ELGI

BOMBAY STOCK EXCHANGE LIMITED PHIROZE JEEJEEBHOY TOWERS DALAL STREET MUMBAI – 400001	NATIONAL STOCK EXCHANGE OF INDIA LIMITED "EXCHANGE PLAZA" BANDRA KURLA COMPLEX BANDRA (E) MUMBAI - 400051
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Dear Sir / Madam

Sub: Intimation of transcript of the Investors conference call held on 09/11/2020 under the SEBI (Listing Obligations and Disclosure Requirements), Regulations, 2015.

In accordance with the SEBI (Listing Obligations and Disclosure Requirements), Regulations, 2015, please find below the transcript of the Analysts and Investors conference call held on 09th November, 2020 at 04.30 PM IST.

This is for your information and records.

Thanking you,

For ELGI EQUIPMENTS LIMITED

RAGUNATHAN K
COMPANY SECRETARY

"ELGi Equipments Limited Q2 FY-21 Earnings Conference Call"

November 09, 2020

MANAGEMENT: MR. JAIRAM VARADRAJ – ELGI EQUIPMENTS
MODERATOR: MR. KAMLESH KOTAK – AMSEC

Moderator: Ladies and gentlemen, good day and welcome toELGi Equipments Limited2Q FY21 Post Results Conference Call hosted by Asian Markets Securities Limited. As a reminder, all participant lines will be the listen-only mode,there will be the opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing "*" then "0" on their touchtone phone. Please note that this conference is being recorded. I now had the conference over to Mr. Kamlesh Kotak, from Asian MarketsSecurities. Thank you, and over to you sir.

Kamlesh Kotak: Thanks Janvi. Good day everyone,on behalf of Asian Markets, we welcome you all to the 2Q and 1H FY21 earnings conference call of ELGi Equipments Limited. We have with us today. Mr.Jairam Varadraj, Managing Director representing the company. I will request Mr. Jairam, to take us through an overview of the quarterly and the half yearly result. And then we shall begin the Q&A session. Over to you sir, thank you.

Jairam Varadraj: Thank you Kamlesh. Good evening ladies and gentlemen thank you for your time. This evening, I will as we normally do, I'll take you through the quarter results for the current year, in comparison to the quarter results for the previous year. I will first talk about the financial numbers and then I will go into general business perspective. And then we will open it up for Q&Aand then we present what the outlook are.

So if you look at our financial numbers, our sales have been higher than the previous year, second quarter by almost 10%, or roughly about +8%.Bulk of the sales increase has been the shift in the geography. International rest of the world revenue has moved from 45% last year to about 57% in the current quarter, in the current year's quarter. And if you really look at the international business bulk of the growth has come from Europe, which is an initiative that we started a year ago, where we have created an organic growth model, we built the team there. And that is beginning to show some results,in US which is also been an initiative for us is also delivered well, Australia which is also an initiative has also been and of course we had during this year, we have the contribution of revenue from Michigan, which was an acquisition that we did in the last quarter of the previous year. So that's really the story and on sale.

If you look at our EBITDA that it should have been, EBITDA should have been 575 on the basis of constant contribution as per the previous year, actually EBITDA was 642 on a positive sense, so bulk of the increase in EBITDA has been coming besides our reduction in material cost. We've also have a significant reduction in other fixed costs, which is travel, communication, rentals and all that, to the extent of about 95 million. We had an increase in people cost that is primarily because of the increase in cost in Europe and the cost brought in through Michigan. So in an organic sense has been reduction in people cost or at least flatlining of people cost compared to last year. So other fixed costs, it has been lower than previous year like I said, this is really the contributing factors to a pretty good set of EBITDA numbers. Debt has significantly come down from 2600 million or 260 crores it's down to 150, close working capital reduction of 625 million, 62 or 63 crore. So that's been a very strong performance by the team so that's very good.So that's really the summary of our financialnumbers.

