Escorts Kubota Limited

November 06, 2026

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Exchange Plaza, Bandra Kurla Complex,
Bandra East, Mumbai – 400051

NSE – ESCORTS

Sub: Transcript of Earning Conference Call held on November 02, 2026

Dear Sir/ Ma'am,

Pursuant to Regulation 30 read with Para A(15) of Part A of Schedule III of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, please find enclosed the transcript of the conference call held on November 02, 2026, for discussing the earning performance of the Company for the quarter and half year ended September 30, 2026. The same has been uploaded on the Company's website at the below link: https://www.escortskubota.com/investors/financials

Kindly take the same on record.

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

VICKY CHAUHAN

Vicky Chauhan
Company Secretary

Encl.: As above

"Escorts Kubota Limited

Q2 FY27 Earnings Conference Call"

November 02, 2026

MANAGEMENT: **MR. BHARAT MADAN – WHOLE-TIME DIRECTOR AND CHIEF FINANCIAL OFFICER – ESCORTS KUBOTA LIMITED**
MR. NEERAJ MEHRA – CHIEF OFFICER, TRACTOR BUSINESS DIVISION - FARMTRAC AND POWERTRAC BRANDS – ESCORTS KUBOTA LIMITED
MR. SANJEEV BAJAJ – CHIEF OFFICER, CONSTRUCTION EQUIPMENT BUSINESS DIVISION – ESCORTS KUBOTA LIMITED
MR. RAJAN CHUGH – CHIEF OFFICER, TRACTORS KUBOTA BRAND AND AGRI SOLUTIONS BUSINESS DIVISION – ESCORTS KUBOTA LIMITED
MR. SANJEEV GARG – HEAD, FINANCE AND CENTRAL PROJECT MANAGEMENT OFFICE – ESCORTS KUBOTA LIMITED
MR. PRATEEK SINGHAL – INVESTOR RELATIONS AND ESG – ESCORTS KUBOTA LIMITED

MODERATOR: **MR. MANISH DOSHI – 360 ONE CAPITAL MARKET PRIVATE LIMITED**

Moderator: Ladies and gentlemen, good day, and welcome to the Q2 FY27 Earnings Conference Call of Escorts Kubota Limited, hosted by 360 ONE Capital Markets Private Limited. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during this conference call, please signal an operator by pressing star then zero on your touch-tone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Manish Doshi from 360 ONE Capital Markets Private Limited. Thank you, and over to you, sir.

Manish Doshi: Thank you. Good evening. On behalf of 360 ONE Capital Private Limited, I welcome you all to the Escorts Kubota Q2 FY27 Earnings Call. I take this opportunity to welcome the management team from Escorts Kubota Limited.

Today, we have with us Mr. Bharat Madan, Whole-Time Director and Chief Financial Officer; Mr. Neeraj Mehra, Chief Officer, Tractor Business Division, Farmtrac and Powertrac Brands; Mr. Sanjeev Bajaj, Chief Officer, Construction Equipment Business Division; Mr. Rajan Chugh, Chief Officer, Tractors Business Division Kubota Brand and Agri Solutions Business Division; Mr. Sanjeev Garg, Head of Finance and CPMO; and Mr. Prateek Singhal, Investor Relations and ESG.

Now I hand over the call to the management for the opening remarks. Thank you.

Prateek Singhal: Thank you, Manish. Before the call, I would like to highlight some of the statements that we made in the con call are subjected to the forward-looking and as per the risk that we have mentioned in our investor releases and the presentation.

With this, I will start with good evening, everyone, and thank you all for joining us today. India's macroeconomic environment remained broadly resilient during the quarter, supported by domestic consumption and sustained economic activity, although inflationary pressure caused by global geopolitical headwinds continues to weigh on the operating environment.

Across our businesses, the demand environment was mixed. The agriculture industry showed some moderation, reflecting monsoon-related disruption to rural sentiment as well as a high base from the last year on account of GST-led demand cut, whereas the construction equipment industry continued to maintain healthy momentum and delivered a strong performance during the quarter.

On the cost side, commodity and input cost inflation remains a significant headwind to the margin. Calibrated price increase supported by focused cost control and efficiency initiatives helped partially mitigate the impact. Given the large lag between cost escalation and this recovery through price action, margin pressure is expected to continue in H2.

The pricing measures taken along with the ongoing cost control initiatives should help progressively mitigate the inflationary impact and support margin improvement from Q4 onwards. Among this backdrop, we remain focused on disciplined execution, strengthening our market position and driving profitability growth across businesses.

With this context, let us turn to our quarterly performance. We trust you have reviewed our results and the earnings presentation filed with the stock exchanges. Let us begin with the company's standalone financial performance for the quarter ended September '26. Operating revenue from continuing operation at INR3,231.4 crores, up by 16.3% Y-o-Y.

