



March 14, 2022

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Dalal Street
Mumbai - 400 001

Scrip Code : ELGIEQUIP

Scrip Code : 522074

Through : NEAPS/Digital Exchange

Through : BSE Listing Centre

Dear Sir/Madam,

SUB: Intimation of transcript of the Annual Investors & Analysts Meet - 2022

In continuation to our letter dated February 25, 2022, regarding intimation of Annual Investors & Analysts Meet - 2022, please find enclosed the transcript of the Annual Investors and Analysts Meet – 2022 video call held on March 11, 2022. The aforesaid information is also being made available on the Company's website viz., www.elgi.com.

This is for your information and records.

Yours faithfully,

For Elgi Equipments Limited

S Prakash
Company Secretary

Encl.: a/a

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“ELGi Equipments Ltd. Business Update Conference
Call”

March 11, 2022



MANAGEMENT: **MR. JAIRAM VARADARAJ –MANAGING DIRECTOR,**
ELGi EQUIPMENTS LIMITED
MR. JAYAKANTHAN R. – CHIEF FINANCIAL OFFICER,
ELGi EQUIPMENTS LIMITED
DR. K. VENU MADHAV – DIRECTOR OF TECHNOLOGY,
ELGi EQUIPMENTS LIMITED
MR. RAMESH PONNUSWAMI – EXECUTIVE DIRECTOR

MODERATOR: **MS. BHOOMIKA NAIR – DAM CAPITAL**

Bhoomika Nair: Good evening ladies and gentlemen and welcome to the Business Update Conference Call of ELGi Equipments. We have with us, Mr. Jairam Varadaraj, Managing Director and the entire leadership team of ELGi Equipments. I'll now hand over the call to Mr. Varadaraj for his initial remarks and the presentation post which we'll open up the floor for Q&A. Please note that this is being recorded. Thank you.

Jairam Varadaraj: Thank you, Bhoomika. Good evening, ladies and gentlemen. Thank you so much for taking the time to be with us today. I hope we can make this interesting for you. I will go through a few slides to give a background to the whole presentation. So, we just want to use this opportunity to talk a little bit about the format. I will take you through a bit of a background on the Company, then my colleagues in finance, our CFO, our Head of Technology and head of one of the regions will take you through their respective areas. So, without further delay, let me take control over the presentation and take you through the contents of the meet. This is a standard disclosure. This is just a synopsis of our presence; 120 countries that we do business in, in some form or the other; 26 countries are where we are directly present and in 3 countries we manufacture. Bulk of our manufacturing, as you well know, is in India.

This is, again, a very brief snapshot of some of the key statistics of our business. I'm not going to spend too much time on repeating the facts that are there on the slides. There is anything specific, then you can ask me during the Q&A session and I'll be happy to answer.

Our leadership team, I head the company and I have an excellent set of colleagues who support me in the business. Again, I don't want to call out names and designations. I'm quite happy to give you specific clarifications in the Q&A session. This is the leadership at a business level meaning they are the ones who are front ending the sales, service and market development, and this is the leadership at the backend who are the key enablers of the Company at the Head Office. We pride ourselves with our quality, technology and our manufacturing prowess, and what we have today and what we plan to setup in the next few years is a highly competent future-ready manufacturing facility. We do very high-quality precision machining in what we call as our Air Center Plant. Many of you may have visited that. Last year, we started manufacturing our own motors, highly efficient motors. Using technology, we've made them extremely competitive. We make our own casting as a means to ensure that we have good quality and of course to ensure safety we make our own pressure vessels. So, this is a quick video that I will ask my colleague to present. Subha, over to you.

Audio-Video Presentation:

Our aspiration as a Company is to build a significant global enterprise, and to realise this aspiration, we have to play in some of the tough markets in the developed nations of the world. Now, for a Company like ours where the brand is relatively unknown and we have a Made in India label appended to us, we have to lead into these markets with value selling rather than a price-based selling. Now, value in this context is about providing benefits to the customers from

a lifecycle cost perspective, as well as providing a product, which has got just outstanding levels of quality. This is what we consider as table stakes in building the competitive advantage for our Company. Now, even though we lead our sales program with value and quality, for a Company in our context, customers expect a price. So, we have to have a cost advantage in order to be able to compete and provide the expectations of the customer.

In order to make all of this happen, value, quality, as well as cost competitiveness, we have done selective integration, backward integration in our manufacturing. I'd like to talk about three of them:

One is our foundry. With the foundry, the primary goal is to build the quality of our castings and therefore the quality of our products.

The second that I would like to talk about is our motor business. In our motor project, we have integrated backwards so that the percentage of our value in our compressor, goes from about 30% to 60%. Now, that's one part of it. The other part of it is by making our own motors, we are significantly improving the efficiency profile of our compressors, and this is a value that we bring to the customer besides designing and building motors of very high reliability.

The third aspect of backward integration is the machine tools that we design and build for ourselves. These our special machines, which are very expensive, and being able to use Indian engineering talent and capabilities, we've been able to significantly lower the cost of these machine tools, and by virtue of which without compromising the technology and quality, we've been able to bring our cost down.

The manufacturing processes and flow lines are designed to capture the quality parameters at every stage and assure adherence every stage before passing on to the next stage. We have deployed auto-guided vehicles and digitalized feedback based measurement system to ensure quality in each stage. Auto data capturing systems are deployed in machine shops to track the process capabilities real time.

So, for us, backward integration is a very selectively strategic initiative where we pick on opportunities by which we are able to enhance the value that we provide to customers. Process and people are two key enablers in this journey.

Our process excellence is driven by adoption of Total Quality Management. ELGi winning the 2019 Deming prize, while it is a testimony to our adoption of TQP, has also put a huge responsibility on us to continue to institutionalize and excel in TQM. People, the biggest asset that we perpetually invest in, are leveraging the world-class product and process excellence to meet and exceed customer expectation, which we believe is what will take us to the Company that we aspire to be.

Thank you Subha. I hope all of you found that video interesting. I'd be happy to answer any specific questions you have from having observed certain things in the video.

Moving on, I'd like to talk to you a little about some of the significant events that have happened during the year. This is a very interesting initiative that we run every year. It's called "What's your finish line?" This is basically physical activities to promote health and wellbeing among all our employees, our associates, our distributor partners, our vendors, and it has been an astounding success. You can see the statistics of the participants and what they've accomplished. As part of COVID support to our employees, we conducted mental health programs, which is received very well. Every year, on the 15th of December, we celebrate our Technology Day. We showcase the significant developments that we've been able to accomplish during the year. The last three editions of this event have been virtual. Hopefully, this year onwards we will be back to a physical format. This is a very important product that we launched. It's had outstanding reception in the market, and we're well placed to get back a good share of the market that we used to have in the water well business. We're waiting for the market to revive and we hope soon it will happen. As part of our initiative in Europe, we continue to expand. We've opened two new offices; one in Turin the other one in Ängelholm in Sweden. We'll talk a little bit more about the performance in Europe under the financials.