From a business point of view, if I start again, from Australia, Australia did very well,significantly better than the previous year. Southeast Asia was kind of muted, had some challenge, COVID challenges both in Indonesia and Thailand. But they have done well,but compared to the other regions, it's a little muted. India, first quarter was April was a washout, May was a partial washout, and we started seeing a recovery, but it has been surprisingly good quarter for us in India, across all sectors, across all product vertical. So, this has been a bit of a surprise for us. Economic activity in India is happening, maybe not the large projects, but the compressors that we sell a bulk of it goes to a they are not big capital equipment, they are balancing capital equipment. So from that point of view, we have been seeing a very solid recovery in India. And we expect that to continue, but very difficult for us to say with clarity, whether there will be continued growth in the trajectory that we have created, primarily because the Diwali season is coming, people are out there, we don't know what will be the infection rates, whether there will be a second wave like it is happening in Europe, and whether the government will resort to certain strong measures so, we have to wait and see. But as of now, the business outlook in India is good.

Gulf has been a bit of a,it's not delivered to what it promised. It's slightly better than previous year, but nowhere near what you're supposed to be doing. Europe like I said the initiatives are beginning to pay off. All the businesses are growing there, so which is a positive thing. US also, all the businesses have grown, have done better than the previous year. So we expect that Europe and US if external factors are not disrupted, we will continue to see some positive continuation of this positive outcome. Now, the subsidy that we received from Australia and the US was significantly high in the first quarter, substantially lower in the second quarter. We won't see any of this subsidy in the third and fourth quarter unless the US government brings in another set of initiatives, interventions in the economy. We don't know nothing clear about that there is a lot of conversation about significant intervention, but we'll have to wait and see where the change in the presidency and all that how that works out, we'll have to wait and see.

So, this is really the business side. As far as the outlook is concerned, like I said, on sales, we see some marginal growth in the third quarter and the fourth quarter compared to the second quarter. Material cost very surprisingly, has started becoming a challenge. I don't know whether it is average, pricing, Steel prices for instance have gone up by 10% to 15%. And the automotive demand is probably causing it and a lot of the Steel companies, factories were shut down in the early part of the year, hopefully, they will open up when supplies situation will improve and prices will stabilize. Almost all of our vendors are asking for price cut,so there is going to be a pricing pressure, we have working towards ensuring that we maintain our contribution over material costs but it's going to be a challenge. As far as people cost are concerned, we expect it to be at the same levels for the balance of the year. We don't see any need for increase,in fact there could be some reduction but we don't want to put anything there yet.

Other fixed costs as it really depends on the business, the business starts climbing up we expect some of these cost to come back up, for instance travel.But there are some fundamental changes that we have made like for instance, we decided to shut down all our off branch offices and bring working from home as the new normal. So there will be savings in terms of our rental. So those kinds of permanent changes that we have made, irrespective of the growth in the business, we will continue to have the benefit of that. So it other fixed costs will go up, we have, if you look at the levels in Q2, it has been pretty much at the same level as Q1, which has been a very good achievement by the team in spite of growth in revenue. But, there could be some creeping increases in Q3,Q4, but that will be more than compensated by the additional growth in revenue. So this is really the summary of our business and the outlook that we have. So, I will stop here and then I will wait for your questions. Thank you very much.

Moderator: Thank you. We will now begin the question answer session. The first question is from the line of Mr. Ravi Swaminathan from Spark Capital. Please go ahead.

Ravi Swaminathan: Sir my first question is, with respect to the compressor segment resulting a LDE 12% growth. How much do you think this magnitude of growth can be sustained going forward also, and from which sectors have you seen growth in the compressor segment?

Jairam Varadraj: Like I said Ravi, I'm not able to say for sure whether the growth trajectory can be maintained, because there are still so many uncertainties that are there. If those uncertainties are not there, we can expect the trajectory to be maintained. But please understand that 12% growth you're talking about from previous year. So that's possible to do, but you can expect the growth trajectory from quarter-to-quarter, because that we started from a very lowQ1. As far as sectors are concerned, like I said, we have been quite surprised that the growth has been across all side. There is nothing sure certain sectors like pharma, certain sectors like food have contributed disproportionately higher, but it doesn't mean the rest of the sectors have not done well they've all done, they've all contributed to our revenue. I wouldn't say anything.

Ravi Swaminathan: And the automotive segment, automotive equipment have seen a decline 24%, 25% decline still year-on-year. So can we see a recovery in the second half?

Jairam Varadraj: We have already seen some recovery because this is linked to that is automotive equipment business grows with a lag in the growth in the automotive segment. Now of the automotive segment had a very bad first quarter they started picking up in the second quarter, we are beginning to see some results of that coming into our business. So, we expect it to grow in the third and fourth quarter, it's the automotive, both two wheeler and four wheeler sustain themselves.

