

May 11, 2026

BSE Limited

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Dalal Street, Mumbai – 400001

National Stock Exchange of India Limited

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Bandra East, Mumbai – 400051

BSE – 500495

NSE - ESCORTS

Sub: Transcript of Earning Conference Call held on May 07, 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 May 07, 2026, for discussing the earning performance of the Company for the quarter and financial year ended March 31, 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**

Arvind Kumar
Company Secretary

Encl.: As above



“Escorts Kubota Limited
Q4 & FY '26 Earnings Conference Call”

May 07, 2026



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

MODERATOR: **MR. AMIT HIRANANDANI – PHILLIPCAPITAL INDIA**

Moderator: Ladies and gentlemen, good day, and welcome to the Q4 and FY '26 Earnings Conference Call of Escorts Kubota Limited hosted by PhillipCapital India. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing star then zero on your touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Amit Hiranandani from PhillipCapital India. Thank you, and over to you, Mr. Hiranandani.

Amit Hiranandani: Thank you. Good evening, everyone. On behalf of PhillipCapital India, I welcome you all to Escorts Kubota Q4 and FY '26 Earnings Conference 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 of Tractor Business Division; Mr. Sanjeev Bajaj, Chief Officer of Construction Equipment Business Division; Mr. Rajan Chugh, Chief Officer of Tractor Kubota Brand and Agri Solutions Business; Mr. Sanjeev Garg, Head of Finance and CPMO; and Mr. Prateek Singhal, Investor Relations and ESG.

Before we start, I would like to add that some of the statements made by the company in today's call will be forward-looking in nature and are subject to risks as outlined in the annual report and investor releases of the company.

Now I hand over to the management for their opening remarks. Thank you, and over to you, Prateek.

Prateek Singhal: Thank you, Amit. Good evening, everyone, and thank you all for joining us today. During the quarter, India's macroeconomic environment remained broadly supportive, marked by moderate inflation, a softer interest rate outlook and positive sentiment across both rural and urban market.

However, global geopolitical development, particularly the ongoing conflict in the West Asia continue to pose challenges, resulting in higher input and logistics costs due to disruption in global shipping routes. Additionally, the depreciation of the Indian rupee against the U.S. dollar further escalated cost pressure. In this operating environment, our focus remains firmly on delivering profitable growth and disciplined cost management.

We remain confident in the underlying demand fundamentals of our core business in the near term and we will continue to focus on driving operational efficiencies and prudent capital allocation to create long-term value for all our stakeholders. We trust you had an opportunity to see the results and the earnings presentation uploaded to the stock exchanges.

Let us now walk you through our key financial highlights of the company's standalone financial performance for the quarter ended March 2026. Operating revenue from continuing operation at INR2,950.7 crores, up by 21.4% year-on-year. EBITDA at INR386.0 crores, up by 31.8% year-on-year. The EBITDA margin in Q4 at 13.1%, up by 103 basis points Y-o-Y. PBT from continuing operations before exceptional item at INR433.8 crores, up by 21.1% year-on-year. Net profit PAT from continuing operations stood at INR324.8 crores, up by 29.6% Y-o-Y.

Please note that Q4 of the previous year include an adverse impact of INR27.1 crores on the account of impairment of the investment in an overseas subsidiary and a joint venture in India. Excluding this onetime impact, net profit grew by 20% Y-o-Y. EPS from continuing operation is INR29.52 as compared to INR22.79 Y-o-Y. Reported PAT, including discontinued operation, up by 9.2% Y-o-Y.

Some highlights of our stand-alone financial performance for the year ended March 2026 are as follows: highest ever operating revenue from continuing operations at INR11,472.8 crores, up by 12.6% Y-o-Y highest ever tractor volume at 1,33,670 units, up by 15.7% Y-o-Y. Construction equipment volume came at 5,794 units. Highest ever EBITDA at INR1,513 crores, up by 28.5% Y-o-Y. Margin at 13.2%, up by 163 basis points Y-o-Y.

PBT before exceptional item from continuing operation at INR1,805.5 crores, highest ever, up by 32.1% Y-o-Y. Highest ever net profit after tax from continuing operation at INR1,380.9 crores, up by 24.4% as against INR1,110 crores in the previous fiscal. Earnings per share from continuing operation is INR125.52 up for the year by 24.3% as against INR100.96 in the previous fiscal.

The Board has recommended final dividend of 330% for the financial year '26, equivalent to INR33 per share. With the special dividend of INR18 per share already paid, the total payout for FY '26 will be INR51 per share for a face value of INR10 each, an increase of 82% compared to the previous year. Payout ratio, excluding profit for exceptional items, is at 26.3%. PAT including discontinued operations at INR2,408.6 crores.

On a consolidated basis, company financial performance for the year ended March 2026 are as follows: revenue from continuing operations at INR11,540.3 crores, up 12.7% year-on-year. EBITDA at INR1,496.4 crores with a margin of 13%, up 159 basis points Y-o-Y. Reported net profit from continuing operations at INR1,366.4 crores, up 21.6% Y-o-Y. Net profit, including discontinued operation and exceptional item at INR2,394.1 crores Y-o-Y.