EBITDA at INR292.4 crores. EBITDA margin in Q2 stands at 9.0% as compared to 13.1% in the corresponding quarter and 11.2% in the sequential quarter. Margin during the quarter was adversely impacted by commodity cost inflation and higher manufacturing overheads. PBT from continuing operations came at INR344 crores as compared to INR431.1 crores year-on-year. Net profit came at INR255 crores as compared to INR321.2 crores Y-o-Y.

EPS stands at INR23.18 as compared to INR29.19 Y-o-Y. For the first half ended September '26, operating revenue from continuing operations came at INR6,410.3 crores, up by 21.9% Y-o-Y. EBITDA at INR647.8 crores and margin was 10.1%. PBT from continuing operations before exceptional items came at INR837.9 crores as against INR849.0 crores Y-o-Y. Net profit from continuing operations stood at INR642.4 crores.

Please note that in H1 of the previous year included an exceptional gain from the sale of land and building of INR76 crores. Excluding this, net profit grew by 2.2% Y-o-Y. EPS from continuing operations at INR58.38, compared to INR63.07 Y-o-Y. Please note that H1 FY26 previous year includes RED business divestment impact. Therefore, the reported PAT for H1 FY27 is not directly comparable on a year-on-year basis.

Moving on to the segmental business performance. Following the strong industry performance in FY26 and Q1 FY27, the domestic tractor industry witnessed some moderation in Q2 FY27. Domestic industry volumes stood at approximately 2.66 lakh tractors as compared to 2.75 lakh tractors in Q2 FY26, a decline of around 3%-odd Y-o-Y.

The quarter was influenced by monsoon-related disruption in some markets and a high base of the previous year due to the GST cut and delayed festive season this year. Our domestic tractor volume stood at 32,628 tractors as compared to 32,329 tractors in Q2 FY26, registering marginal growth despite the industry decline. This resulted in a 48 basis point improvement in the market share during the quarter.

Market share gain was supported by our refreshed product portfolio, recent product launches, and continuous focus on channel effectiveness and retail execution. From a product standpoint, the responses of our new products continue to be encouraging, building on the launches undertaken over the last few quarters, including the Shaurya Series under Powertrac brand, Promaxx under Farmtrac, expansion of the Digitrac's range, and the NeoStar Series under the Kubota brand. Our newer offerings are helping strengthen our presence across customer segments and geographies. We will continue to enhance the portfolio across both premium and application-specific segments to improve our competitive positioning.

On the export front, industry volumes stood at roughly 29.6,K tractors in Q2 FY27, up by 16% as compared to 25.6K tractors in Q2 FY26 last year. Our export volume stood at 1,389 tractors as compared to 1,548 tractors in the last year corresponding quarter, down due to the industry

being concentrated in the higher HP segment, where our current presence is relatively limited, coupled with key export markets where we have a strong presence undergoing market correction. We continue to work closely with Kubota to strengthen our export portfolio and progressively expand our presence across target international markets.

Looking ahead, we remain optimistic on the midterm tractor industry outlook supported by underlying fundamentals of the agricultural economy. In the near term, however, the tractor market is witnessing some moderation due to high base effect, lower subsidy support in certain markets, El Nino monsoon call disruption and the cost escalation due to commodity price neglecting the GST reduction benefit largely. Despite these near-term industry headwinds, the broader demand fundamentals remain supportive for EKL. Demand regional dynamics and the traction from our recent product launches are supporting an improvement in share of market, and we remain focused on sustaining this momentum.

Non-tractor revenue, comprising the Agri Solutions business, engine business, and spare parts and service business in Q2 FY27, constitutes 22% of the Agri Machinery segment revenue as against 17% in the corresponding quarter and 19% in the sequential quarter. Agri Machinery Products segment revenue came at INR2,690.1 crores, up by 10.6% as against INR2,432.9 crores in the previous year. EBIT margin for the Agri Machinery segment business came at 7.8% as against 12.8% in the corresponding quarter and 10.8% in the sequential quarter, impacted due to product mix, inflated commodity costs, and higher manufacturing overheads.

On profitability, pricing action and ongoing cost efficiency initiatives are expected to progressively mitigate commodity pressures and support margin recovery from Q4 onwards. We will continue to closely monitor rural sentiments, post-festive demand trends, commodity inflation and geopolitical developments while maintaining our focus on market share improvement, cost discipline and growth.

Coming on to the Construction Equipment business. In Q2 FY27, the service industry volume across crane, backhoe loader, mini excavator and compactor grew approximately 20% Y-o-Y. Our construction equipment business total volume came at 1,764 machines, up by nearly 54% as compared to 1,146 machines in the corresponding quarter last year.