Ravi Swaminathan: Got it sir. And And final question is with respect to the other costs, you had mentioned that some of them are structural in the cost savings, as a percentage of revenue as a number ofbpswisecan you quantify as to what can be retained by ELGibecause of the cost saving initiatives, that we are doing?

Jairam Varadraj: I don't have the numbers in front of me Ravi. I can't really give you a specific number.

Ravi Swaminathan: Okay, but the roughly 50 bps saving can be there?

Jairam Varadraj: Sorry?

Ravi Swaminathan: 50 bps saving can be there?

Jairam Varadraj: No, we have the biggest cost and other fixed cost is travel right, travel and communication are our biggest cost, those are tied to our business. Now business growth, those numbers have to grow because we are going to throttle that, then you're going to compromise on this. But very careful and judicious in terms of permitting like for instance we don't allow for any travel to head office. So we are saying there is no need for people to come to head office. So earlier, those things meetings are taking place, those were all things fundamentally we have changed. So it's very difficult to quantify each element by virtue of our new policies.

Moderator: Thank you. The next question is from line of Bhavin Vithlani from SBI Mutual Fund. Please go ahead.

Bhavin Vithlani: I have few questions. First is we have seen improvement in the gross margins and in your opening remarks, you did caution about increasing steel prices. So would you believe that the increase in the margins you have seen on the margin side is where we would have consumed lower cost inventory we would have got acquired during the COVID period. And hence, a normalized level is what we would have seen maybe last year it comes back to that level?

Jairam Varadraj: I don't think it is entirely because of low cost inventory, there was no reduction in cost during the COVID period. So it was a continuation of the cost,it was our, it was a better the contribution margins went up at a gross margin level because of better price realization, there's a geography mix, that is a product mix within the geographies so it is not and certain strategic pricing decision. Now, this has nothing to do with our lower material costs during the first quarter. So now that we have realized, the better margins and on a material cost is going up, now we need to adjust to the extent that it's possible, we can't allow the top line to get compromised by virtue of significant cost recovery. So we have to be a little judicious, which is what we are working on. So whether we'll be able to sustain to look at it today, we are close to about 1.4%,at material cost level we are higher compared to Q2 of last year. Now, our goal is to sustain this now will we be able to sustain it,that's what we're working on. So it's not because of lower cost. It is because of better realization that we have been with, but the cost are growing up we need to see is it possible for us to bump up the pricing or shift in mix to be able to recover.

Bhavin Vithlani: Sure. Second question is what you had highlighted during a call when COVID lockdown has just hit that looking for better sweating of the assets where we're also open to using our foundry for third party projects. Have any progress on that front and how would we see any benefit coming on that site?

Jairam Varadraj: We haven't, we've started the progress,we started engaging with customers. We've got two, three customers with whom we have started pricing dialogues. So but have we got orders– **19:11**not yet. So we don't expect any contribution from the foundaries this financial year, but we expect that to happen next financial year.

Bhavin Vithlani: And my last question is, if you could give us some highlight in terms of the newer product that we had highlighted about the oil free compressors. How are we progressing on that and if you could break the answer between domestic and international?

Jairam Varadraj: Well, I don't want to give specific numbers because it's very competitive sensitive. I can only say our overall oil free portfolio has done exceeding well across the world, both in India as well as international market. In international markets, the starting point, starting base was very, very low almost zero. So from that point of view, it looks phenomenal but numbers are still, when you look at it in absolute numbers, it's not significant yet.Whereas in India, we have really pushed ourselves into the market, the starting numbers are not as low as the international. In spite of that, our growth has been very good, very positive and within that oil free segment, our new AB series has done exceedingly well. So it's a very positive move for us and part of, when I say product mix, part of which is also because of this**.**

Bhavin Vithlani: I understand. Sir there is one more question if I may, so on a macro basis, we are seeing a lot of the companies in the electronics and semiconductor industries looking to set shop in India, given the PLI Scheme of the government, so as ELGi what kind of benefit that we would see, as some of these companies come and set shop in India?