Moving on to the segmental business performance. In FY26, the domestic tractor industry grew by 23.4% year-on-year, reaching an all-time high of 11.6 lakh units compared to 9.4 lakh units in FY25. This robust industry growth was supported by healthy rural sentiment supported by strong farm income, favorable and well-distributed monsoon, along with adequate water level reservoir, strong crop production and higher MSP (Minimum support price), reduction in GST rate, accelerated pace of farm mechanization driven by government initiatives and state-level subsidy program.

Beyond near-term driver, long-term fundamental for the tractor industry remains strong. Low mechanization penetration relative to global benchmark, rising rural wages, labor shortage during peak agriculture season and the increased need for time-efficient farming practice continue to underpin sustainable demand for tractor and farm machinery.

Our domestic tractor volume at 1,26,994 units, highest ever, up by 14.9% Y-o-Y. As compared to the industry, our performance was moderated by regional demand variation. Growth in North and the Central region, our strong market was around 17%, whereas other regions witnessed a

growth closer to 30%. Additionally, the limited availability of certain key new models introduced during the year impacted our ability to fully capitalize on demand.

During FY26, we placed a strong emphasis on executing excellence with a clear focus on improving retail conversion, expanding market reach and enhance on-ground responsiveness. A key player of this effect was the deepening our financial partnership as well as launch of our captive finance business.

We strengthened engagement with both national and regional financier, reducing approval turnaround time at the dealership level and introduce more customized financing solution aligned to specific customer profile. These initiatives support higher retail throughput and improved conversion across markets.

We strengthened our dealer engagement and capability building through sharper retail monitoring, target training program for new product platform, focused incentive structure during peak demand period and close collaboration on inventory and supply planning. These actions enhance dealer confidence, improved product availability in key micro market and enable us to manage regional demand variation more effectively.

FY26 marked a significant year in our product journey with a comprehensive product portfolio refresh aligned to evolving customer needs for specific application and regional requirements. Key launch during the year strengthened our presence across core, premium and application-specific segment, receiving encouraging market response. We continue to invest in innovation, platform renewal and fast go-to-market cycle with several new product introduction planned for FY27, reinforcing our commitment to sustained growth and market competitiveness.

Looking ahead, we expect the current industry momentum to sustain in the near-term. However, geopolitical development, potential supply chain disruption and rising input costs could moderate farmer affordability and sentiment in the short-term. Additionally, evolving weather patterns, particularly emerging El Nino signal will remain a key monitorable influencing future demand trends.

On export front, the tractor industry in FY26 was at 1,05,000 tractors, up by 7% as compared to 98,800 tractors in FY25. Our export volume stood at 6,676 tractors, up by 33.8% as against 4,991 tractors in the previous year. Sales through Kubota Global channel account for approximately 60% of the total export.

Non-tractor revenue comprising Agri Solutions business, engine business and the service and spare parts business in FY26 constitute 18% of Agri Machinery segment revenue as against 20% in the previous year. During the year, under Agri Solutions, we introduced next-gen KA6 and KA9 ride-on transplanter, engineering in Japan will deliver higher productivity, superior planning precision and improved operational comfort. These models are well aligned with the acceleration shift towards farm mechanization driven by labor shortage and government support, particularly across Asia and benefit from global trends showing strong adoption of mechanized transplanting for improved efficiencies and yield.

Going forward, we remain focused on expanding our advanced Agri mechanization portfolio, leveraging Japanese engineering to bring differentiated productivity enhanced solution to the market.

Agri Machinery Products segment revenue for the year ended FY26 at INR9,709.6 crores, up by 15.8% as against INR8,447.2 crores in the previous year. EBIT margin for the Agri Machinery business were up by 190 basis points at 12.6% as against 10.7% in the previous year, led by easing material costs, better operating leverage and cost control measures.

Coming on to the Construction Equipment business. FY26 was a year of transition for the construction equipment industry after exceptionally strong FY25, driven by prebuying ahead of the emission norm change. Industry performance in FY26 was impacted by a combination of extended monsoon, slower project mobilization during the first half and a broader normalization in demand following in the early surge. As a result, served industry volume across crane back loader, mini excavator and compactor was declined by around 7%-odd Y-o-Y, mainly led by 13% decline in the crane segment, 10% decline in the back loader segment, while mini excavator and compactor grew by 38% and 5%, respectively.

Our construction equipment volumes stood at 5,794 machines, down 10.6% year-on-year. Throughout the year, we remain firmly focused on long-term competitiveness, operational discipline and protecting the strength of our franchise, while continuing to invest selectively in the capability critical for future growth.