This is one of the most important initiatives that we are running right now. It's about talent management. It is to understand who are key talent are; a very scientific structure process, a fair and open process by which we identify our talent. We also identify some of the key positions critical to the company and make sure that there is always a succession plan for each of these, and this is something that we hope to see significant progress during the coming financial year. All the foundation work has been done during this year.

This is something that we talked about in our quarterly calls. This is a project to reduce our variable cost. It's progressing well. We have another four months left in this program. As of now, we're tracking to our goal of saving between Rs. 300-400 million. We're confident that we see bulk of the results falling into our P&L from the third quarter of the next financial year. Corporate social responsibility is something that we have been taking very seriously well before a lot of these regulations were enacted. We've been contributing 4% of our PBT towards CSR, and our school has been one of the biggest recipients of our CSR focus. We've built our new campus and we are in the process of, again, what we have done so far is build the hardware. Now we are really looking at building the software, the strategy and how to take this forward. I'll come back and keep reporting about our progress on this. These are some images of our new school campus. This is something that we are very proud of having done. Zara is a young, as you all know, you've seen it in social media. We've been fortunate enough to support her, and she visited us in Coimbatore on a flight around the world. So, it was an amazing experience for our employees, especially our women employees who had a chance to interact with her.

Coimbatore marathon is a function that we've been doing right from its first version nine years ago. This year like in the last couple of years has been a virtual event, and we hope that in this calendar year, it will become a real event, and we are continuing to support this event. Our U.S. operations supported the Susan Komen Race for Cancer Cure. We've been doing this on a continuous basis, and we're very proud to be associated with this initiative and the participation of our employees. During the COVID period, we supported the Italian Red Cross. They needed a compressor urgently and we donated a compressor for their logistics and this is something that we are very proud of having had the honour of the opportunity.

ESG is something that besides the statutory requirements, we're taking this further in a very serious manner. You will see this in our upcoming annual report the way we are reporting it out, we're taking this seriously, especially anyway in our CSR, we're taking the 'S' part of it quite strongly. The focus will be on the 'E' aspect of ESG in the initial period. Towards that, we have already made certain investments this year. With this investment by the next financial year, 50% of our energy required to run our factory in Coimbatore would be from solar energy and this is a journey that we will continue to increase.

This is my last slide. This is our second revision every year like I said earlier. We revise our strategic business plan and we rotate it out every year. Earlier I had said, based on that, in Financial Year 25-26, we will achieve a revenue of **24.07 (Inaudible) \$400** million. It was a very conservative number. As we have gone through this SBP (strategic business planning) process joining, our confidence levels are increasing and our traction in various markets are also a lot more solid, and as a consequence, we are now saying we are very confident of achieving \$450 million as revenue. So, all of you may still think that this is still a conservative number. We have to be very cautious of world events that are happening and that could happen, that could trigger this. So, we'd rather that we provide something that is cautious and overachieve it rather than come up with something that is too exaggerated and optimistic. So, this is where I stop and I hand it over to my calling Jayakanthan to take you through the financials. We'll all come back with answering your questions. Thank you.

Jayakanthan:

Thank you Jai and before I start on the financials, I thought I would take the opportunity to also give a quick update on the feedback that we take every year from the event and then how do we cycle it back to see the improvements. So, there were two types of feedback in the last time. One was about the platform in which this program was conducted including the way it was handled. The technology was just settling down and we were getting used to it. We have both changed the technology, as well as the technology has stabilized. So, this time we are doing it on a different platform. I hope that we are giving a much better experience. The other feedbacks were related to the updates that the investors would like to have either on the organization or on the markets and business updates. So, on the organization side, our initiative on IoT is going to cover most of it which is what we talked about. Basis the request to cover the industry, market and the acquisition updates, we have requested our regional business leader from Australia to join and

make a presentation and talk to the investors this time. So, that we have taken and addressed the feedback that we have received from the last meeting.

I would just quickly move in to talk about few slides on the financials. As always, I would just like to give where we are planning to end the year. We estimate that we are going to have a significant growth that's going to come this year at about 28%. All the major regions have done pretty well, which I will talk about in the next slide.

These are the four major regions that we talk about. As you can see India which is in the ISAMEA region is about 33% growth that we are planning, and Europe is at about 37% and North America is at about 22%. AUSEA is the one, which has got a slightly lower growth for a couple of reasons. Australia, as we all know, was most affected during this COVID period and most of the Southeast Asian countries had a challenge. Therefore, the numbers were impacted during the year. We hope to peak it back in the next year.

So, the second part of the presentation is about the sales performance trend. As you can see, we have been registering significant growth year-on-year. In the current year, we're expecting India to be about 30% and rest of the world is going to be about 25% and we also have seen a good growth in ATS, which has had severe issues on the back of automobile, but we have seen a good bounce back. We are going to also see about a 30% growth in ATS. Let me just also cover the EBITDA just to give a better sense of how the EBITDA is moving. We are seeing a significant growth in the EBITDA in the current year. Also, significantly coming off the India business supported by the other subsidiaries, but one thing that I would like to highlight so that the questions are taken right up front. You can see the foreign subsidiaries EBITDA is coming down this year. I just want to remind that we had the benefit of government subsidies last year, which is not around this year. So, if you remove that, our numbers have improved. The only other point I would highlight year is in the Europe expansion where we had estimated loss of about 16 million in the project plan. We are running at about 15 million. We are keeping it under very tight control in spite of the difficult market conditions. So, we are well on our plan in terms of making our Europe expansion plan.

Moving on, this is another important slide, which everybody is interested in. We have been seeing a drop in the net debt. Even in December, we reported a very close number, but we are seeing, in the last two months, there is a bit of a creep that has happened. The significant portion of it has gone into the working capital. We continue to have some challenges in the global supply chain, which makes us over invest to meet the demands of the customer and there is a bit of a slowdown that we are seeing in terms of the collection compared to what it was in the last about 18 months. A combination of this has little bit pushed the net debt up, but we are confident that we will pull it back with the additional focus. That's about it. May I now request my colleague, Ramesh, to give us an overview of Australia business. Thank you.