Jairam Varadraj: Our oil free compressors will be a critical requirement for the semiconductor we're already doing, supplying to companies outside the country who are involved in semiconductor business. So definitely, that will be an area but we'll have to wait and see,there was a lot of talk about becoming building semiconductor business in India. Many, many years ago nothing came out of it. So we will have to wait and see whether this is something that will be per se.

Moderator: Thank you. The next question is from the line of Harshit Patel from Equirus Securities.Please go ahead.

Harshit Patel: Sir could you give us a sense on share of aftermarket revenues for the second quarter as well as the first half of FY21 versus what it was last year. Sir my question was on the aftermarket, could you give us a sense on a share of aftermarket revenues in the second quarter, as well as for the first half of FY21, and how it would have improved versus last year?

Jairam Varadraj: I don't have the numbers in front of me. But, I can give you some anecdotal directional answers. When I said the reason why we have improved our gross margin, I said there is a product mix shift. One of the product mix shift is the aftermarket shift. We have done better in aftermarket compared to the previous year. In addition, we got better pricing in our aftermarket this year compared to the previous year. So both of these are very positive and we continue to see that very strong traction, not only in India but in the rest of the world.

Harshit Patel: Sure sir. Sir secondlygoing by the press releases that you have made recently, we have started expanding our distribution network at a rapid pace in USA. So could you give us some more flavor on the same as to what kind of distribution model we are building there. I reckon most of them are joint ventures?

Jairam Varadraj: No, they're not joint ventures at all. There are, we have four joint ventures and these are areas that we strategically pick, our first preference is to bring on board independent distributors and if we are unable to and that in strategic geographies of a given country. So if you look at the US we have identified the top 20 geographical areas of the US which contribute close to 60%, 70% of the revenue and in these geographies we have to have distribution at wherever we are unable to get independent distributors. For us the last one of the options is to create a joint venture which is we have done in four locations. So, the growth in distribution has been positive in the US in terms of increase is not as high because they have been in the US for the last five, six years there is a certain maturity in the distribution model network and incremental, small increases are there,whereas in Europe which is we incubated Europe, one and half years ago and we are beginning to see very high traction in terms of number of distributors that have come on.

Harshit Patel: Understood sir. And sir if I can squeeze in a one more question, you had earlier indicated that you would start production of motors for both USA and Europe market as well. So, the validation trials were going on when we had interacted last time. So, sir have we made any progress on that front?

Jairam Varadraj: The last time we spoke we said validation was going on in India and that has been completed we have started supplying motors to the Indian market on a regular basis.We are unable to increase the volume primarily because one critical machine that we had ordered is stuck in Germany because of this COVID condition. Once that machine comes in and we don't know when it is going to come and get installed because of all the uncertainties and inspection and transport. There will be a significant increase of supplies from that to our Indian requirement. So, the motors have been made for you US validation and they will be going out to the US market this month. And in the next financial year will pretty much cover all the major geographies as far as the motors are concerned.

Moderator: Thank you. The next question is from line of Jeetu Punjabi from EM Capital Advisors.Please go ahead.

Jeetu Punjabi: I wanted to ask a high level question, as you see, I heard you say a lot of permanent changes where you said the branch guys are no longer having to come to headquarters and a few other things that you talked about. What are the opportunities that you kind of see coming out of the COVID and is there anything disruptive, that could change the trajectory of the business of the next year or two?

Jairam Varadraj: There is nothing disruptive in terms of the application of compressed air. I don't see that any change happening there. It is just a matter of how you conduct your business and for us, what we are seeing as a result is, what we have been doing the work that we have done over the last maybe three, four years which had a significant cost impact during that period is now beginning to deliver both top line and bottom line. The cost that we incurred in America two, three years ago is now beginning to show results. The cost that we incurred in Europe last year is beginning to show results. The cost that we incurred, the investment that we made in Australia is beginning to show results. So, it just so happened during the COVID time. Now, if the COVID has not happened, maybe the growth would have been even more productive. So the fact that we had, we had created a international profile, geographically diversified profile of the business is what has really helped us in the last couple of quarters.The fundamental deliberate decision of the company and it has been systematically executing on it. I know that in the process there were delays in getting the results but and we did revised some angst in the investment community whether we were going in the right direction, but this is, the last two quarters are redemption of the direction that we have taken.

