ELGI

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In accordance with the SEBI (Listing Obligations and Disclosure Requirements), Regulations, 2015, please find below the transcript of the Analysts and Investors conference call held on 09th February, 2021 at 05.00 PM IST.

This is for your information and records.

Thanking you,

For ELGI EQUIPMENTS LIMITED

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"ELGi Equipments Limited Q3 FY-21 Earnings Conference Call"

February 09, 2021

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

Moderator: Ladies and gentlemen, good day and welcome to the ELGi Equipments Limited Q3 FY21 Results Conference Call hosted by Asian Market Securities Private Limited. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing "*" then "0" on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Kamlesh Kotak from Asian Market Securities Private Limited. Thank you and over to you sir.

Kamlesh Kotak: Thanks Malika. Good day everyone. On behalf of Asian Markets, we welcome you all to the 3Q FY21 Earnings Conference Call of ELGi Equipments Limited. We have with us today Mr. Jairam Varadaraj – Managing Director representing the company. I request Mr. Jairam to take us through an overview of the quarterly results. And then shall begin the Q&A session. Over to you sir. Thank you.

Jairam Varadaraj: Thank you, Kamlesh. Good afternoon, or good evening, ladies and gentlemen it's my pleasure to be with you this evening. I hope all of you are safe and sound families are safe and sound we have done an outstanding job so far as a country to bring us to this level. And I hope that with a vaccine and everything we will be in a much better shape going forward.

I would like to give you a brief overview of our quarter performance. Typically, I look at the consolidated numbers, compare it with the previous year same quarter. But, because the previous year. This year was a special year for various reasons. I will also look at a comparison between, it's also relevant to look at the Q3 versus Q2 of this year. So comparing Q3 of current year with the previous year, our sales was higher by 18%. And at the EBITDA level, we were higher by 93%. So, in terms of reconciliation our EBITDA compared to last year, should have been about 957 as opposed to that we were at 599 the difference is about 358 million. So that is the primary reason for us, in this particular quarter has been our contribution as dropped. As you may know from October onwards, there has been a very volatile and very frequent change in metal commodity prices. We could not react fast enough with our price increases because the volatility was very high.

At the contribution level, we lost about 145 million. Employee cost was higher by 55 million, but that's primarily because of exchange and restatement of our for foreign employees. Michigan air employees who were not there in the previous quarter of the Q3 of previous year have been accounted now because we did the acquisition last December. And the Europe initiative cost a little bit of increase. So these were the reasons, nothing significant in terms of either headcount increase or compensation increase. And in Q2 of this year, we had sorry Q2 of this year, we had sorry, I am getting carried away. So, in compared to Q3 of last year. We had 85 million of other fixed costs in savings. So overall, we were able to contain it, the biggest challenge was the contribution level we lost quite a bit of margin.

Going to Q2 of comparing ourselves, Q3 and Q2. Just give me a minute let me pull that, we are EBITDA was 599, 600 and sorry, the explanation that I gave you was for Q2, let me do the explanation for Q3 please can you go back.

So, our EBITDA was 599, our EBITDA should have been about 670. The primary loss has been employee cost and like I explained to you the employee cost is because of addition of Michigan Air, addition of the Europe Industrials, which is an initiative that was not there last year. And the FOREX impact of the statement of our employee cost. So, while we had a great opportunity in Q3 because of an 18% growth in the top line, we lost that primarily because of the volatile material cost. But things have improved, we have responded into to price increases for correcting for the raw material price increases. And we have started seeing the results in January itself. So, rest of the quarter of Q4 should be far better in terms of at the contribution level.

So moving on to a business level evaluation or the statement typically I start from Australia and work across the globe. Australia was a very, very strong year for us compared to Q3 of last year we grew by almost 60% in Australia, on the back of some very strong orders across the board. Coming into Southeast Asia, it was muted roughly similar to last year, there was no growth but it was flat. India, like India said India has grown quite significantly for us close to about 20%.

The Gulf was a challenge gulf dropped compared to last year, Europe was a very positive performance, we grew by almost 60% in Europe and South, America was also strong at around 17%, 18%. And our automotive equipment business also grew by 18% compared to those so all around, except for a few geographical pockets. Our businesses grew well. We believe that we have gained some share in our market in various geographies. In India, it's very difficult to say because we don't have market share, market size data whereas the rest of the world at least in some parts of the country. We have so, overall it's been a positive Q3 we could have if we had not had the volatility, we would have definitely done very well far better, but we have corrected it we have taken control over the situation Q4 should on that count Q4 should be quite positive.

So, this is on so if you look at our share of business, India in Q3 was as come back, it is now 53% of our revenue compared to and 47% of the rest of the world. But year to date, India still 47% and the rest of the world is 53%. So when you started this Q1 India was quite bad, the rest of the world really pitched in and the percentage is high. So now India's coming back, coming back into stream, so the percentages are shifting.