Ramesh Ponnuswami: Thank you J.K. Good afternoon, ladies and gentlemen. I'm pleased to share with you some perspectives of our business in Australia. We have four legal entities in the country and we have three brands. Pulford Air & Gas and Advanced Air, our direct to market brands for air compressors, allied equipment and services. Altitude Training Systems is a brand we operate in in the sports and fitness industry with a niche product. We started doing business in Australia a long time ago. In fact, as early as the start of the Company. Australia was the first country besides India to which ELGi sold its piston compressors way back in 1961. Subsequently, we also expanded our participation in the market by selling portable diesel powered compressors and these were sold as much as 30 years ago. It was only in 2011 that we formally established our presence in the country with the formation of a fully owned subsidiary and thanks to the acquisition of Pulford in 2018, we have direct presence in three locations on the Eastern Seaboard of Australia and we're also, of course, present indirectly through our network of dealers and resellers around the country. We also cover New Zealand from Australia.

Our customer base covers pretty much every industry segment, and this slide captures the top eight segments that we participate in. We also have grown our share of business in the Australian market and presently we have a double digit market share in oil lubricated screw compressors. So, about 75-80% of the industry and our addressable market is based on the east coast of Australia. Now, this is predominantly where the population centres are, where the industry centres are, and about 15% is Western Australia and the rest is sprinkled around South Australia with about 5% and the rest of the country about 5% of the market. We are present in almost all the major markets directly or indirectly as I mentioned earlier.

This slide takes you through and gives you a snapshot of the revenue trends and market share for ELGi Australia. This is the distribution Company that we operate and Pulford is treated as one of our distributors. However, in the revenue trends shown in the left hand side chart, the trends are only relating to sales that we make to our dealers, and does not include Pulford's. On the right hand side, you see that our market share has been steadily growing. However, in 2021, you would see that the numbers are down. This is primarily because a new member has joined the Compressor Association and started reporting their numbers. Unfortunately, we do not have access to their numbers for prior years. So, the numbers for those years are as we have understood them at that point in time.

For the benefit of everybody, the values are all indexed. Due to the sensitive nature of the information that is contained here, we chose to index all the values. So, please be understanding of that. Thank you.

So, the pie charts depict the overall mix of sales between Pulford and sales to our dealer network. A large percentage, as you can see, is to business via our dealers. The combined effect of our dealers improving their market share and our efforts to increase our network in untapped areas has resulted in a steady increase of the dealer share of the pie, and we expect that to continue.

Moving on, this chart depicts the trends in Pulford's revenues. Pulford basically has four major revenue streams. These are all depicted on the right hand side of the chart. These numbers go back to the time of the acquisition. Unfortunately, this year, our project business has let us down and this has resulted in a dip in the overall revenues. However, our core business continues to be sales of complete units and also our service business. These have seen steady growth. However, unit sales were down in the Financial Year 2021 due to the panoramic situations, but since then, sales have been recovering very well and are now at record levels for Company.

Just to give you a brief overview of what our experience has been with the acquisition of Pulford. This acquisition has definitely been a game changer for ELGi in the Australian market. Initially, at the time of acquisition, we had a situation where our dealers were very apprehensive because generally there were anxieties around whether we would abandon them and go direct and so on drawing from their experience of seeing other brands, how they went about their expansion in the Australian market. However, over time, the teams with ELGi Australia and Pulford have demonstrated commitment to helping all the dealers grow their own base in a very synergistic manner, and that has definitely showed up a great amount of goodwill for us. Post the acquisition, we had the owners continue with our Company as employers and this has added tremendous value to the running of our business. The Pulford team has also helped ELGi Australia to provide greater technical and operational support to all the dealers. The acquisition also allowed ELGi to consolidate and leverage the operations for greater efficiency. As a very significant development from the acquisition, our market share and brand awareness has improved considerably in the market in Australia. This is an outlook for our Australia business. Our three-year outlook, as Jai talked about the SBP cycles, the next three-year cycle, we have ELGi Australia revenues going up at a compounded rate of 27% while Pulford is expected to grow at 18%. The growth drivers are primarily in the form of increased market participation, product related initiatives and go-to-market initiatives. Thank you for that. Venu, over to you.

Venu Madhav:

Thank you, Ramesh. Good evening to one and all present here. My name is Venu Madhav and I am responsible for technology development and new product development at ELGi. Towards meeting our commitment of always better to customers at technology, there is a consistent effort to improve the products for meeting the stated needs and unstated wants of the customers. This year, we worked on improving the compressor performance, range expansion and also introduction of region specific features to improve the competitiveness of our products globally. I'll be taking you through some of these product initiatives. Expanding our product range is critical to improving the width of our presence in the markets. Currently, our EG Series compressors range from 11-250 KW. There are discrete requirements coming up for compressors above this KW range. Considering the low business case and to bring this product fast the market, we have adopted the principle of duplexing the existing models between 160-250 KW to cater to this demand up to 500 KW. For example, a combination of 160- and 250-KW compressor will be a **39.40 (Inaudible)** KW compressor. With this approach, we have released **(Inaudible)** from existing 250 to 500 KW. This compressor system is designed with an

innovative control system, which makes the operation more flexible in managing the variations in the compressed air demand and also ensure the compressors can operate together or independently. We are getting more and more enquiries for this product and we are confident this product will be an effective alternative in meeting about 250 KW requirements.

This is another product released as part of range expansion. Small and medium enterprises generally look for standard products with cost effective solutions. We have in EN CAP series between 2.2 to 15 KW range, and this year we have expanded the range up to 22 KW. These products are tailor-made to application requirements and also ensure to meet the performance, reliability and regulatory aspects of various countries. These models will be with various features like variable frequency dryer and also with modularity between skid and the tank mounted versions. This product range will cater the requirements of medium and small enterprises to a greater extent who are currently considering compressors from local and unorganized manufacturers and thus this will improve our business in this segment. Electric portables are becoming more and more prominent in mining sector over diesel portables as the availability of electricity is improving and also encouragement from government towards green environment in these zones. This is evident as more and more new products are demanded from this segment. Customers are looking for higher productivity and reliability. We are also giving more focus in developing products for this segment considering the business potential and also ESG benefits associated with it. Currently, we have compressors in the range of 22 KW to 90 KW with a pressure capability of 10 bar in this range. With this product, we extend this range to 132 KW with an increased pressure capability of 15 bar. In addition, this product will meet other requirements of higher efficiency, reliability and so on. We believe this new edition will attract more business in near future.