Jeetu Punjabi: Fair point, second question is I'm kind of saying if I were to take a base case that you have a huge US and European industrial boom pattern. Actually that's my base case,but something if I'm assuming that plays out and it's more visible from March or June onwards March or June 21 onwards for the next year or two, that's kind of supercycle feel that you kind of see what's happening in the developed world and that transmits to Asia and India especially, as you see if you see that story play out. You would, in my view would you obviously participate in it and see excellent numbers and excellent growth rates play out,would that be a fair way to think about it?

Jairam Varadraj: Well we are now present in a significant, I wouldn't say significant in a substantial manner, our presence in these critical geographies is strong. Now, if the economic conditions of these geographies improved, definitely, there will be a gain for us. But we've got to understand we are at the bottom of the ocean, right now market share in most cities, very small so it really doesn't matter whether there's economic growth, it's like a fish at the bottom of the sea it doesn't worry about the storm at the surface. It will continue to remain and grow and that's where our growth is coming from, mainly the share in the market.

Moderator: Thank you. The next question is from the line of Manish Goyel from Enam Holdings. Please go ahead.

Manish Goyel: Sir, would it be possible to share you did mention that Q2 had 57% revenue from international. How would that been looked at if you look at the half yearly basis, how the numbers would be looking sir?

Jairam Varadraj: In half year our growth has been international has gone from 46 to 57 almost the same.

Manish Goyel: Okay, dissect the numbers a bit, still if I look at India per se, the Y-o-Y revenue decline looks to be in Q2 looks to be just 15%, 16% which still is quite decent. So, if you can give us a perspective as to within India like how is industry segment or infra related demand, railways, waterwell, how is it looking now, how has it been and how do you see it going forward a bit flavor on this sir?

Jairam Varadraj: Like I said Manish, industrial across sectors on industrial we have grown, all of them have contributed, we expected many of the segments to be absolutely zero, zero contributing zero contribution to our revenue, to our surprise, even sectors like foundry or which we thought textiles, which we thought that we would not going to see any action or any activity, we have been able to see activity of course, like I said food and pharma have been much more active than the other verticals, but cement has grown, textiles have grown so, there's been activity across the sector. On the infrastructure side, the large projects are continuing to be still very, there is no activity large power plants or steel there is nothing there but in the construction side primarily on roads and infrastructural construction, we see a lot of growth in equipment requirements for that sector. So basically road construction, building construction, that kind of stuff.Railway is a function of the budgetary allocation, it continues to remain at the same level there is no significant growth there. Whatever is muted, but we have got some significant gains in that segment primarily on some of our OEE customers who are exporting their machines to various parts of the world. So there we have got some significant gains. So this is pretty much aftermarket, like I said is continuing to grow.

Manish Goyel: Sure,okay wonderful sir. And on the exports from the India concern that we are definitely seeing very good uptake from our subsidies overseas. But how is like our direct exports doing sir or is it that henceforth our subsidiaries will be responsible for the international market and direct exports from India may continue to see a decline?

Jairam Varadraj: I don't see that at all. Direct exports from India are two different like South East Asia it's primarily direct export. To Africa is direct exports, so I don't see these are markets that will continue to be there, I don't think that that will change. So, I don't see a big shift from direct export to sales, to subsidiary.

Manish Goyel: Okay. So when we refer to our international sales, it includes the direct exports from India as well. Okay and sir how is the recovery on the patterns subsidiary sir, last year we did had certain more challenges, and we had certain one time in terms of properties. So how has it been performing in the current year and are we probably looking to a breakeven or profitable growth sir?

Jairam Varadraj: patternofprofitability has significantly improved, growth in revenue has been kind of muted, but it's in the right direction. We are in the middle of making some changes organizationally there, which we think is going to further contribute to an improvement,patternmedical and groans both the top line and bottom line were very significantly. Our portable business which we took over from a distributor has also grown,so all the businesses there.

Manish Goyel: Okay, very encouraging sir. And on the Europe front, at least looking like as you mentioned in your initial remarks that large part or major growth has come from Europe. So, are we then kind of looking to further invest in terms of deploying more people on the front end,what are we looking at going forward, sir?