As the year progressed, industry conditions improved sequentially. The extent of de-growth moderate throughout the first 3 quarters, ending the year with a growth assuming resuming into Q4 FY26. During the quarter, the served industry in Q4 grew by 4%-odd, while our volume increased by around 9% Y-o-Y to 1,877 machines, allowing us to perform better as compared to industry and gain market share. This performance was supported by improved execution, better channel throughput and gradual stabilization demand environment.

Construction Equipment segment revenue for the quarter came at INR556.5 crores, up by 22.6% Y-o-Y. EBITDA margin came at 12.7%, up by 386 basis points Y-o-Y, led by leveraging -- operating leverage, improved cost discipline and more favorable product mix. During the year, we continue our strength of our construction equipment focus, and we introduced Kubota KU26 mini excavator operating advance this season and compact performance for urban and confined space projections.

We also showcased Hydra 15 mining, BLX70 backhoe loader and also showcase the concept line of Hydra 72 crane, representing a significant step in the high reach lifting the new 72-foot boom and enhanced safety system. This product action reforms our long-term commitment to engineering in depth.

Looking ahead, we believe the fundamental drivers of the construction equipment industry remain intact. Continuous emphasis on the public infrastructure development, improving visibility on product awarding and increased focus on urban infrastructure, mining and industrial activity prove a supportive medium-term demand backdrop.

Additionally, evolving geopolitical developments are reinforcing the importance of the domestic infrastructure creation and supply chain resilience, which should structurally benefit the sector over time. At the same time, we remain mindful that the geopolitical uncertainty may lead to a temporary supply chain disruption, volatility in the input cost and potential pressure on the pace of the government capital expenditure. We will continue to closely monitor these external risks while maintaining flexibility in operation and cost structure.

Now we'll request the moderator to open the floor for the Q&A.

Moderator: Thank you very much. The first question is from the line of Gunjan Prithyani from Bank of America. Please go ahead.

Gunjan Prithyani: Yeah, hi. Thanks for taking my question. My first question is on the industry growth outlook. You did mention a couple of things that the momentum is sustaining, but the external risks are there. How are you internally planning for fiscal '27 for the tractor industry growth? And there are a bunch of new products that you've launched in the last couple of quarters. Can you also talk us through a bit more on those products and how they can just -- they can sort of help strengthen the market share improvement going forward?

Neeraj Mehra: Hi, Gunjan good evening. This is Neeraj here. So as already mentioned in the opening comments, we expect the industry to taper down over the next few months. The overall guidance for financial year '27 is kind of a flattish industry, 2%, 3% up, 2%, 3% down. That is what currently we are looking at.

Overall, from the tractor business perspective, I think we are very confident. Over the last few months, there have been product launches across the three brands and a few other launches are planned over the next 3, 4 months. Plus we have utilized last year in taking certain corrective actions in developing the channel.

So both from the channel perspective as well as on the product side, we are well placed. Certain product gaps have been covered. So financial year '27 from a market share perspective and volume perspective looks pretty positive irrespective of the outlook of the industry.

Gunjan Prithyani: Is it fair to assume that we are confident of a positive growth irrespective of whether industry is a mild it has been?

Neeraj Mehra: Absolutely, absolutely. So the products will actually help us tremendously. There were major product gaps. So you would have -- I had spoken in the last call also. So we have introduced the paddy special tractors for the southern markets, which was a major gap. And it's early days yet, but the bleed in South in terms of market share has started to drop.

And we -- this year, we intend to see or we will see a gradual increase in market share in these markets. Plus certain -- it will be not prudent for me to speak on the new product launches, but certain other product gaps, we intend to cover over the next 3 to 4 months. So we are actually pretty confident from the new product perspective side.

Gunjan Prithyani: Can you also talk a bit about specifically on the Kubota brand scale up that was anticipated in terms of expanding the geo reach, trying to reconfigure the product so that pricing is more suitable for Indian market. Where are we on that journey as far as the Kubota brand goes?

Prateek Singhal: Rajan san, can you answer?

Rajan Chugh: Yes, sure. Thanks for the question. So well, on Kubota brand, we have both Agri Solutions and tractors, we kind of position ourselves there. In terms of tractors when we talk, you're right, we've had some gaps. And this year, we are poised to launch multiple products to some of those gaps and quite upbeat about improving position in the market with the Kubota brand as well.

As Prateek mentioned earlier, on Agri Solutions, we -- last 2 years, we've been launching newer products, newer technologies. And this year as well, we are planning to expand our portfolio in harvesting segment as well as planting segment. So yes, both in coming quarter and a little later part of the year, we have quite a robust pipeline of products getting introduced this year.

Gunjan Prithyani: Got it. And my last question is on the margin performance. It clearly seems a bit underwhelming when I look at the quarter-on-quarter EBIT margin decline. Can you give us some color on how -- what really happened in this quarter?

And how should we think directionally -- because I'm assuming a lot of cost pressure from steel hasn't showed up in this quarter, right? So how -- what explains the performance in this quarter and a bit more color on the outlook for next year?