CE segment revenue came at INR536.2 crores, up by 58.6% as against INR338.1 crores in the corresponding quarter. EBIT margin for the quarter ended September 2026 for the Construction Equipment segment came at 7.9%, up by 411 basis points as compared to 3.8% in the corresponding quarter and up by 250 basis points as against 5.4% in the sequential quarter, mainly led by operating leverage and timely price increases to recover commodity cost inflation.

The construction equipment industry delivered healthy growth during the quarter, supported by continued momentum in the infrastructure development and project execution. Government infrastructure and other development initiatives continue to provide a supportive demand environment for the sector. While the underlying fundamentals remain encouraging, we expect the pace of growth to moderate going forward, particularly considering the high base and the increased costs, leading to high-teen growth in FY27.

At the same time, improved project availability and continued infrastructure investment provide us confidence in the medium-term prospects of the industry. During the quarter, we also strengthened our product portfolio by showcasing the new product BLX75K Backhoe Loader powered by a Kubota engine and developed jointly through R&D between Kubota Corporation, Japan and Escorts Kubota Limited, along with 25-ton F-25 fighter and 16-ton Hydra 16 Plus pick-and-carry cranes.

These additions help strengthen our presence across key construction equipment applications and position us to participate more effectively in the evolving requirements of the market. We remain focused on expanding our product offering, improving our market presence, and maintaining operational agility while staying watchful of the broader geopolitical commodity environment.

With this, I will now request the moderator to open the floor for the Q&A.

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

Gunjan Prithyani: My first question is on the margins for this quarter. I mean, there's, of course, commodity pressure, which you called out. It just seems a very, very steep decline from Q1 to Q2. And this has come even when I think we took 2 rounds of price hikes in the last quarter.

So can you give us a little bit more color on how much will be the commodity impact was? What was the net price hikes taken? How do we see that going into next quarter? Some more color on how we should be thinking about the margin for this quarter and forward?

Bharat Madan: So thanks, Gunjan. This is Bharat Madan. So I think, as we mentioned in the last quarter call also, like in the first quarter, we have seen that inflation pressure was there to the extent of almost 5% on the commodity side. And by H1 end of quarter 2, we are getting it almost at 8% to 9%. This is what I'm talking about in terms of the exit of the quarter: we have taken 2 price increases.

One we took in April, which was a very small increase of 1.5%. And then another increase was taken sometime in Q2, which was almost towards the end of August, which was again, I think about roughly about 2%, 2.5% sort of increase was there. So overall, a 3.5% increase is there. So against your inflation, which was almost 8% to 9%, there's a 5% drop that we are seeing in this margin on the tractor business.

Now having said that, I think in Q3, you're seeing further pressure is building up, especially as steel and rubber prices have further moved up. There's another 2% to 3% inflation, which has hit us from quarter 3. And now we have announced another price increase, which will take effect after the festive season is over, starting this month.

But obviously, this quarter's impact will not be much because most of the major volumes already happened by the time the festive season is over. So really, you'll see the impact coming in from Q4. So Q4, we expect maybe see some recovery will start happening because with these price increases, maybe the impact will be significant, which will be fully realized in Q4. But Q3 may remain under pressure for these reasons.

Gunjan Prithyani: And just to be clear, you said 9% commodity rate is already reflected until the first half. And this 9%, I'm assuming, is a gross margin headwind as a percentage of net sales, and you're saying incrementally 2% to 3% more to come in quarter 3?

Bharat Madan: Yes, that's right. And it's not just commodity; there are like manpower cost increase also, which has happened in our state. And then there's also process and conversion cost, which is also going up. So commodity obviously is a major component, but that's only, I'll say, 75%, 80%, but 20% is also coming from manpower and process cost changes, which has happened this time.

Gunjan Prithyani: And no price hike was taken in quarter 3, right? So when I look at it incrementally, the only tailwind or only offset against this 2% to 3% cost inflation is going to be operating leverage, if at all, but nothing to come from any price hikes taken beyond August, I think?

Bharat Madan: So there is one price hike, which we announced now. So it will be effective after the festive season, from November itself, say, the middle of November. So obviously, that's going to be almost closer to about 3%, 3.5% sort of price increase and will vary from model to model. But the volume for this quarter will not be impacted to that large an extent because major volume has already happened by the time the festive season is over.

So you will get some impact maybe in the month of December; some positive impact will happen, but more impact will be visible in Q4 only for this entire price increase. So, cumulative with this increase, we'll be almost passing on a 6% to 7% increase to the market.

Gunjan Prithyani: And maybe my second question is also a bit linked to this. I think when I look at the industry outlook, when we came in the last call, we did raise the guidance for the industry to mid-single digits. But the way the trend is panning out right now, it does seem like that probably is also at risk now. So just 2 things on that. How do we think about the next 6 to 9 months in terms of the growth for the industry?