Jairam Varadraj: We had made a plan of investing a certain amount of money over a period of three, four years, by which time for the third year, we said we will break even and then we will recover our money between the fifth and sixth year, that plan has actually continuing but in a more favorable manner, because many of the investments in people we have deferred, we have not cancelled we have deferred. So as things pick up, we will judiciously keep investing in the people that is required to get the business that we have got, grow the business that we have got.

Manish Goyel: Sure sir. And are we like with the second wave creeping in the European market, so off late are you seeing some restraint on the sales or still there is no challenges?

Jairam Varadraj: So far we are not seeing anything, lot of countries have learned their lessons about a complete lockdown and the impact that it has on the economy. So when Spain went through certain parts of Spain went through they did, very localized shutting down rather than shutting down the whole country. So we will have to wait and see because this is also an impact that comes from the people taking holidays.August was a big holiday month in Europe, everyone went on holiday. Now, is this the result of that then because of that and whether it will get back to normal, these are all things that are open. So people, governments are not taking extreme steps, they can't afford to take extreme steps like they did in March, April. So they've been very selective about.

Manish Goyel: And sir last question on the working capital fund it has quite encouraging to see very good improvement on reduction in inventories and disabled. So, do we expect further decline, absolute decline or like the current levels in terms of working capital days would be new normal for us in terms of betterment. So, basically I was also coming to a point in terms of with further cash flows improvement can we expect further decline in the debt by year end?

Jairam Varadraj: So in terms of working capital, there is always room for improvement. But, in the last six,seven months we have extracted quite a bit of the low hanging fruit. But we expect some marginal improvement in age receivables, age inventory, but it's not going to be as dramatic, as we had seen in the first six, seven months.But in terms of our debt level, considering the current trajectory of our revenue and profitability, we are very conservatively we believe we can reduce debt at the rate of above 5 crore in the second half of the year. So that we are reasonably confident, they also expect that like I told you about the mortar plant, there is a machine that was ordered that got delayed. There is another machine that we bought, that we bought for our rotor production that was partly paid, and it is sitting in Italy. So these are machines that have to be brought in,when things improve and transportation inspection, all that happens, if it does happen in the year, our investment in CAPEX, we're also investing in CAPEX for facilitating virtual inspections, so customers don't have to come to our facility, they can see the machine being run and they can see the machine being tested, we using pretty sophisticated technology to make that happen. All that will probably at the max we will spend about 15 to 20 crores if at all, if these machines are ready to be shipped. So, debt levels will go down more in the balance six months

Moderator: Thank you. The next question is from the line of Bhavin Vithlani from SBI Mutual Fund.Please go ahead.

Bhavin Vithlani: So pardon my ignorance for that. So Atlas Copco in the recent call, was talking about a massive change in the customer behavior towards adopting more industry 4.2 a lot of sensors in that and interconnecting with the entire ecosystem of the facility. In lieu of that, how would be ELGi placed in that,that's my first question.

Jairam Varadraj: We have our own IoT device which has been tested in India over the last two years, we have built a platform which is a global platform,we have also developed a partnership with a global company to be able to provide a global SIM card all this is going to be launched into the market in the month of March. Now unlike other competitors who sell the IoT device as an added thing, with a service contract, we have designed our machine our device in such a way that we will be making it as a standard fitment into our product. Now, so any customer it doesn't matter what the size of the customer, we will be able to read the customers machines on a continuous basis and provide opportunities for the customer to reduce cost, to reduce downtime, and a whole host of other services, including quite a bit of predictive algorithms that they have built for preventing failures. So we are, well on top of it, we expect to see that as a positive initiative for the next financial year.

Bhavin Vithlani: Sure, that's helpful. Second question is continuing on the same lines, would it be possible to outline the areas of R&Dand innovations which we would be focusing on. So one we did mentioned on the IoT side, but and we saw a good product coming out of oil free compressor, if you could outline without impacting your competitive advantage, that will be useful.

Jairam Varadraj: So, like I've always maintained, we are innovation and technology product development is all focused from a customer's point of view, a customer's point of view is energy 70% to 80%, depending on the type of product, 70% to 80% of the lifecycle cost is energy costs. So our singular focus in all our technology and product development initiatives is to keep bringing down the energy consumption of the compressor, which means making it more and more efficient. And we're even as we speak, we are upgrading our cranes and are introducing new machines that are just pushing the bar on efficiency, and we are moving up, we are now top three in most of the models in efficiency in the world. And our goal is to be the number one and we will get there and we have already launched models, which are where we are number one. So this is a journey that we are going to be involved in. The other one is, how to make more and more efficient oil free machine which is an ongoing process.