Bharat Madan: So Gunjan, there was a bit of -- obviously, some pressure had come on the inflation side, but it's not much in this quarter, as you mentioned. I think most of it will happen in the coming quarter. So it's mostly issue on the mix side with the new product sale actually had gone up and there's also some increase in the non-tractor revenue slightly was up.

So there, the margins are lower compared to the tractor business. So that's why year-on-year, you see there's a marginal dip, but it's not significant. I think it's more or less 1% dip if you compare year-on-year on the EBIT margin for Agri business. Though compared to the Q3, obviously Q3 was the operating leverage, the volume was very high and which is normally the case.

But going forward, we do see pressure will be there on the commodity side because we're still getting a lot of request from suppliers for the passing on of input cost increases. I know procurement team is still in discussion to finalize those numbers. But I'm sure it's going to be significant in the coming two quarters. We'll have to wait and watch and see how this geopolitical situation really emerges and how much is we are able to pass on to the market.

Gunjan Prithyani: And on a full year basis, can we keep it flattish? Or do you see that there is probably some hit on a full year basis?

Bharat Madan: So it depends on the certain costs, which are going to be permanent, especially the costs led to energy and manpower. So as you know, in Haryana, the minimum wages have been increased by almost 35% for contract levels. And in UP also where our larger vendor base is situated, there

also the costs have gone up by almost 22%, 23%. So this is something which obviously will be a permanent increase. So this is also going to impact our margin EBIT.

So even though on the commodity side, we expect even if there's a temporary increase, it will come back, hopefully, once the situation improves. But the process costs, which are getting passed on, especially on the energy side or on the manpower side, these probably will not come back.

So as you know, we had taken marginal price increase in the last month and in this month, in April to tackle those -- some of those cost increases. But again, we'll have to really see. So our effort will be to maintain the margin on a full year basis. But obviously, it's too early to talk about that unless we know how the geopolitical situation really emerges.

Gunjan Prithyani: Thank you so much. I'll join back the queue.

Moderator: Next question is from the line of Raghu Nandhan from Nuvama Research.

Raghu Nandhan: Good evening, team. And thank you for the detailed opening remarks. Firstly, to Neeraj sir. Sir, can you talk about the region-wise performance, which regions should be relative outperformers or underperformers in FY '27? And how will that be beneficial for Escorts?

Neeraj Mehra: Hi Raghu, thank you for the question. So a bit on -- first, on financial year '26. So if you see the industry growth in the northern and the central part of the country in the last fiscal, as also mentioned by Prateek was close to 16%, 17%, which are our stronger areas. And in the western part and in the southern part of the country, otherwise, the overall growth was about 30%.

Rest was, to a very large extent, driven by subsidies. And we feel that financial year '27 should be from an industry perspective, should be to a certain extent, good from EKL's perspective because the growth in the last fiscal has not been in line with the overall growth of the industry in the northern and the central part of the country.

So to answer specifically to your question, I think overall, as we have mentioned, a flattish outlook or a marginal 2%, 3% growth for financial year '27. The major hit will actually come in terms of industry in the western part and the southern part of the country. North should be more or less stable or no growth kind of a scenario. So that is on the regional outlook.

Raghu Nandhan: Noted, sir. So the new products plus the favourable regional outlook, both should be positive for Escorts in growing volume and gaining market share for FY'27?

Neeraj Mehra: Yes, we are confident on that, Raghu.

Raghu Nandhan: Thank you sir. My second question is to Rajan sir. Sir, the non-tractor share in Agri segment is a meaningful part. Can you indicate what kind of a growth you expect in farm implements in FY '27 or the next 2, 3 years due to rising mechanization?

And also for the Kubota -- under the Kubota brand, tractors were expected with Escorts engines. When is this expected to happen?

Rajan Chugh:

So thanks, Raghu. This is Rajan here. So your first question on the Agri mechanization farm machinery other than tractors. So as we've also talked about, in past 3 years, we've been growing a pretty robust 35% plus kind of a CAGR. And we continue to look at this segment at least in 20% plus kind of the next 3 years outlook, largely because it's the kind of product pipeline we have and the channel we are expanding, also the newer products, which we'll be introducing every year.

And we're kind of consolidating our position in harvesting segment, which is second to tractors when it comes to mechanization. Both in terms of volume and size of the market. Now coming to tractors. So I won't want to talk about specific time line on localization, but we've continued to improve and introduce newer products. This year, we almost planned about 8 or 9 newer products with 3 or 4 new segments we'll be covering when it comes to tractors.

And similarly, next year also, we have a decent pipeline of products coming in to fill the gap and improve our position in tractors. But yes, I mean, we are kind of increasing or improving our localization of components and products in India in both segments, machinery and tractors.

Raghu Nandhan:

Thank you Rajan Sir, Lastly, to Bharat Sir, you indicated about the commodity inflation. Approximately how much is the commodity impact expected in the near term as a percentage of sales? How much price hike was taken in April? Would it be around INR10,000 per unit? And how much more is required?