Neuron IV, neuron is the brain of our compressor control system that manages all critical functions. As part of internalizing this critical part, we started Neuron III neuron development with Neuron II followed by NXT, Neuron III, and now we are at fourth generation that is Neuron IV. Neuron IV plays a very important role in meeting customer expectations by way of touch-based interface, interactive diagnostic system and enabling smart connectivity with industry 4.0. Neuron IV can communicate with any controller within Neuron family. This can eliminate basic master controller and a setup with multiple ELGi compressors are available. Neuron IV is multilingual and we can choose one from 32 possible languages to communicate. With all this and beyond, Neuron IV still has nearly 50% of processing and memory as spare for future upgradations. I'm confident the customer experience with our compressors will greatly enhance with Neuron IV edition. Air-Alert is an ELGi's IoT system connecting the compressors across the globe. This gives us immense opportunities bringing global machine data to a central location. The usage of universal SIM card in these devices ensures seamless connectivity regardless of the network provider. Connectivity options such as Wi-Fi and Ethernet enhances ways and means of connecting the machines to Air-Alerts error when GSM network is not available in a specific location that is always the connectivity issue and availability of network



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issues. Over their software updation makes not just the IoT system, but all the compressor controller system future ready. Predictable alerts in a step closer to prognostics for detecting and preventing failures. Service alerts along with consumable information ensures better service to customers and improved business opportunities with this device. We have completed the global pilot, and the results are highly encouraging across the regions about the performance and the data from these devices, and serial production is planned from June' 22. There may be some delays in this considering the electronic parts shortages at this point in time. However, we are pushing towards ensuring this launch around that timeframe. Heat Recovery System and this as an option is used to **(Inaudible) 44.34** heat generated by compressor through oil **(Inaudible)**. Currently, we have **(Inaudible)** that are externally connected and requirements are from several markets to integrate the Heat Recovery System within compressor to offer an integrated solution. We have developed an integrated Heat Recovery System. It can also be retro-fittable in existing compressors. Going forward, both internal and external options will be available for the customers to select and this development will give flexibility to customers to choose and have more chances of winning the business. These are the glimpses of the new product initiatives in this year.

We have also launched several products in various segments, which will improve our business opportunities. We have also released several products for Indian Railways to meet emerging requirements for modernization and expansion of Railways. This will ensure and improve our business with Railways. Several other products are in development. Those can be launched in near future and also several projects are in planned state to start development in coming days. We believe we are aligned and progressing well in developing new products to meeting our goals. Thank you.

Bhoomika Nair: Thank you for the detailed presentation. We will now begin the question and answer session. We will take our first question for Zaid Munshi. Zaid, if you could please introduce yourself, and go ahead with your question.

Zaid Munshi: Thank you for the opportunity. Sir, my first question relates to growth. So, during FY21 and some part of FY22, few of our growth was related to oxygen cylinder and after this COVID getting seized now, so this oxygen led demand would be cooled off. So, what are the drivers, which we see currently for the future?

Jairam Varadaraj: So, Zaid, oxygen opportunity has been a very small opportunity in relation to the total size of the business in India. So, this this was the question that came up during our third quarter discussion. I don't want to get into what is the specific numbers of oxygen and non-oxygen, but it is sufficed to say that a significant part of our 30+% growth in India, oxygen played a very insignificant role in that.

Zaid Munshi: And sir do you see this demand sustaining apart from what we have seen?



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Jairam Varadaraj: I can't predict the impact of the Ukraine war in the Indian economy. This is something that's outside my level of competence. So, if assuming that it is not going to affect the global economy and the Indian economy, I think sustainability of this demand is still possible, but you must realize that the whole world has gone through some unprecedented levels of stimulus that has been injected into the various countries by the U.S., Europe, Japan, Australia, that has all been pulled away, so we need to look at how will the economy sustain their momentum of demand without that stimulus. So, this is something that we have to wait and watch.

Zaid Munshi: Okay, and sir my second question relates to gas compressor. As far as I know currently we have 3600 CNG stations in India and due to the CGD round 9, 10 and 11 now, so this CNG expansion would be like 3x in the next 7-8 years and we don't have any products in gas compressor. So, what is stopping us or what is the rationale behind not entering gas compressor?

Jairam Varadaraj: It's a strategic focus, it's a different business, different set of customers, different technology. The question is strategically where you want to focus. I mean it's allocation of resources, right. If the global opportunity in air compressors is significantly higher than the local opportunity for gas, so somebody else will do well in that. We are quite happy to focus on air.

Zaid Munshi: Okay. So, my last question relates to our RM price, so sir how many price hikes have we taken since last year?

Jairam Varadaraj: Different countries have different number of increases, so we have done in India up to four times. We will continue to do that.

Zaid Munshi: Quantum wise, in percentage terms, how much if you could highlight?

Jairam Varadaraj: That varies from product to product.

Zaid Munshi: Okay, thank you. I will join back the queue.

Bhoomika Nair: Thanks Zaid. Ranjit, you may please unmute yourself and go ahead with your question please.

Ranjit: Good evening sir and thanks for the detailed presentation. Just to put that previous question in a different perspective like of the growth of 27% which you are expecting to achieve, so how much will be volume and what will be value, just to get some idea because if you look at our FY25 target of \$415 million, so because now we have tailwind of this commodity inflation because we did price hikes, but a year after now when the commodity prices come down, we will be forced to take price cuts, so to get some perspective on that if you can share at least the volume growth and the value growth for FY22, whatever we are building in.

Jairam Varadaraj: I have to give you a very approximate number. Out of 28% I would say probably 10% is price hike and about 18% is volume hike.

- Ranjit:** Okay, so despite the inflation we have a decent volume growth.
- Jairam Varadaraj:** Yes, there is no doubt that the volume has been the biggest contributor of growth.
- Ranjit:** Okay. That's heartening to hear, and again if you look at our overall portfolio, so where do you see the larger portion of this growth coming in and even if you look at the overall global turbulence that has recently happened in terms of Ukraine and that has again put the metal prices and other things again we are seeing that it can happen there can be some more hikes, so how do you react to such kind of things, what is your feel as you are seeing it for next year, will there be more turbulence?
- Jairam Varadaraj:** I wish I knew that and answer to that question. Clearly, there is a lot of volatility that has commenced already in commodity prices. So, we have to respond to it, whether it will continue to keep escalating up is anybody's question. We have to wait and see and we have to respond to that, that's the unfortunate part and we don't have a choice.
- Ranjit:** So have you seen any signals in terms of Europe business getting impacted because of this or that's too early.
- Jairam Varadaraj:** It's too early.
- Ranjit:** Okay, and regarding these oil-free compressors, which we had launched and how has been the response?
- Jairam Varadaraj:** It's been good. We are progressing along the planned curve strategic initiatives that we launched in India for oil-free, we have done well. We have gained some very critical installations in different industry verticals that we had targeted. These are all positive both for our AB series, as well as for conventional oil-free.
- Ranjit:** Are we planning to put these products into our export market or have we already done that?
- Jairam Varadaraj:** We have already done that. We have got some very prestigious installations in Europe, in the US and in the far East.
- Ranjit:** Okay, and if I can ask one more thing in terms of our investments further, like you had mentioned this 450 target is almost on the way, so if you can extend it a bit more like what further investments and what if you have to look at in a FY30 perspective, how do you see that growth? You have mentioned FY25 450 is on line, so if you have to extend it further, so I think couple of years before you had a further CK2 target.
- Jairam Varadaraj:** I think Ranjit, the longer we go, the numbers we give, the less credible they become. That is the lesson that we learnt while we were giving the longer-term CK2 numbers. So, it was for



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specifically that reason we wanted to give a more firmer number for a shorter period. Now, if I have to speculate beyond this period, it just becomes an un-credible number that I will give you. So, I think it's best if we focus on FY25-26 and try and see whether we can meet and beat it. Once we do that, every year as we do our strategic business planning process, our future gets more and more secure.