Moderator: Thank you. The next question is from line ofRitivik Sheth from OneUp Financial. Please go ahead.

Ritivik Sheth: Sir, I have a couple of questions. Firstly, on the European investment from your previous response it looks like that, if we see growth then we will go forward and invest which we had planned at the time of FY20 budget of about 25 to 30 million over three years. So, is this a shift from previous strategy, where you are going to invest irrespective of the revenue and now the new strategy is that if we see revenue, growth and if we see opportunity, then we will go forward and invest?

Jairam Varadraj: Well, COVID had not happened, we would have continued down the trajectory of our earlier strategy now that COVID has happened there is a certain tentativeness and the team, rightfully is taking a step back reviewing what the consequences are, because after all responsible for the top line and bottom line. The bottom line is deliberately planned to be negative, but we can't get more negative than what was plan.So, today we are less negative than what we had planned and so the team is ensuring that we stay at that level. So they have to be a little bit more deliberate.

Ritivik Sheth: Okay. So we will wait for the revenue to kick in or the opportunity we see before committing more capital?

Jairam Varadraj: Yes.

Ritivik Sheth: Right, sure okay.And sir second question is on the tax rate, what is the tax rate we should assume on a consolidated entity level?

Jairam Varadraj: As you see, the tax rate is gone up to what 40% odd 45% I think and that is primarily because, Europe is a loss because of the, it's a deliberate loss, so effective tax rate gone up but where we are paying taxes, the rates have been quite normal. It's only at the consolidated level you have this normally.

Moderator: Thank you. We have a question from the line ofBhiman Shah from One Up Finance.Please go ahead.

Bhiman Shah: Just two quick questions,there is a stated journey that you had charted out and in the medium term to be among the, already we are among the top three, would you say there are any adjoining pieces that need to be corrected or we are lagging behind,that's question number one.Question number two, just to fill up the entire product offering how would you say #A how we are placed in terms of offering spaces and so on and so forth in in a very efficient manner irrespective of the geography that we service and two, at a later date, are we possibly planning to enter the larger machines, which is the centrifugal by any chance?

Jairam Varadraj: So, I don't know what you mean by adjacency. Can you help me understand that?

Bhiman Shah: Sorry,The spares and so on and so forth. So, #A we are doing only the equipments and the so, are we to kind of completely have all the offerings within the compressor family, do we want to get into at a later date, even the centrifugal?

Jairam Varadraj: Absolutely, we have developed our own centrifugal compressor we have sold it in India, we will have to go through the process of validation and learning which we will do.Today, if you look at our range of compressors that we have from a product opportunity point of view, we are close to around 80%, 85% of what the product opportunities are. So, we are well placed in from a product platform, geographically we are well placed in close to 60%, 65% of the opportunity. So, if you take up China from the denominator, we are close to at 90% of the opportunity we are playing, so at the end of the product a 90% of the geographies and we had a significant presence both on product and geography.

Moderator: Thank you. The next question is from the line of Hritik Sheth from Anvil Wealth Management. Please go ahead.

Hritik Sheth: Sir a couple of questions on how do you see growth panning out over the medium term for us, two questions one is that, as you the highlighted earlier in the calls and anticipate the global market share for compressor, the global market size for compressor is $15 billion,how do you expect that to move over the next say five years, what is the growth rate that we should be assuming and secondly, in a market like India, where we've seen that the market has been cyclical in nature and whenever we see from a bottom to, from a trough to like the peak, we've seen turnover double in three years historically for us. So, do you see some evidence that something of this can happen in India, because in terms of market share, whatever we lost, we have gained back is what I assume over the last couple of years. So, do you see something of this sort happening for the industry in India and your thoughts on global compressor market?