Bharat Madan:

See commodity right now, like you mentioned, is still not finalized. There is still negotiation happening by the procurement team with all the suppliers. But the indication we are getting is varying because it depends on commodity to commodity like tire suppliers are asking for 15%, 20% hike. Steel has already gone up by 7%, 8%. We already seen in the construction equipment space. The base metal, both copper, aluminium, magnesium, we're seeing the similar double-digit pressure. And then there are process costs.

So we don't know where it will really end. But I think our feeling is it will be somewhere the 5%, 6% sort of cost increase can happen. The question is how much we will pass it on now or how much will be passed on in next quarter to the supplier and how much of this can be further passed on to the market to customers. So like you mentioned, so we had taken about 1.5% sort of price increase in April across various brands on tractor side and also on construction equipment side. But this is not really sufficient to take care of any of these price increases.

So we are still talking to many other players and also suppliers to see how much -- because there are many costs which are onetime impact. These are not a recurring sort of cost. So there are costs in terms of like someone not getting LPG supplies, so they're paying higher prices to get those continued supplies so that the supply chain is not disrupted.

But these are one-off costs, which probably can be negotiated and amortized over the longer period of time rather than taking in quarter. But that's like something is too early to talk about. So we'll obviously try to minimize the impact, and it will not be different from what maybe the others in the auto industry will really pass on.

- Raghu Nandhan:** Noted, sir. Just a clarification, 5%, 6% would be as a percentage of revenue or the increase in RM basket?
- Bharat Madan:** Plus revenue RM is much higher. With all metal, base metal everywhere is double-digit sort of inflation.
- Raghu Nandhan:** And lastly, capex and investments expected for FY27, Sir?
- Bharat Madan:** Capex -- normal capex is in the range of INR350 crores, INR400 crores only. So last year also, I think we spent about INR311 crores on total capex in terms of cash flow.
- Raghu Nandhan:** What about greenfield?
- Bharat Madan:** So the greenfield is going to be larger investment, which we expect should be -- I think this year will be only about roughly INR500 crores, somewhere around that. So this will include the land development bond, etcetera. So the land initial payment we already made and I think balance payment will happen probably within this quarter.
- Raghu Nandhan:** Investment into captive finance division, how much has it been so far? And how much more is required? Sorry, that's the last question.
- Bharat Madan:** So far, we had invested INR200 crores in the capital and additional approval was taken for additional INR500 crores. Broadly, we are injecting as and when they need it. So by the year -- this year end, we expect maybe additional INR300 crores will go and balance INR200 crores will go next year. This obviously depends on the portfolio and how much AUM they were able to maintain and grow.
- Moderator:** Next question is from the line of Pramod Amthe from InCred Capital.
- Pramod Amthe:** So the first one is with regard to the tractor industry outlook. When you are talking about a flattish or 2%, 3%, what is the type of quarterly volatility you are looking at? And what's the exit type of considering a high base in the second half?
- Neeraj Mehra:** Neeraj, again, this side. So see, last year, the overall growth was 23%. But quarter 1, the growth was very subdued. It was about 9%. So I think we will see a growth in this year -- sorry, in this quarter. And then this growth will, to a certain extent, taper down. And H2 would be a substantial negative growth because the base is very, very high.
- Also, the impact of the monsoons wherein the forecast has been a subnormal monsoon this year. So the impact will also come in H2. So H2 would probably be a substantial de-growth basis these reasons. But H1 should be at par kind of a scenario.
- Pramod Amthe:** So in that context, the FY28, again, it will be a challenging to turn around from a negative growth second half into a positive territory? Or you feel it will all again depend on the monsoons?
- Neeraj Mehra:** See, Pramod, the industry -- tractor industry has been kind of cyclical. So if you look at the industry over the last 8 years, leaving aside the last year, it has been alternated in a growth and

a de-growth. So 1 year, it's been -- its growth, the next year, it de-grows, then it grows, it de-grows. So over the last 8 years or 9 years, that has been the cycle.

Yes, the growth has been higher than the de-growth of the previous year. So we feel -- so it's very early to comment on financial year '28. But financial year '27, even after our guidance of a flattish kind of an industry would be -- still be a very, very high base of 11.6 lakhs, 11.5 lakhs, 11.75 lakhs industry. So that is the scenario.

So it's very early to comment on financial year '28, but it's nothing new. It's a cyclical industry, and that has been the norm over the last 8 years, except the last year, which has been an exception.

Pramod Amthe: Second, with regard to considering that there are a series of new products which are coming in and we are replacing the old one, I wanted to get some thoughts in terms of how is your R&D spend has changed post Kubota coming on board? And what is the extent of help you are getting from the global partner or it's all developed still from the Indian context?

Bharat Madan: See, the major capex which will increase actually is on the product side. So I think out of INR300 crores, INR350 crores, majority of this will go on the product development side. So even last year, I think almost INR200 crores would have been spent on the product development. And next year also will be INR200 crores to INR250 crores will continue to be spent on this. So as I think we mentioned in the pipeline of product portfolio is quite strong and new launches will happen across all brands across both the businesses. So these spends will continue.