Ranjit: So, the major driver will be Europe, North America and Australia for the incremental growth, is that right or of these three which of these three market...

Jairam Varadaraj: If you remember the slide, the CAGR in India is about 7%. This is on volume basis, constant prices and we're looking at a CAGR of 13% in the rest of the world.

Ranjit: Of these three markets, which one you will be excited about?

Jairam Varadaraj: Excited about all three, but if you look at the size of the market, obviously Europe and the US.

Ranjit: Okay, sure thanks. I will join back for the question and all the best.

Bhoomika Nair: Thanks, Ranjit. Ravi you may please go ahead with your question.

Ravi: Good afternoon, thanks for taking my question and thanks to Bhoomika. My first question is with respect to the market share gain possibilities that you can think about in the relatively new geographies or rather the outside India geographies given the fact that those are pretty large markets and we are kind of on the lower single digit in terms of market share across these countries. So, if we think aloud so basically how much market share gains, etc. we can see over the next two to three years in these geographies if you can talk about that it will be great.

Jairam Varadaraj: I am not able to specifically understand, are you saying what is our targeted market share for future? That's a very elusive number, Ravi. What we have done basically is a ground-up kind of a plan and if you look at our strategic business plan, we looked at what is the maximum opportunity we can capitalize on in each of the years for each of the products in each of the markets and basis that we have rolled it up into what we think will be what we will achieve in FY25-26 and of course we have it for each of the interim years as well. So, the market share number, we don't start with a market share number and work backwards, that would be something that will be at a very global level, but if you really want to do a credible plan, you have got to work from the bottom up and that is possible today in all these markets because we are firmly entrenched in each of the key markets in each of these geographies. So, we have people and knowledgeable people on the ground who have the ability to say these are all the customers, these are all the distributors we are going to go after, this will be the success rate and therefore we will roll it up into this number. I think that number is more important than looking at market share because one that's a top-down, second how do you know the market share, not all countries, all competitors report their numbers. It's only in some countries. Today in all the



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markets that we operate in 120 countries, only in the U.S. and in Australia, there is an association that where all of us give our numbers and they publish their numbers. So it's not a number that's readily available everywhere, so it's not a number worth shooting for.

Ravi: Got it sir and secondly my question is more from your role as a promoter's angle, in the sense that you are there, your son is there who is getting into the business, how do you see the roadmap from the point of view as a promoter for yourself and your son over the next four to five years.

Jairam Varadaraj: We play two roles. One is as managers of the business and as part owners of the business. I call myself a responsible owner, so therefore, the succession will be on 50% of my role, which is on the manager, so the role of a responsible owner will continue to be played and that is a very important role that has to be played in the board and in partnering with the management team. So, those are the kind of transitions that are going to happen over the next few years. Succession for me for my position, I believe, is the is the easiest part in terms of finding a person, but creating the process of succession and creating the process of succession in moving my role from what it is today to full-time responsible ownership, these are all process driven and we need to evolve those processes and we have already started the conversation around it.

Ravi: Okay, got it, understood. Thanks sir.

Bhoomika Nair: Thanks, Ravi. We request Bhavin to please go ahead with your question.

Bhavin: Thank you so much. The question is on the demand outlook in India specifically. We know in last four weeks, there have been a lot of changes, but are you now bearish on the outlook because you're projecting only 7% growth. We understand you mention it is more conservative, but so if you could just walk us through in detail and also if you could give some color on the end market specifically textiles, automotive, general engineering, which are the larger part of the compressor demand.

Jairam Varadaraj: So, let me start with what is going positive for our country. What is going positive is increasing traction or migration of the China Plus One strategy towards India. So we saw it in specific segments of the textile industry playing phenomenally. We will see a creeping expansion of that benefit into other industries as well. So that is going to propel the Indian economy and consequentially the demand for our products that's a positive aspect of it. The other positive aspect is the PLI scheme, but we have to wait and see how quickly they are converted into actual reality. We have had a few initial successes on PLI schemes, but those were the simpler businesses, but the more complex ones in semiconductors, electronics and solar, we will have to wait and see when they kind of manifest themselves, but overall it's a positive indication, but what is negative is the amount of money that was spent by the various countries of the world in support of COVID as a stimulus that is unprecedented. If you take the 2008-09 kind of stimulus for the financial crisis that pales in comparison to what has been done by the countries here for the COVID response. All that has been pulled up. Now, what will be the consequence of demand,

that is one. That is a question mark and that certainly is a negative and in an integrated global market that definitely will have an impact on ELGi. The second aspect of it is a part of the project demand explosion in manufactured products was because people had additional money that they were not spending on travel and vacation and all that, all that money went into procurement of goods and of products and that had a trickle down impact in terms of demand and therefore there was a requirement for capital goods that are required for building these machines. So, that's going to go away too. So, it's going to go back because the services, the hotels, restaurants, travel all that is going to get back their fair share of the demand. Now, that's going to depress the demand on products. So, you have a few positives and significant negatives. So, net-net how it plays out is very difficult to predict, so one has to have a very cautious view rather than take a very optimistic view. It will be very foolhardy to look at the last two years' growth and say that that's the basis to draw a trajectory into the future. I think that would be wrong.

Bhavin: Thanks sir. Inflation is something that the industry has been dealing with over the last year or so and to add to that there has been supply chain bottleneck, logistical bottlenecks, if you could just speak about this because it seems you have been able to deliver growth and we don't hear about shortage of containers or increase in the cost, so how have you managed this and how do you see this impacting over the next one year?

Jairam Varadaraj: May be we did not complain loud enough like the others do. We had a pressure and we continue to have a pressure of those problems, whether it is commodity prices or whether it is freight dislocations and container costs and part of our working capital inefficiencies are because of that. We have to had to build inventory of parts, inventory of machines to be able to serve customers under these uncertain conditions. So hopefully it will relent. We will have to wait and see.