And particularly, if you can give us a little bit more color on the regional trends as well, because a lot of financials have called out a few states, in particular Karnataka, Maharashtra, MP, which are facing drought and facing some deterioration in the rural sentiment. So if you can give us a bit more color on whether there is a huge regional divergence that you're also noticing in terms of the demand sentiment for tractors?

Neeraj Mehra: Gunjan, Neeraj Mehra this side. Thank you for your question. So, Gunjan, you are actually right. In the last call, we had raised the guidance. But if you recollect, in the previous call before the last one, we had mentioned relatively subdued growth, or we had said a marginal single-digit growth kind of thing, which we had raised in the last call.

Now, what has actually happened, if you see, I'll take a couple of minutes to explain. The industry was doing pretty well till August. And overall, from April to August, the growth in the industry was about 17%. The major impact or the downtrend started in September when the industry degrow by about 18% and last month also, it's degrown by about 16%, 17%. So this was primarily an impact of a very high base, which was due to the GST impact, which started in September, and also the El Niño monsoon impact started kicking in post-September.

So what we see is that going forward, we are sitting on a very high base. Last year, quarter 3 and quarter 4 were very, very high. So we are looking at a subdued industry, probably a slight degrowth in both quarter 3 as well as quarter 4, which would, to a very large extent, reduce the growth of the entire year. So from a guidance perspective, we are looking at a very marginal degrowth in the financial year '27 industry, single-digit marginal degrowth. That is the guidance as we go forward.

Gunjan Prithyani: That's on a full-year basis, marginal degrowth, which would still mean like almost double-digit decline in the second half of the year, right?

Neeraj Mehra: Yes, yes, you're right. You're right.

Gunjan Prithyani: Okay. And just a follow-up on the regional divergence. Is it particular states like Maharashtra, MP, etcetera, dragging down the pan-India growth rate? Or is it across both the Central and the South?

Neeraj Mehra: Yes. So, Gunjan, you are spot on. The primary degrowth is in the West, wherein in quarter 2, the industry degrow by 21%. South was a marginal degrowth. Also, MP was in degrowth. Overall, in the North and East, there has been some marginal growth. So this is region-specific. This hasn't been pan-India. But primarily, this is on account of the deficit rainfall. It's been a 13% deficit against the normal rainfall.

And overall, we see that this has impacted the reservoir levels as well. So the reservoir levels currently are at 70%. And the West and the southern markets are very, very highly dependent on the reservoirs. So that is the primary reason that is there. North is okay. It's not growing substantially. But overall, it's marginal growth, which has, to a certain extent, helped us except MP. So that is on the regional thing.

Moderator: The next question is from the line of Ashwani Kumar from 3P Investment Managers.

Ashwani Kumar: My question is that can you comment upon the adoption of 4-wheel-drive tractors for the industry and for Escorts? And how are you positioned in this segment? And second is, in light of this inflation, what kind of levers do exist for you to reduce costs over a period of time? And how are you progressing on the same?

Neeraj Mehra : So yes, Ashwani, thank you for the question. I'll take the first question -- the first part of your question. So yes, the industry actually is growing. The 4-wheel drive segment is growing, and it is growing at a faster pace than the rest of the country. We have done well in this segment over the last 6 to 8 months.

We have new product introductions in all the 3 brands. In Farmtrac, we introduced the Promaxx Series. Kubota, we had a new series. And in Powertrac, we introduced the Digitrac Series. So we are gaining share and volumes with the introduction of 4-wheel drive tractors across the country. And one of the reasons for the gain in market share over the last 6 months for us has been the new product introduction, especially in the 4-wheel drive segment.

Yes, there are still gaps in the 4-wheel drive segment, especially in Powertrac and also the Kubota brand, which to a very large extent will get covered over the next 6 to 8 months with some new product launches in the 4-wheel segment lined up. So that is on the 4-wheel drive. As regards your second part of the question, I'll let...

Ashwani Kumar: Just on this, sir, on the 4-wheel drive, what is the current size of the industry out of the 11 lakhs that we sell? And how has it progressed? And what are the 1 or 2 factors which will propel it higher in the years ahead? Yes. And what is Escorts' or Kubota position? When I mean, say, Escorts brand versus Kubota brand?

Neeraj Mehra : So, Ashwani, it is very, very difficult to clearly demarcate the volume of 4-wheel drive tractors. So 4-wheel drives, actually, you can categorize into 2 aspects. One aspect is the orchard or the lower end of the segment, which is primarily in Maharashtra. Apart from that, the 4-wheel drive is primarily in the 50 HP or 45 HP segment. Now manufacturers are coming into sub-45 HP as well.