Pramod Amthe: Handling by Kubota here or it's predominantly done from the Indian R&D itself?

Bharat Madan: No, there are certain projects which are totally done locally, especially in our own platform, our own brand. But there are certain products which are running jointly with Kubota R&D team. And they're also helping us like this paddy special tractor; the involvement was also there because Kubota is specially in the paddy tractors. So their team also is involved. Any development happening on the Kubota brand, obviously, their team is equally involved.

So in Agri solution, they are equally involved. So it's a mixed development. So depending on which product, which platform we are working on and then accordingly, what they needs contribute.

Moderator: Next question is from the line of Ayush Anand, an Individual Investor.

Ayush Anand: So my question is what percentage of global Kubota sourcing will shift to India by FY30?

Bharat Madan: We don't know how much of their global sourcing will shift, but obviously, our plan is good. So I think by FY30, so last year was not very high. I think there's some new production, which was supposed to start, did not start because of quality issues.

So that was delayed. But now I think we started exporting in the last quarter there. So, we expect anywhere between maybe INR500 crores to INR1,000 crores kind of number should happen by FY30 on component export from India.

- Ayush Anand:** Okay, sir. And where will ROIC improvement come from? Will it from margins on capital allocation or asset turn?
- Bharat Madan:** Sorry, what will come from?
- Ayush Anand:** ROIC improvement, it was discussed.
- Bharat Madan:** ROIC okay. So, it will be essentially the operating leverage will be at play and also the cost effort because the company is working on cost realization equally, both on the productivity improvement, efficiency improvement on the shop floor.
- So, we introduced Kubota production system on the line, and that is going to help in further improving productivity and improve quality. So, I think all these factors will lead to gradual improvement in the cost structure.
- And we're also looking at rationalizing multiple product platforms to reduce our supply chain complexity. So, I think all these parameters will help us in reducing costs and improving our margins and reducing capital too, both on the inventory side as well as on the supplier too.
- Ayush Anand:** Okay sir. That's all from my side.
- Moderator:** Thank you. Next question is from the line of Viren Sameer Deshpande from Alphapeak Investments. Please go ahead.
- Viren Deshpande:** Hello.
- Moderator:** You are audible sir, please proceed.
- Viren Deshpande:** Yes. Thank you for the opportunity. I would like to know the results have been quite good for this year. And the base created for the current year is quite high. So next year, it is definitely likely to be a flattish year for the tractors. But construction equipment and earlier we had the railways.
- Now the railways, we have divested of the business, and we have the money sitting in the balance sheet now. But the construction equipment last year was underperformer because of the various reasons. But what is the outlook for the construction equipment going forward?
- Because last year our capacity utilization has been only 47%. And so, it had affected. Now the mini excavators, which you were quite bullish last time also, whether these cranes and mini excavators are likely to do well in the current year?
- Sanjeev Bajaj:** Yes. Hi Sameer, Sanjeev Bajaj this side. I am audible.
- Sameer Deshpande:** Yes.
- Sanjeev Bajaj:** So, two parts of your question. First is that last year has been a little subdued. Yes, we -- I mean, we've seen some difficult times in the last year as far as the overall industry is concerned, both

overall construction equipment industry as well as our subserved industry has gone through some tough time last year.

And having said so, I mean, it is compared to a base which was much higher last to last year, the base was also very high. Now what is our anticipation of the industry is that this year, had there not been these West Asia prices challenges and supply chain issues, we would have seen some growing demand in this quarter itself.

The signs of that could be seen in the last quarter of last financial year. while the first 3 quarters were very, very low, but in the last quarter, actually, industry picked up -- came up to the last year's level. So, we could have continued with that growth. But in the short run, we see there will be a little bit of challenge because of these uncertainties of macro factors which are playing right now.

But over a longer period in 2 to 3 years' time, we see there is a turnaround just around the corner because we believe that the capex, which the government is every year committing, that capex will -- as it gets invested, it will bring a lot of growth for the overall industry.

The focus on infrastructure and the focus on speeding up the projects, the focus on the quality of the projects and thereby moving to higher technologies of production, higher technologies of construction. That focus is clearly visible.

And we believe that in the product categories which where we are, those are direct beneficiaries of all the investments in the infrastructure, which is going to happen. We believe that till the next Lok Sabha election, there is a huge pipeline of infrastructure development, which the government is planning to do. It is only at the right time; those funds have to flow to the market that the results will be visible in the industry numbers also.

In the short run, we see there will be some challenge in terms of the raw material cost, which, of course, every manufacturer will try to pass it on to the customer, and therefore, it might dampen the demand a little bit. But if this gets sorted out in the next 1, 1.5 quarter, then I think we are looking at a phase of a big turnaround after that.

Sameer Deshpande:

Sure. So, I think half 2 is likely to be better?