Bhavin: And how has the competition behaved, are we seeing any new player, how are the existing players behaving and the growth of 30% that you have seen in India, is it the industry growth or have you been able to capture a higher market?

Jairam Varadaraj: I wish I can say about our market share in India because everybody lies and everybody gives a little bit of fluff, so nobody knows exactly what the market share is. If I look at the growth of competitors such of those who are reporting their numbers, they look good too. The problem is it is all sectoral. We are not exactly in the same 100% identical. They are in certain sectors and segments where they are strong and we are in certain segments that we are strong and so it's very difficult to compare, but they have grown too, they have done well.

Bhavin: But directionally if you were to put, not putting a number, but what ELGi has gained market share or is the market share steady over the last 12 months?

Jairam Varadaraj: I wish I can give you a very clear answer. I would like to think that we have grown market share, but I think probably we have maintained it.



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Bhavin: Most strategic question because as you highlighted PLI for semiconductors and a lot of electronic manufacturing coming in, globally when we look at some of your peers, vacuum is a product, which is largely going into this electronic and semiconductor and these segments were virtually absent in India so one did not bother, but do you believe now that over the next four to five years, this is something that you would want to get into the space, how difficult is it technologically to get into this.

Jairam Varadaraj: Well, the 15 odd billion that we say is the size of the global market does not include vacuum. So, to that extent, the opportunity that we are chasing does not include the large vacuum opportunity, but you are right, the vacuum business is significant and has very specialized applications. If you want to club it into compressor terminology, it's negative pressure. This is something that we are watching to understand. Technology-wise, I don't think it's rocket science, it's pretty simple and straightforward. I think it's more application knowledge, it's more customer knowledge, it's customer intimacy, OEM relationships, those kinds of things, but when we have so many opportunities in our space that we are in where we have domain knowledge where we have the resources, it would make more sense for us to be an inch-wide and a mile-deep rather than a mile-wide and an inch-deep. So, as part of our constant exploration of opportunity, we looked at vacuum. We continue to look at it, but anything significant happening there, no.

Bhavin: Just last question sir, if one were to assume a double-digit growth, not mid-teens but say 12-13% growth for next year with a stable operating margin, would you believe that is optimistic or conservative?

Jairam Varadaraj: If there are no external disruptions and this war gets resolved and the Russian crisis, Russian egos are all resolved and everything is back to normal, assuming that, I think that's realistic, reasonably possible, but if there are huge disruptions that set us back significantly, that cannot be predicted at this point.

Bhavin: We do understand that. Those were my questions. Thank you so much for taking my questions.

Bhoomika Nair: Thanks Bhavin. Vipul Kumar, you may go ahead with your question.

Vipul Kumar: Congratulations sir. My question is you gave index figures for Australia, so can you share the same figures for U.S. also with Financial Year 16 as 1 or 100, if that is possible?

Jairam Varadaraj: We will definitely do that Vipul and as part of our every year's getting the leadership to come and talk about geographies, we will do it probably in the next quarter, we will try and bring in the other significant geographies as well.

Vipul Kumar: But can you give some bulk of figures off-hand if you remember it?



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- Jairam Varadaraj:** No. I'm sorry I don't have it with me.
- Vipul Kumar:** And what is the market share in U.S. approximately?
- Jairam Varadaraj:** From the reported numbers, I think our market share is probably less than 2%.
- Vipul Kumar:** Okay and two to three years down the line, where do you see reaching?
- Jairam Varadaraj:** Like I said we're not chasing the market share, Vipul. We are looking at what are the opportunities that are there in the key geographies of the U.S. market. We are trying to look at who are the distributors who can pick and partner with, what is their customer base and will the numbers from the ground up rather than work from the top down.
- Vipul Kumar:** Okay sir, thank you and all the best.
- Bhoomika Nair:** Thanks Vipul. I will take a question from the chat. I think Christopher is already in the question queue. So, I will just skip to Ranjit's question who asked that "With the recent trend of localization, is it likely to witness more challenges from North America, Europe, Australia geography in future? Will this prompt us to invest in some facilities and can lead to an impact on ROC/ROE, etc.?"
- Jairam Varadaraj:** So if I have understood the question right, you are talking about localization, local manufacture of compressors in Europe and in America and as that is a competitive threat for us and therefore our need to invest in similar manufacturing in the U.S. and America, I am presuming that is the question. We anticipated this even many years ago that at some point in the lifecycle of our company depending on the maturity levels of our presence in the market, we will have to have local manufacturing both in Europe and America and in order to prepare ourselves for that eventuality, one of the things that we're working on is design of an assembly line, which can make products as cost effective as they are being done today with Indian labor cost, but done with European and American labor cost. So, once we have those lines finalized, we will be better prepared to do that.
- Bhoomika Nair:** Sure sir. Christopher you may now go ahead with your question. Thank you so much.
- Christopher:** Good afternoon. Thank you very much for your presentation and thank you very much on indulging all the questions on short-term nature. Mine is slightly longer term, if possible. I am very curious about the culture that you have created in the business and how that supports new product development. In particular, could you give me an indication of if a product fails, how does the company overcome that sort of failure and also could you give me an indication of roughly what percentage of revenue comes from products that you developed over the last say five years just to get a feel for the success of your new products?



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Jairam Varadaraj: Sure, Christopher, let me try and answer it to the extent that I have understood your question. So, if you are talking about the culture of quality and the culture of product development, if you look at one of the key things central to the entire company where everything else is subservient to it is quality. Quality is number one, it is even higher than sales and profit and that's something that you can talk to anyone in the company and they will subscribe to it. Now, that's the philosophy, that's the culture that prevails in the organization. Now, how do we convert that into a process and that is done by a system by which we take every defect very seriously. We would like every defect that happens with the customer to be recorded in a system and we take that system very-very seriously. It goes immediately to our plant and we try and see if even the next day's production there is a way to mitigate. So, it's a reflection of culture being exhibited in a process that we follow and if you look at as a further manifestation of the culture, there is a Global Quality Review that happens every month and I participate in that. That is something that is considered very-very important for the leadership to be involved in. So, this is how we build the culture of bringing quality as number one. One is to state it, but how do you convert that into actual practice and build a culture around it that would facilitate that project. Now, as far as new products are concerned, unlike automotive where they have very specific models that are launched, our new product development, there is a step function but there is also a gradient that connects two step functions. So, every year the existing product goes through significant upgrades that embed many new technologies, but we may not call it a new launch or a new platform by itself. So, if I take even the trajectory, I would say close to 65% of our products, if you will take a five-year timeframe, may be 80-85% are new products.