So my rough estimate would be that we are looking at 4-wheel drive. It's a very rough estimate, Ashwani, but we are looking at about 17%, 18% of the market size in 4-wheel drive, which is actually growing. And I am in this percentage, I'm not taking into account the orchard or the smaller segment of Maharashtra.

Ashwani Kumar: And sir, out of your production of roughly, let's say, 12,000, 13,000 a month, how much 4-wheel drive do you do, sir? Basically, last year, how much would you have done, sir?

Neeraj Mehra : So again, it will be very difficult for me to upfront give you an exact number, but our volumes have increased tremendously over the last 6 to 7 months. So what I can actually say is that 4-wheel drive volumes have grown approximately threefold over the last 6 or 7 months, or probably the last 12 months post the introduction of the new products. So the volumes have grown almost 3x the 4-wheel. So Ashwani, what was the second part of your question?

Ashwani Kumar: Yes, it was on the cost reduction because if the inflation is so high and you being a Japanese company, a global company, you must be doing all the things to reduce and bring down the cost. So is there anything meaningful possible in the next 12 months, 18 months to bring the cost structure down in the tractor division of the company?

Bharat Madan : Yes, Ashwani, so obviously, as you mentioned, so we have a program that is running for the cost reduction, but that's not something that is a short-term program. So every year, we are looking at optimizing the costs from the R&D side, the design side, as well as the procurement side. But that only roughly comes to about 1% every year as a target.

But in the inflationary environment, getting those savings is difficult because you are struggling with vendors to defer the cost increases and negotiate with them. So getting any further savings in this environment is very difficult. The savings really start coming in when the commodity price starts softening; then you can also expect more from the suppliers.

So right now, in this situation, it's very difficult. Even though internally, we are taking a lot of steps to cut all the discretionary costs and fixed costs, which can be entirely controlled. But on

the commodity side, this is something I think at immediate basis is very difficult. But we are hoping maybe after Q4, we'll see start some softening of commodity prices start happening. And hopefully, then we should be able to realize those cost advantages.

Moderator: The next question is from the line of Rishi Vora from Kotak Securities.

Rishi Vora: Just probing further on the cycle, right, like, obviously, you clearly mentioned that in the second half we will see a double-digit decline. But is it fair to assume that even the first half of next year, given where the reservoir levels are and will further deplete during the course of the second half, can further see a similar kind of decline, given the base effect will still be on the higher side? And even if it's a normal monsoon, you will only realize the benefit in the next rabi season?

Neeraj Mehra: So Rishi, again, thank you for your question. So you are right that there might be some impact, but giving guidance for the next year might not be prudent for me at this point in time. Yes, I can say this thing that the quarter 1 of the current fiscal year was a very, very bullish and a very big in terms of the tractor industry. So there could be an impact in quarter 1 of the next fiscal year. But for the entire year, giving guidance might not be correct on my part at this point in time.

Rishi Vora: Understood. And any outlook on the exports market, given that monthly there have been many variations in growth trends. So how should we look at full-year exports and even medium-term guidance on the export piece?

Bharat Madan : So in the short-term, this year, obviously, in the first half, we've seen there's a dip in the export numbers by almost 14%, 15% because the markets to which we are exporting, as Prateek mentioned, have been under pressure. And like in European market, some channel correction is happening and the compact tractor market has been under pressure and the export from India has been going now beyond compared tractor where we're not really to a large extent.

But we expect now the recovery will start happening. So I think even in October, we saw good growth has happened in the export numbers. But that's again still averaging about 500 numbers a month. So at least in the next 6 months, we don't see a significant change happening there because the order book is already there for the next 6 months.

And only next fiscal year can we see maybe some recovery start happening in the export numbers. But this year looks like more likely if we were able to get flattish number also, it will be good for export.

Rishi Vora: And sir, just last question on the cost side, that you said that till December, we will see around roughly around 11%, 12% of inflationary pressures, and we would be taking around 7% price hikes and there is, let's say, 4% to 5% of under recovery.

Is there a thought process that we will take further price increases in the coming quarters? Or do you think that it will be negative in terms of demand where anyways we are going through a down cycle in some form and incremental price hikes would be difficult to take? Or do you think...

Bharat Madan : It will depend on how the geopolitical situation pans out, especially after the midterm election and what the market takes. So we are still hoping maybe the commodity price trend will start reversing from Q4. So you may start seeing some softness there. But if it doesn't happen and you see the same pressure continuing, so obviously, there will be some price increase which will happen. But I think we'll have to wait and watch and see how the industry reacts.

Rishi Vora: And it would be irrespective of how the cycle is, right? Do you think that the pricing will be taken if the commodity prices remain at current levels.

