salil. You may unmute yourself and go ahead with the question.

SALIL: Thanks.

MANAGEMENT: Can't hear you Salil. Is this any better?

SALIL: No, I'll come back in. Q.

MODERATOR: We have a question From Uttam Kumar. Uttam, you may please unmute yourself and go ahead with the question.

UTTAM: Yeah, am I audible?

MODERATOR: Yes. Yeah, yeah.

UTTAM: Good morning sir. Thank you for taking my question. So firstly, on the domestic market just want to get further understanding with regards to are we seeing any challenges from any particular sectors? Is there any kind of slowdown infra side or all these sectors doing well could just be more color on that.

MANAGEMENT: So, the Indian market definitely is exhibiting signs of slowing down. There is no doubt about that. But it's not something that I would get worried about. It's not like a significant. But there are signs of customers delaying decisions. The number of enquiries coming in are, the rate of it has come down. So, these are signs that things are slowing down a bit. And you can see it, you know the automotive sector in most parts is beginning to slow down. Some of the infrastructure like cement and all that are slowing down. So, it's part of the game. I mean it'll come and go.

UTTAM: Right sir. Second thing with continuation to that is are we seeing a more aggressive kind of move by the competitors in the domestic market? And also could you just throw some understanding on pricing? Have you taken any price increases or have we lowered down lately?

MANAGEMENT: Yeah, we have not increased our prices, we have kept our prices constant. Competition continues to be as intensive, intense as before. There is no, I wouldn't say there is any sick, any specific resurgence or surge in competitive intensity. We are all aggressive and fighting which makes it interesting in the market. But I would not call out anything that is concerning.

UTTAM: Right sir. And final question is with regards to I think in one queue of the financial, I think were talking about the go to strategy in the domestic market and we had also brought in some consultants to do it. So, any update on that, how things are progressing? So, has that enabled to gain some market share?

MANAGEMENT: Yes. So, like I said in one of my commentaries that we are looking at growing our share of the market. We've already grown a little bit this year and we'll continue to see that process giving us that growth in the next year as well. And that's the result of our go to market initiatives that we have done.

UTTAM: Right. So, there's a bookkeeping question on the capex trend. So, how much have we spent for the nine months and what is the capex currents for the next financial year?

MANAGEMENT: And let me see if I have those numbers in front of me. I don't think I have the numbers but we have probably spent around from a cash point of view, maybe about 60 odd Crore.

UTTAM: For the nine months, sir.

MANAGEMENT: Our new projects. Yeah, nine months, new projects. We have budgeted about 250. So, the new buildings that will happen, part of it in the fourth quarter and then into the next year.

UTTAM: Thank you so much.

MODERATOR: Next question we'll take from the line of. Mr. Prathamesh. Prathamesh, you may please go ahead with the question. Unmute yourself and go ahead with the question. I think there's some. Yeah, Salil, you may unmute yourself and go ahead with the question.

SALIL: Thanks. I hope this is better now, sir.

MANAGEMENT: It's better now.

SALIL: Okay. So, on this new product, right. The patent that we filed. So, if you can give us a sense of how tight it is and you know, in terms of protection against competition coming in and trying to offer something similar in some pockets, in some markets.

MANAGEMENT: Well, that's a tough question to answer, Salil. When we make a patent, we make it as watertight as possible, as wide as possible and as deep as possible. But there is always an opportunity for somebody to challenge it. And then we need to figure out, go to a court of law and try and find out. But the most important thing is the one is the patent. The other is how effectively you are able to make it understand the why of the technology. You know, it is not about just having some valves and some software algorithm, but the. It is more at the level of science that you have to understand to get the result right. So that science part is not necessarily revealed in the patent. Right. So those are some. And you know, the, the scientific pieces that we retain to ourselves. So, I'm reasonably confident that we have a pretty strong position.

SALIL: So, if I understand this as a layman, what you're saying is that although concept might seem simple, let me just add a stabilizer to compressor, but the engineering behind it and price at which you deliver is something which not everybody could replicate irrespective of the.

MANAGEMENT: Absolutely, absolutely.

SALIL: Great. This is very heartening to see these products, they're all the very best.

MANAGEMENT: Thank you.

MODERATOR: Sir. In the interest of time, we'll take one last question from Prathamesh. Yeah, Pramesh, you may just unmute yourself and go ahead with the question. You have the permission to unmute yourself and go ahead please.

MANAGEMENT: I think he's posted the question on the chat. So, it says need to understand about exports. As we understand except for Rotaire, all other subsidiaries manufactured in India and distributed rest of the world. However, the standalone exports and related party sales do not match. So, want to understand the accounting procedure followed for the same. So, Prathmesh, the. Yes. The. The industrial machines are all made India. So, when we do sales from the standalone exports has two components. Sales to independent distributors. Like for instance some distributors in Southeast Asia, some distributors in Latin America. Some distributors in Africa. Some distributors even in Middle east. They buy directly from us. So that is also booked as exports from in the standalone. And the standalone books also has exports to our subsidiaries which are related parties. So, they will never match. Right. And it will fluctuate because when it is a matter of inventory management between in the subsidiary. So, when the inventory starts going down, the revenues are coming down. The standalone revenues to subsidiaries. And we are in the middle of controlling that inventory. Therefore, there will be a reduction.

MODERATOR: I think that is what we have right now. Sir. Kamleshi, would you want to give a vote of thanks before we end this call?

KAMLESH: Just. Yeah. Before that just one question. If you can provide some more insight about our tie up with that iteration for vacuum products. How has been the progress and when we see that commercialization. So, thanks for bringing that up, Kamlesh. So, we have completed the technology transfer. Our team has visited, brought it in. The indigenization has started. So, from April, May, onwards we will have completely Indian made products into the market. So that's on the product side. On the organization side we have assembled the sales and service team. They are already in contact with customers. We have already started gaining one off orders in the market. So, we expect to see next year as a full year. By which we'll be able to come back and report our performance on vacuum.

KAMLESH: Any revenue targets, sir?

MANAGEMENT: Not yet, Kamlesh. Not yet. It's not our metrics right now are to look at the distributor appointment and OEM connects. Yeah.

KAMLESH: And this will be more India specific, right Sir, Sorry. More India specific markets. We are trying.

MANAGEMENT: Yes, it will be India. India like markets neighboring. That's it.

KAMLESH: Right. Great. Okay, that's it. From our side. Sir, any closing comment you want to make.

MANAGEMENT: Thank you very much. I think Manish has got a question again.

MANISH: Hello.

MANAGEMENT: Okay, so we can. So thank you very much, Kamish and. Sorry.

MANISH: Yeah, yeah, probably. I'll take two. Two questions, sir. One is on the.

MODERATOR: Manish, we might have to end this call because we have already crossed our time limit. You can take it online offline with the team and Mr. Jairam.

MANISH: Yeah, sure, I'll do that.

MANAGEMENT: Thank you. So, thank you very much Kamlesh and Asian Market securities for organizing it. Thank you for your continued support on that and thank everyone for your time and your insightful questions. And I look forward to speaking with you during the Investor Analyst meet in February this month and also our call sometime in May for our fourth quarter and annual results. Thank you very much. And I look forward to thank you.

MODERATOR: Thank you. Thank you so much. Thank you. All the participants.

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