Christopher: And can I just add when it comes to developing new products, what is the biggest challenge or obstacle that you overcome, not short-term basis like volatility or commodity prices, but is there a deeper structural challenge that you endeavor to overcome?

Jairam Varadaraj: So, the biggest challenge for us comes from the domain of quality. So, when we say we have a target that any new product that is launched should eliminate all the defects that have been encountered in the previous version of the product and that is a direct input into our product development process. Now, when you want to ensure that that objective is met, you need to validate whatever you develop with sufficient number and in sufficient locations, now that takes a lot of time. We still haven't found a technology-based validation methodology. We still haven't discovered that yet. So, that piece of it is still done the old-fashioned way, which is build x number of Machines, find x number of customers in different working conditions, put the compressors to run for x thousand hours and then you release the product. That is a bottleneck for us.

Christopher: I see. Thank you very much for explaining that to me.

Bhoomika Nair: Thanks, Christopher. Zaid you may now go ahead with your question.



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Zaid Munshi: Thank you for the opportunity, again. So, my question is related to raw material, so which are the key raw materials to manufacture compressor apart from motors?

Jairam Varadaraj: Well, motor is not a raw material, so if you look at motors, the biggest raw material for us that impacts us is steel, the next biggest one is aluminium and the third biggest one is copper. These have a different level of impact, but in terms of percentage impact, the biggest one is steel.

Zaid Munshi: Okay, and so like we have backward integrated a lot, so how much of cost saving do we expect in same margin terms, how much gross margin expansion do we expect?

Jairam Varadaraj: So, Zaid, if you looked at the video, the reason why we integrated backwards was not so much for cost. We wanted to make sure that at the worst-case, it's cost neutral, but if you look at the reason why we integrate it backwards on our foundry was to control and improve our quality. We are not an automotive scale of buyer of castings. Automotive, there will be one casting and they will buy probably 10,000 pieces of that casting every month. What we buy is sometimes five castings and hundred castings a month. So, to get suppliers who are used to low volume and high variety at a competitive price was becoming a big challenge. So, we could not get the quality, so we integrated backwards to make castings of a very high quality, but we tried to protect the cost structure. So, the intent was not to save cost. Similarly, in motors, there were two intents. One, we had a large dependence on China for motors and we felt strategically that dependence was not the right thing. So, we had to reduce our dependence, that was our driver number one. Two, we found that by designing motors, we could take out certain losses to improve the efficiency of the compressor by making a motor that is specially designed for our type of compressor. So these were the two objectives, not to cut the cost down. So, while why we looked at shifting from a Chinese source to our own factory, we wanted to make sure that the cost is protected. So, we protected the cost, but the gain is more on the efficiency of the motor. And the same with pressure vessels. Pressure vessels, we did not it for cost, it was for safety reasons and quality reasons.

Zaid Munshi: Yes, thank you. That's it from my side.

Bhoomika Nair: Thank you, Zaid. Before I take the next question, I would just like to highlight that the management will be sending you all a feedback form, would request you to kindly fill that in and send it back. I'll take the next question from Harshit Patel. Harshit please go ahead.

Harshit Patel: Thank you very much sir for the opportunity and a detailed presentation. Sir, you have previously mentioned that you would like to move to a centralized campus where in your corporate office, all the backward integration, and the compressor assembly plant, everything would be there, and that will entail certain operational efficiencies to us, so when exactly do you plan to do this and what kind of CAPEX that would entail and in that case what we are planning to do with our existing facilities, that would be my first question?



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Jairam Varadaraj:

So, Harshit, I think we broadly touched upon this in one of our quarterly calls. We are moving ahead with planning the entire move from our city plant and move everything to our central campus where our foundry and are Air Center plant are currently located. Now, in terms of the total square area that we need, we will probably need close to about 8,00,000 to about 10,00,000 lakh square feet is what we are looking. Once we make the detailed plan, we will know the exact number. The cost of that could be anywhere up to 300 crores and we think that whole project is going to take about three years to complete. So, these are the broad numbers. Now, in terms of actual execution will be dependent on the economic situation, our net debt position, as well as the timing in the market. When cement prices and steel prices are soaring like this, this is not the time to look at investing. So, we are going to use this time to conserve our cash, build a cash reserve within the company and be prepared when there is the right downturn and there is a certain softening of steel and cement prices is when we will trigger the shift to the new campus. Now, if you remember in one of our MDNA that was two years ago, we have also said that there is a certain philosophy of investment that we will do, that we will not invest in certain long-term assets with short term funds. So, effectively this investment will be done through equity, not fresh equity, but building cash resources from our operation. So, all this will be done basis that. Now, what will we do with our existing campus. Our automotive equipment business is running out of space too, so part of that will move into the new campus. Some of the other operations like maybe our pressure vessel factory will probably move here. We don't have to necessarily invest in the new campus. So, these are all the details that we are working out. Hopefully, within a year, we will have very specific details to talk about.

Harshit Patel:

Understood sir. Secondly, I would like to understand what kind of value addition do we do at **1.29.30 (Unclear)** and in Pulford operations? So, I believe apart from ELGi branded machines, these entities also sell their own brands as well. So who manufactures these machines for them, what proportion of their sales would come from their own branded machines vis-à-vis ELGi branded machines.

Jairam Varadaraj:

There is no other branded machine of compressors, that's for sure. So, whatever compressors they are selling, it is only ELGi, but they sell machines other than compressors that are adjacent to compressor. They may sell piping systems, which ELGi does not have. They may have certain that dryers that ELGi does not have. They may sell vacuum machines that ELGi does not have. They may sell high pressure compressor that ELGi does not have. So, as far as industrial and portable compressors, whatever they sell is made by ELGi. So, in terms of proportion of their sales, I would say close to 35-40% of their equipment or even 50% of their equipment sale comes from ELGi, but you've got to understand they are all distribution companies, so for distribution companies after market is their biggest source of revenue. So, close to 50% of their overall revenue is aftermarket, maybe even more 60%. So, you could consider that 60% as non ELGi, but that's not true, but there also they sell ELGi spare parts and stuff like that, so if I put it all together maybe 50% is ELGi business and 50% is non- ELGi.