Bharat Madan : We've seen it happening in the last war also, when the Russia-Ukraine war happened. So we saw a 30% cost escalation in 1 year. But then after that, the softness started coming in, and most of those costs were actually reversed. So everybody, I think this time, was hoping the same thing would happen every quarter.

I think industry is not able to take any significant price increase there, which is why you're seeing such sort of impact has come now. But generally, normally, the industry has been able to pass on those cost increases in the normal course. But this is obviously an exceptional year where no one knew what was going to happen next quarter, where you'll see the trend getting strengthened now, and the cost will probably soften out.

So let's see. I think right now, the major cost pressure we think has already happened through Q2, but some spillover impact is coming to Q3. But from Q4, we don't expect it will be to that extent what is already priced in now. So it will be only very soft increase which will happen if it happens.

Moderator: The next question is from the line of Raghunandhan NL from Nuvama Research.

Raghunandhan NL: My first question was on the new product initiatives. Over the past 12 to 18 months, we have seen that many new products have helped in volume: Promaxx, Digitrac, Shaurya, and Kubota-related new products. Can you give some indication of how the contribution of new products has become meaningful in the portfolio, and how they have helped in the market share gain? And going forward, which are the upcoming new products that we need to keep track of? Thank you.

Neeraj Mehra: Thank you, Raghu, for your question. So you rightly mentioned that all these products have given us growth. So I'll go brand-specific. Promaxx has been a pan-India product wherein we had an entire product range of 4x4 tractors. So the suitability across the country helped. And Farmtrac prior to Promaxx was not a pan-India brand. But with the introduction of Promaxx, we have been able to spread our reach in states other than the states we were present in.

In terms of Digitrac, Digitrac has been present for almost 3 to 4 years, but there were certain new introductions, especially the 4-wheel drive variants that were there. So between Promaxx and Digitrac in the Powertrac Series, we have grown substantially. So I will not be able to give you clear-cut numbers per se, but between these 2 players, they contribute about 20% to 23% of each brand's total sales.

That is the current scenario in Farmtrac as well as Powertrac with respect to Digitrac and Promaxx. On the Kubota side, I will actually let Rajan take the question in terms of the new product introduction.

Rajan Chugh: Yes. Thanks, Neeraj. So I think we have had a mix of product launches, some to cater to the newer emission norms enacted in recent times in October 1 on the under 25 horsepower segment, and also some to lead or enter the newer segment. Those have already started to do what they are supposed to in terms of improving the contribution margins, as well as in terms of giving us access to some of the markets; Kubota was not very strong, largely in the northern part of India.

Despite these industry drops, as we heard earlier, in Maharashtra, Karnataka, and some of the southern markets. With these new introductions, we have been able to grow our footprint and volumes equally, and we are looking forward to certain interesting products in the coming financial year. For now, we want to scale up the models and 2 series we have introduced for the Kubota brand this year.

Neeraj Mehra: And Raghu, coming back to the new product introductions, yes, we have an entire range planned for introduction in the Powertrac brand, which will be in early quarter 4. So in January, we would be introducing that range, which would primarily cater to the product gaps in the 4-wheel drive segment in the Power brand.

Raghunandhan NL: One clarification. On the Kubota new launches, there was that efforts which was happening to increase localization by using Escort's engine in Kubota. Just trying to understand whether the project continues as per plan? And when can we expect that launch?

Rajan Chugh: Yes, absolutely. So I think localization, both on tractors and farm machinery other than tractors, and those are projects very much on track and to be launched as per the schedule in coming few quarters. So yes, both on tractors and, like rice transplanters, we are moving swiftly on the localization front.

Raghunandhan NL: My second question was on the mix side. There is a higher share of non-tractor versus tractor, which is a very positive development, taking a medium-term view because globally also the share of non-tractor is high for various Agri companies. Can you approximately indicate how this will impact the margin performance? How much approximately could be the non-tractor margins?

Bharat Madan: So Raghu, I think as you rightly mentioned, obviously, in this quarter also, we've seen very strong growth coming in from non-tractor business. So, tractor business, if you look at it from the overall revenue perspective, is about now 65%, which is pure tractor, and about 17%-odd coming from the construction equipment business, and 18% is from the non-tractor Agri business, which will include spare parts, engines, and heavy solutions, all farm equipment.

So I think the margin profile is comparable now, obviously, in the traded items, especially on the harvester, etcetera, front, which are imported right now. So, as Rajan mentioned, we are trying to localize some of them in the future. So there, the margin is slightly lower.

But on the other business, like parts, etcetera, and the locally developed engine, the margins are good enough. I think overall, we'll say it's still a segment comparable to what we are doing in tractor, if you put them together as a category. But the good thing is all these sectors have done very well. Actually, you've seen very large growth coming in from all these segments other than tractor this quarter.