Sanjeev Bajaj:

It is likely to be better. Of course, I mean, the uncertainty of macro factors is not purely within the industry control. But looking at the current situation, if things settle down in the next one or two months, I think post monsoon, we should see a big turnaround in the industry. That is the confidence of every manufacturer, which we talk to.

Second part of your question was on cranes and mini excavators. So, in both the segments, our market share growth is visible even in the last year where it was -- the industry was going down. We have gained 2.7% market share in cranes. And also, we've maintained our number 1 position in the country in mini excavators.

So, coming from these 2, although the industry size for mini excavators is still very small, but we are looking at a year 2030, 2031, where the industry size is expected to go to 3x of what it is

today. So, we are definitely going to get benefited in the medium to longer term by maintaining a good portfolio of products as well as maintaining a good position in the market.

Sameer Deshpande: Is there any export potential for the mini excavators and cranes, etcetera, because then domestic market is weak. But maybe because of the Kubota channels, etcetera, are we planning to do anything on that export front?

Sanjeev Bajaj: Yes. So not for mini excavators per se because today, whatever mini excavators we are selling, it is currently fully imported from Japan. And Kubota channel -- other countries, Kubota channel also buys from Japan or Thailand. So, unless until we start manufacturing in India, which will probably happen once we have the new plant ready, then that could be planned. But then probably there will be a case of exporting from India. At a better price control. So that is about the excavators.

But on cranes, there are a few countries who use this type of cranes, largely Africa and Southeast Asia and SAARC countries. So those are the countries where we are definitely exporting, and we are continuously increasing our channel distribution presence there. And we are making a good progress in that. Our export used to be about 3%, 3.5% of total revenue. It is moving upward of 5% to 6% now, and we expect this to grow to 10% by 2030. So, this will continue to be our focus area.

Sameer Deshpande: Now my next question is to Mr. Madan. It is regarding the cash on the balance sheet, which we are currently having, including the current investments of INR6,000-odd crores. The last year, we had some INR3,500 crores. Now this year, it seems the balance sheet, we have about INR7,000 crores of cash. Now we -- as the capex is not likely to be very high of about just INR400-odd crores and the capacity utilizations currently are quite comfortable. So, it doesn't warrant any big expansion at this point. So, what are the plans to utilize this big amount which we are having available with us?

Bharat Madan: If you've been following our company, we have made the announcement for investing in the greenfield facility, which we just mentioned, we just acquired in the process of acquiring land and the initial payment has been made.

And then we have planned for Phase 1 and that project itself is more than INR2,000 crores -- and then this Phase 1, the expansion will happen. So overall plan, I think over the next 7 to 10 years will be to spend more than INR5,000 crores on this greenfield project. And this will include both tractor as well as construction equipment and maybe going forward, even the Agri solution will also get added to this.

We have plans to do this. And in addition, there is also going to be the investment in the captive finance company. So initially, we mentioned INR700 crores of capital has been earmarked for finance company, and we invested so far only INR200 crores. So, balance INR500 crores will get invested over the next 12 months or so.

So obviously, there are plans to do that. And there will be certain cash, which will remain on the balance sheet for future growth and expansion requirements, too. So, we don't think there's a

liquidity which is more than required. So, I think we think there are enough requirement for the business growth perspective, which will warrant this liquidity to remain on the balance sheet.

- Sameer Deshpande:** Over a period of 2, 3 years, it will be utilized fully.
- Bharat Madan:** So, it may or may not be fully utilized, but there are certain surplus which will obviously keep the company for future growth. It won't be zero.
- Sameer Deshpande:** Okay. That's good. We are arriving net cash, that is always a better way to go instead of going for the debt because that puts pressure. Okay. Thank you and all the best.
- Moderator:** Thank you. Next question is from the line of Harsh Shah from Marcellus. Please go ahead.
- Harsh Shah:** My question is with respect to the capital NBFC. You alluded that we'll be infusing INR500 crores of capital into the NBFC, but any aspirations with respect to how much the loan size is likely to be by year-end?
- Bharat Madan:** Sorry, how much?
- Harsh Shah:** The loan book size is expected to be the leverage that we are ramping it up to?
- Bharat Madan:** Yes. So, as I mentioned, we'll keep putting the capital based on the loan book size only. We're not going to give the capital in advance to them. So as and when the portfolio increases, we'll keep on investing. So, our approval from the Board is to invest up to INR700 crores of capital. And so far, we've done INR200 crores investment into that entity. The portfolio is already more than INR100 crores today as of end of March.
- So obviously, the portfolio is growing as they're expanding the reach in various states and more dealers are getting on boarded. So, the business will increase. So as and when the requirement comes in, we will keep putting the capital up to that level. And obviously, beyond that, then we'll look at the leverage opportunities for that.
- Harsh Shah:** So, we'll be funding it INR700 crores and then go after leverage, is it?
- Bharat Madan:** Yes. So initially up to INR700 crores of capital will be funded by us. So INR200 crores has already been invested, INR500 more will go in the next 12 to 15 months.
- Harsh Shah:** Okay. Got it. And with respect to this model, what is the ROE aspirations that we have with respect to the capital NBFC.
- Bharat Madan:** See the long term, if you look at most of the captive finance companies, the long-term ROE will be somewhere between 1.5% to 2%. But the basic purpose of captive finance is to help the main business in growing market share and increasing volume. So that is the primary objective. It's not that we'll be going non-captive and focus more on the profitability. But at the same time, we don't want to be in a losing proposition. So, business has to be sustainable. So, it should be reasonable return and at the same time, also help the main business to grow.
- Harsh Shah:** Okay, thank you