Jairam Varadraj: Yes, the local compressor market if I look at historically, it has grown anywhere between 1.5% to 2.5% on an annualized basis and that is basically what we have to expect into the future. As far as India is concerned, yes we have gained share in almost all verticals that we are operating in but there is still room for us to improve. For the India play is to not be worry about the growth of the economy because we don't control it. But to focus on growing our share of whatever the size of the market is, and that's our strategy for India. And we've been executing it systematically and we're beginning to see results. As far as the international is all about, like I said, we are officially at the bottom of the ocean. Does this matter what is happening to the economy at the top of the surface of the ocean, we have a lot of headroom to grow. And that's what we are doing and in spite of markets, shrinking we are growing our revenue which means we are growing our share of the market

Hritik Sheth: Sure.Sir one question I might have missed because I joined the call a little late, have you given growth rates of this quarter for Europe, USA and Australiafor us?

Jairam Varadraj: Sorry, I can't hear you very well.

Hritik Sheth: So, I joined the call a little late have you given the grown rate for US, Europe and Australia for us, in absolute percentage?

Jairam Varadraj: Sorry, but I am not able to hear you at all, there is some distortion.

Moderator: Thank you. The next question is from the line of Manish Goyel from Enam Holdings. Please go ahead.

Manish Goyel: Sir. Just wanted to clarify when you said 57% of revenue from international markets, is it of the total sales or is it only for the compressors business?

Jairam Varadraj: It's compressor business.

Moderator: Thank you. As there are no further questions from the participants. I now hand the conference over to Mr. Kamlesh Kotak for closing comments.

Kamlesh Kotak: Jai, just a couple of points, I wanted to understand,this 10%, 12% growth that we have seen in compressor business,would it be possible for you to get some sense as to whether the, which one has grown faster than the average in terms of US, Europe and India in particular?

Jairam Varadraj: Well, if you look at regionally Kamlesh India has not grown,the first quarter we didn't, if you look at India which includes standalone India, it's about negative 2%. But you look at the US it has grown pretty significantly. I don't want to give the specific number,but it has been a significant growth.

Kamlesh Kotak: Between the two US and Europe?

Jairam Varadraj: I would say US is higher. Europe, is zero, the previous year was zero. So, in terms of I'm talking now about the areas where we have created the initiative, Rotair of course was there last year but Italy was the worst hit in the COVID time. So, previous year was very solid forRotair. So current year there has been a de-growth. That initiative we started in Europe has grown phenomenally because the last year was zero.

Kamlesh Kotak: So as we speak with this kind of initiatives that we put in and the kind of numbers we see, is it fair to assume that we are on track now to grow 15% CAGR over the next three to five years with more or less this margin band?

Jairam Varadraj: Kamlesh, if you look at our the MD&Ain the annual report we had made a commitment that we will come back with a more realistic midterm plan. Rather than keep talking about CK2 we said we will break it up. We said that we will try and complete that by the end of the first quarter. Unfortunately, we have not been able to but we have done significant amount of work in terms of calibrating. So, if you can bear with me till the end of this quarter, that is a third quarter we will have a very clear roadmap defined in terms of where we want to go, and how much we are going to do year-on-year. Not just on sales, but also on profitability, and on capital and all of that.

Kamlesh Kotak: Great, wonderful good. So we don't have any further questions, Jai, any closing remarks you'd like to make sir?

Jairam Varadraj: Yes, I just want to, one of the key things that we have seen in our company in the first six months when of this crisis is the phenomenal participation of our employees. I cannot, it's very difficult for an outsider to understand this. But, I've been there and watching it under the toughest conditions of supplies not being there. The threat of infection constantly being there, with the demand going up, our operations team has just done a phenomenal job. And I would be not doing my job, if I don't acknowledge that in a forum like this. Please understand you must have seen the cases of COVID in many factories of a similar size and I will challenge you, our people have been so careful, socommitted to ensuring that they remain safe. And therefore the company continues, we have less than 20 people who have had an infection and that too very young people, and they've all recovered, the team has just done and people have said you tell us when you want us to come Saturday, Sunday, it didn't matter. And, I want to just acknowledge the performance of the operations team. And on the front end, all the challenges of unable to travel, difficulty and not advisable to travel both the sales and service team, not only our team, but also the distributor's teams all over the world, had just done an outstanding job and taking our company to our customers. They've just done a phenomenal job. So this has just been great to have built a team like this.

Kamlesh Kotak: Great, that's commendable.

Moderator: Thank you very much. On behalf of Asian MarketsSecurities, that concludes this conference. Thank you for joining us and you may now disconnect your lines.