Raghunandhan NL: Bharat Sir, on the other expenses side, both on a Y-o-Y basis and Q-o-Q basis, other expenses are on the higher side this quarter, wherein it has gone up 22% Y-o-Y and 14% Q-o-Q. And in the presentation also, it has been mentioned that Higher manufacturing overhead. Can you please clarify whether there was any one-off in the other expenses?

Bharat Madan: **No** Actually, it's the higher production, because in this quarter, the production level was very high because you are building inventory for the season months. So your sales are lower than production, and the gap is almost 20% to 25% there. So which is one of the reasons because all manpower and other manufacturing costs have come in other costs, but there is a pall inventory benefit, which has come, which is about 1.5%.

So that will get reversed in Q3 when you sell that inventory. But obviously, there is some increase which is on account of the manpower cost of contractual manpower. Haryana, this manpower cost has gone up by 35% from 1st of April. But that is there in Q1 also. So it's not something that remains. So other than the higher production number, which is impacting this cost, there is no other one-off that is there.

Raghunandhan NL: Just a last question. With reference to the emission norm-related changes for the below-25 HP category, what is the kind of price change or cost increase that has happened? And do you see any impact on the financials in Q3 because of this change?

Rajan Chugh : So I think there was no significant change on the cost side, or on the price side maybe under, I would say, 4%. And it has not impacted the demand side because it was also coupled with some upgrades on the model. I think, largely on that segment, if you were to say, the impact has been more led by the subsidy impact or the GST impact than the demand itself.

But I think that segment, which continues to grow, which is getting good traction, not just localized to Maharashtra and South earlier, now across northern regions wherever sugarcane and some of the horticulture is growing, I think that segment is probably the second fastest-growing segment.

Neeraj Mehra: And Raghu, I'll add to what Rajan said is that, overall our volumes are insignificant. It's under 2% of our total portfolio. And also, it's restricted to a very particular geography. So we'll see what the impact is. But under the 25HP category, we don't see a major issue as we go forward.

Moderator: The next question is from the line of Mitul Shah from DAM Capital Advisors Limited.

Mitul Shah: Sir, my question is again, as asked by the previous participant on the growth for the second half and outlook. So, if we observe the last few months and compare with the past few years, whereas there was an El Niño impact, the industry generally has negative sentiment only in July and

August. But this time, the industry continued to report very high growth till August despite all these issues.

But if you look at the retail trend, there was already a slowdown in the month of August, but it still seems to be an inventory-driven high growth number in the month of August. In the current month also, I believe that about 150,000, 151,000 type of industry reported 140,000. So about 10,000 to 11,000 volume was an inventory correction. So in this situation, do you think there would be further inventory correction in the second half?

And considering all these challenges, probably the second-half decline would be high double-digit, maybe a few months would be even more than 20%, except November. This low marginal decline is at risk, and there is a possibility of like a mid-single-digit decline.

Because even this month also, apart from all the El Niño-related impact and the known fact in days of the month, there was torrential untimely rainfall in the North, which has wiped out some crops and possibly caused paddy crop destruction in the next 2-3 months. So in this scenario, do you think still flat to marginal decline will sustain?

Neeraj Mehra: Mithul, thank you for your questions. And actually, your articulation and your data are spot on. I'll just do a few spot checks on this thing. See, we have been able to -- you mentioned that the retail industry was 150 or thereabouts and the billing industry was 140. You're talking of October, right?

Mitul Shah: Yes, Correct ,

Neeraj Mehra: So see, we were able to do a decent amount of stock correction in October, and we will further do it. We did not do the entire stock correction in October, and we will further do it in November. We had a certain level of stocks for Dhanteras and Diwali, and the industry probably will do the same thing. I agree with you fully. And I mentioned that in my earlier comments also that there will be combined, there will be for H2 a double-digit degrowth.

So how much that degrowth will be, it's very, very difficult at this point to comment. But yes, there will be a double-digit degrowth. Now, for the entire year, from April to September for H1, we are sitting at 8% growth. With a double-digit degrowth in H2, what we are looking at is a marginal single-digit degrowth for the entire year, a low single-digit growth. So that is what our assumptions are.

You are right that the industry will degrow, but I'm not too sure if the degrowth will be substantial to a level of 20%, 22%, as we have mentioned in any of the months. That is actually huge. But that is the way we see it at this point in time.

Mitul Shah: I was talking about Jan and Feb, which generally is not so high-growth, which was the case last year, high base. In any case, secondly, just for further clarity for Escorts, even if you look at the last 2 months, we are outperforming strongly. So my question is what is our assumption for industry for Northern belt in case of a second half when we assume because definitely Maharashtra will be like a 30%, 35% decline. Karnataka would be another decline.