- Moderator:** Thank you. Next question is from the line of Sudhir Kedia from Value Wise. Please go ahead.
- Sudhir Kedia:** Yeah, good evening, sir. And thanks for the opportunity. Sir, you mentioned about the industry growth being flattish for the full year and significantly negative for the second half of the year. Sir, my request is if you can also elaborate in terms of one reason you said about the high base. But if you can also elaborate on your view on the monsoon and El Nino effect and the subsequent effect on the rural purchasing power because of that.
- Neeraj Mehra:** Yes. So Mr. Kedia. So, I mentioned this earlier -- so I had mentioned this earlier. So overall, the primary reason would be the high base. But apart from that, the forecast of monsoons and the impact of El Nino.
- So, El Nino impact to a certain extent, currently, what we see is that it will impact to a certain extent, the probability is about 70%, 65% to 70%. Plus, if you see the reservoir levels currently, the rains that had to happen in Q4 of the last fiscal, the January, February, March period, the rains were also much lower than what they normally are. So, the reservoir levels are lesser or the levels are lower than last year or for the last 10-year average as well. So, the rainfall level, plus we are looking at an increase in the commodity prices, as has been mentioned throughout the call today.
- So, all these facts -- so one of the reasons for growth of the industry last year was the GST impact, which came in September and after which the industry grew exponentially. So, if the commodity prices come into -- the increase comes into effect in this year, of course, the purchasing power or the benefit of the GST is likely to go away. So, all these things, the below normal rainfall, the El Nino impact, the high base, the commodity price increase, all these are actually going to have a kind of a negative impact in H2.
- So that is why I had mentioned that H1 would be a gain with respect to last year, but H2 would be a drop with respect to last year industry.
- Sudhir Kedia:** Got it, sir. Sir, my only request was while the answer is quite comprehensive, what I was trying to understand is that there are two effects which are playing out simultaneously. Is, one, a very high base effect in the second half; and two, an incremental negative impact due to two reasons. One is the higher price of the material due to higher commodity prices and also due to bad monsoon and a low reserve level as you are saying.
- So, is it possible by any reason to understand which effect would be playing by what percentage? Let's say, if the base effect would have been normalized, would you still be negative on that front because of the monsoon effect.
- Bharat Madan:** It's too early to talk about this right now because we can't say with the season, how much will be the impact of each variable. There are too many variables right now into play. No one knows what will happen. We are only assuming a flat industry, which we think will be very good because industry was at a peak last year. If we are able to achieve that even this kind of so many of headwinds, I think it will be a great achievement for the industry to really work on that. So luckily, for this year, emission norms have been deferred.

So that was one negative impact which was at play, which will not happen. It will only come into play for horsepower tractor, which is less than 25 horsepower from 1st of October. But there also the industry has about 9 months' time to continue to sell the old inventory. So really, this year will not have really much impact on that.

But really, how the monsoon distribution happens, which pockets get impacted, what sort of geopolitical situation emerges, what sort of cost pressure will come in future. Very difficult to predict at this point in time. So, I think our initial assumption is if it's a flattish industry, which is what we are assuming or it may be plus/minus 2%, 3% here and there, I think it will be a good scenario to play out in this year.

Sudhir Kedia: And if you have to call out H1 of fiscal '28, would you guide a moderate for H1 of fiscal '28 as well because of the extra effects of H2?

Bharat Madan: Too early to talk about FY '28. But long-term industry growth projections have been the CAGR of 6%, 7%, 8%. So, we think in the long term, that will continue. The industry has done that sort of performance in the last few years and the last few decades. So long term, obviously, the growth momentum will continue because your ambition norm changes will only happen right now from 1st April '28 onwards. So obviously '28 should be a reasonably good year. But again, it will depend how the monsoon happens, what sort of water reservoir levels are there in the beginning of FY '28 and then in the second half of that year.

Sudhir Kedia: Sure. Sir, one more point. How much financing and the interest rate plays a part in the buying decision of the farmers?

Bharat Madan: 70% sale for us is on financing only. So, without financing, the sale will not happen. So retail is dependent to a large extent on this financing availability.

Sudhir Kedia: Okay, helpful. Thank you.

Moderator: Thank you. As there are no further questions from the participants, I now 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, feel free to write into us at investor.relation@escortskubota.com. Thank you very much and have a good evening. Thank you.

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