- Harshit Patel:** Understood sir. Thank you very much for answering my question.
- Bhoomika Nair:** Thanks Harshit. I'll take a question from the chat. There is a question from Ranjit, which says "With Gardner-Denver acquisition, Ingersoll-Rand had become more aggressive in the domestic market. Which are the major overlap with Gardner-Denver and IR for ELGi and what are the tactical steps we have taken, any possibility that this can impact margins or huge share in the future?"
- Jairam Varadaraj:** So, Ranjit, if you know that IR has become very aggressive, I would love to know where you got that piece of information. So, that is something that we can take offline and you can tell me. Yes, when Gardner-Denver and IR have come together, they've formed a very credible number two unlike in the past. So, you can see the impact of the synergies that they have created, but it is still a large company and it is a company of multiple cultures, multiple products, multiple technologies, multiple locations that has been brought together, that have been put together, not kind of assembled together so they are still working through their synergies. Yes, they are aggressive, but I don't think it is something that bothers us or impacted us in any significant way. We feel them. Our products and our people and the value proposition that we have are extremely competitive, so we have not lost any ground there.
- Bhoomika Nair:** I will ask Dhiman to go ahead with this question. Dhiman, go ahead please.
- Dhiman:** Thanks for the opportunity. Just one quick question. In the entire piece, we are more focused on the positive displacement side as opposed to the other side, would you at some stage be considering the dynamic flow as well, number one. Number two, overall how do you see the trajectory of the spares because as you get more populated, that also rises for you, so how do you see that portion rising in the runup to FY26 that you have kind of laid down?
- Jairam Varadaraj:** So, as far as our centrifugal compressor business is concerned, we are selling the machines in India. We are partnering with a Korean Company and we sell their machines in India. We are also in conversation with them to see what next or what more we can do. The centrifugal compressor business in the larger opportunity space constitutes may be 10% of the total opportunity and definitely something that we are actively looking, but there are bigger opportunities than centrifugal within the overall \$15 billion opportunity that we would like to focus on. So, it is there, but strategically it is in the lower run. There are other things that are on the higher run.
- Dhiman:** Sir, within the existing positive displacement, do you think we have more superior offerings as opposed to competition or we have equal or how would you want to put that? I saw that neurons and the initiatives that you have taken in terms of new products would also be amenable to maybe industry 4.0, possibly 5.0, whatever. So that's a great initiative because it kind of allows the life-cycle monitoring and all of that. So, if you can just spend some one or two minutes on this as well.



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Jairam Varadaraj: So, I will try and answer to the best of what I have understood. So, is our product good, yes. Is it superior in terms of value, yes. Can it be even more superior, yes and making it even more superior is the trajectory we are on and we will continue to build the product. So, you can't sell a low-cost machine, which doesn't perform very well or doesn't have very good performance numbers in markets like Europe and America. Yes, there is 20% of the market that buys on price, that is there in all markets all over the world, but if you want to be a significant player in global market, you can't be playing in the 20%, you got to be playing in that 80% and that 80% buys on performance and if we are selling consistently in Europe and America and Australia and we are gaining traction, it means our products are from a performance standpoint good or even better. So, that's the response to that statement. As far as whether it's Neuron IV or Air-Alert and all those, the whole digital piece is being talked about constantly. There's a very high decibel noise that is being made, but the world has not really understood what digital means as far as industrial equipment are concerned. I mean we still have some ways to go in terms of defining clearly the value proposition to the customer. So, what we are building today is a key platform enabler So, we are building for the future. Is it going to give us immediate revenue and profit, no, but by doing this, it gives us the opportunity to really define the digital opportunity through which we can offer value to the customer and therefore price that value. We still have some ways to go ahead and we're not alone in this. I think all companies are going down that same path.

Dhiman: And on the spares, how would you like that?

Jairam Varadaraj: If anybody wants to be in this business, the profitability comes from aftermarket, not from selling equipment. So, you install a machine, then you have created like an annuity, like the insurance companies create an annuity, you get premiums every year once they sell a policy. So, this is similar to that. You sell a policy and then you get your premiums over the year. Now, the selling of a machine is like selling of a policy. So, the whole challenge of the shift in profitability comes when your install base becomes big and then you start getting the aftermarket revenue. It is very difficult to predict it because this is like predicting how your install base is going to grow, but one thing I can say is that every Rs. 1 that you earn from sales of a machine, you will earn Rs. 2 from the sale of spare parts in the lifecycle of the machine.

Dhiman: Great, but the trajectory that you had laid down, is it in line, are we exceeding in the after-sales or it's just about there?

Jairam Varadaraj: The after-sales trajectory is a lot more predictable because once you have the install base, you know what share of that install base you can confidently get and then you know how many filters, how much oil, how much thing has to be changed. So, you predicted, your warranty programs are tied to it. So what you predict, you will realize with much higher accuracy and reliability than sale of machine, so we are on it.

Dhiman: Great sir. Thank you so much.



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Bhoomika Nair: Thanks Dhiman. We have a follow-up question from Zaid. Zaid please go ahead with your question.

Zaid Munshi: Thank you for your opportunity again. Sir my question relates to raw material again. So do we hedge our raw materials, so do we have any contracts or we do all raw material buying in spot only?

Jairam Varadaraj: First of all, we don't do hedging because that's speculative. We don't have enough knowledge or competency inside the company to take speculative positions on raw material. So, we don't do that. Now, what we do is we try and club our requirements between known companies and try to get better deals from the steel plants, try and buy direct. The steel companies have layers of sales channels, so we try to get to the channel that is closest to the factory so that we are able to get the best prices and that is a function of volume. So, we try and do all that.

Zaid Munshi: Okay, and sir the same question for customers also. So, do we have an annuity base, like annual contract based selling or do we sell on spot?

Jairam Varadaraj: No, if you take an industrial equipment, bulk of our sales is one off, it's not like we're selling to OE's who fit our compressor into their machine. A very small percentage of our sales goes to OE's who fit our machine into their machines. Otherwise, it's all industrial, you set it up in each customer's factory.

Zaid Munshi: Okay, got it. Thank you.

Bhoomika Nair: Thanks Zaid. I guess there are no more further questions from any of the participants. Before I hand over the call to Mr. Jairam, I would just request the participants to kindly please download the feedback form and mail it on the email ID that's provided in the chat box. Sir, I will just hand it over for your closing comments please.

Jairam Varadaraj: Thank you Bhoomika. Thank you, ladies and gentleman. I appreciate your time and your involvement, your active participation in this and I urge you to give us that feedback because this is an opportunity for us to keep improving how we engage with you. Last year when we had this virtual call, I was very hopeful that this year we will have a physical meet, but looks like that's got pushed up and I am repeating the same thing, hopefully next year, we will meet in person and you will have an opportunity to look at our factory and maybe things that we have done, improvements that we have done in our factory. So, I look forward to that and again thank you very much for your time.

Bhoomika Nair: Thank you everyone for your time and special thanks to the Management for giving us an opportunity to host the call. Thank you very much and wish you all the very best and thank you to all the participants.