Gujarat may come up because of the Few subsidies expected in the next few months. But North, would you expect to flat or would be still possibility of a marginal growth because we are majorly focused on this geography, which can result into meaningful outperformance for us in second half?

Neeraj Mehra: So absolutely a fantastic question, Mitul. So what we are looking at is, if you see Q2 in the northern part of the country, the growth was not substantial. It was about 6%. The growth was about 6%. So what we are looking at, at this point of time, is that you would have studied October as well.

So in October also, the industry was not too great, except in 1 or 2 states. So our assumption is that the industry more or less will be flat in the northern part of the country or a very, very marginal degrowth. The entire degrowth what we are looking at will actually come from either the West or, to a certain extent, the southern part of the country.

Moderator: The next question is from the line of Amit Hiranandani from PhillipCapital India Private Limited.

Amit Hiranandani: Most of my questions have been answered. So just on the exports front, if you can help us understand the distribution agreement with Kubota for the use of their overseas network?

Bharat Madan: So what do you want to know about that?

Amit Hiranandani: Just how the margin sharing happened between both?

Bharat Madan : So, like, we have been selling to our distributors, so obviously, like, the distributor keeps a certain margin. So, same way in Kubota sales also, this is happening on a principal-to-principal basis. So the kind of margin which we give to the distributor independently is a similar margin which we give to Kubota also; additional preference given to the group in the supplying.

Amit Hiranandani: Noted. And sir, secondly, on the capex outlook, can you help us for this and next fiscal, including the new plans?

Bharat Madan: So, this fiscal normal capex is somewhere around INR350 crores, and we are more or less on track right now, I think, into the capex for this year. On the greenfield side, we have already spent, I think, on the land acquisition, which is roughly about INR400 crores to INR450 crores, which has already happened now.

And then next year, we are likely to start the construction work there on the project. So obviously that will be additional because the construction will be spread over the next 2 years. So right now, we don't have ready numbers because the project, etcetera, the costing is still happening.

But overall, we have already indicated for the entire project, the costing will be about INR2,000 crores, but that will be over a number of years. So it will be happening in phases, starting with the tractor factory first, then the construction equipment plant, and then the spare parts warehouse. So this will be spread over 3 to 4 years. But normal capex will be in the range of about INR300 crores next year also.

Amit Hiranandani: Right. And sir, lastly, the margins for the Construction Equipment division remain fluctuating. So what is the sustainable steady rate we can assume for this business?

Bharat Madan: See, the inflation pressure what you have seen in tractor business is also there on construction equipment. In the construction equipment, the steel prices impacted significantly higher. So like in tractor, we have taken multiple price increases in construction equipment space also. And we have taken four price increases now in this calendar year.

So every quarter, we have been increasing prices there. But the cost impact has also been there. So luckily, in this last quarter, since the volumes were also very good, so we got a benefit of the operating leverage, the volumes have gone up by 53% in last quarter. So the operating leverage benefit has helped us in improving the margin in the CE space.

But we expect this, this level of margin, I think, which will be sustained going forward with the demand momentum is good as of now. And then normally, your second half numbers are also good. So hopefully, we should be able to sustain this level. That's why I'll request Sanjeev to add, you know, if there's anything on the industry outlook side, how he sees that.

Sanjeev Bajaj: Yes. Thank you, Bharat ji. And thank you, Amit. So we believe that, like any other year, the second half of the year is always almost like 60% of the business. And for this year, the first-half business looks better because last year, the first half was very subdued. So we believe that the growth momentum in the industry will continue. The first half has grown by about 20%. The second half will also grow by about 15% to 16%, and we will end the year on a positive note.

I think on the margin front, we have been keeping a tight balance on inflation and the price increases, which we have passed on to the customer. So far till first half, whatever inflation has come, we have been able to pass on almost like 90% of it to the customers, including the one which we have recently in quarter in October itself, we have increased the fourth price high.

And we believe that the opportunity and next opportunities will come in next few months. But it all depends upon how the industry responds and the extent of inflation which is likely to happen in Q3 and Q4. So we'll keep a close watch on this. And we'll continue to keep a balance between the margin expectation as well as the market expectations.

Moderator: Thank you. Ladies and gentlemen, that was the last question. I would now like to hand the conference over to Mr. Prateek Singhal for closing comments. Over to you, sir.

Prateek Singhal: Thank you, ladies and gentlemen, for being present on this call. For any feedback or queries, please feel free to write us at investor.relations@escortskubota.com. On the behalf of entire Escorts Kubota team, we would like -- also like to wish you and your family a very happy and prosperous Diwali. Thank you once again, and have a wonderful evening.

Moderator: Thank you. On behalf of 360 ONE Capital Markets Private Limited, that concludes this conference. Thank you for joining us, and you may now disconnect your lines.