Going into our now net debt position. Our net debt is 109 crores, we've had a substantial reduction in our debt. This 109 crores includes about 11 crores that we got as IT refund, this was not, this is still a mystery refund that has been received we are still working with the income tax department to figure this out. So this includes that the same number in Q2 was 149 crore. So we've been able to reduce about 440 crores in this quarter, just as a trend presentation in Q1, without the ITP refund we were at 205 so, from 260 we reduced to 205, from 205 we brought it down to 150, 150 to 109. So we have good control over our raw materials and our receivables. But international business as well as our import has been a big challenge because as you must have all heard containers are becoming a problem. Freight cost have gone up, shipments are getting delayed quite significantly. Many of our vendors are finding it difficult to keep up because of raw material challenges. So there will be a face that we will be going through to, there will be an increase in inventory as we have to do it as a means to protect against this temporary, what we believe is a temporary volatility. Maybe it'll last two to three months and it should come back to normal. So that's an overall presentation of our finances. I'll be happy to answer your specific questions. I apologize for that initial mishap where I was going, I was floundering a little bit between quarters, sorry about that. Thank you.

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

Ravi Swaminathan: So, first you had mentioned in the press release that the outlook seems to be good in the domestic market because of good traction from the union budget, et cetera so, what kind of growth we can see, which are the sectors which are likely to drive growth in the Indian markets and what kind of growth can we expect for the domestic market, first you can give broad view?

Jairam Varadaraj: Well like I said in the previous Q2 presentation Ravi that the growth that we are experiencing in Q3 and we continuing to do into Q4 on the industrial side, across all industries. There is no I would not say there is one specific industry that disproportionately high, all of them are back in the market and looking at capacities. The infrastructure emphasis of the government in terms of roads and construction is also giving us portable range that's been a good traction, we are beginning to see that across most of the portable categories. So, these are the two areas that I see, as far as growth going into next year. I know it's very difficult to say because this was a distorted year. If we continue down our trajectory, our revenue for this year will be equal to last year effectively what that means is that we have done 12 months revenue in and about 9, to 9.5 months. So, if you look at that, that itself is a growth of close to 21%. Now, growing again, if you look at it that growth has happened partly in Q2, and Q3 and Q4. Now to go beyond that is a bit difficult, but the fact that we've lost one quarter this year we are going to get that quarter back next year right, so if I add it back 10% to 12% growth is realistically possible at a very minimum.

Ravi Swaminathan: Okay. So, in the last investor meet when we had met, you had mentioned domestic market kind of might remain kind of subdued is what are the things that you are seeing that is incrementally positive from say last February to now?

Jairam Varadaraj: From last February to now. If you look at the last year, besides the COVID thing, if you look at it October onwards, we started the economy started getting very sluggish. And we were going through a very muted period in terms of demand overall, there was a lull in the economic activity. So, now it is completely different, it's a completely different landscape right now.

Ravi Swaminathan: Okay, got it sir and what's the quantum of price increase that we have taken on a blended basis to compensate for raw material cost increase?

Jairam Varadaraj: It varies from product-to-product it varies from part to products and different kinds of it's anywhere between 2% to 4%.

Ravi Swaminathan: Got it. And any Chinese imports that that might have lost market share or we might have gained market share, given the fact that supply chain for them also have been disrupted, especially in the compressor range, anything of that sort that we have seen in terms of market share gains, even some Chinese imports?

Jairam Varadaraj: Like I said, it's difficult in the Indian market to talk about market share, because there is no collective data that everyone kind of submits to understand the size of the market. So it is only speculative that you can say because of your growth and then say, may have gained market share. So it's very difficult to say. So we will have to wait to see the results of our competitors, which many of them are not listed. They are private, so it will take a year by the time those numbers come out.

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

Manish Goyel: I have a few questions first on the VRS which board is approved. So, just would like to know no doubt, last year you were mentioning that we would probably look to do certain employee rationalization especially in India. So maybe if you can just give a perspective as to is it VRS for only India or overseas and what kind of numbers in terms of employees we are looking at the value wise?

Jairam Varadaraj: So the VRS is only for the Indian operation. And it is primarily in our operations, in a blue collar category of employees. We expect that it's not a big number, we expect about 30 to 35 people reduction, and it's going to cost us maybe around 5 crore**.**

Manish Goyel: Sure. And in terms of US, particularly US and Europe market, we had seen a re-emergence of the pandemic second wave, so no doubt Q3 has been very strong for us, but if you can just give us a perspective as to, are we seeing any slower growth trends and also specifically I missed the US performance in Q3. So if you can just dwell upon US and Europe markets?

Jairam Varadaraj: Both, Yes they had multiple waves in those countries, but the arrival of the vaccine and the vaccination process and generally people having adjusted to a way of working with protection with the COVID virus around, business it's not going down anymore, it's on a return path. So, I don't see that as a challenge and the whole world 21, 22 I expect the whole world will have a good year, because 20-21 was a very bad year. So it's a no brainer to say that. As far as the US is concerned, North America we grew by about 15%, 16% growth in certain segments were high, certain segments were kind of flat. Europe grew by almost 60%. And like I said, in Europe we are starting at nothing, there's so much headroom for growth irrespective of whether the market is growing or going down. The headroom for us is so high, we put the right strategy in place, we had the right team of people, we are the right products and therefore we are seeing the result. So it is a very deliberate this is not accident, it is a very deliberately. Australia also is very deliberate, this is a result of many years of work. We are beginning to see that so it's positive.

Manish Goyel: And on the fixed cost sir we were looking to first attain deduction, and now with almost 10 months have passed so what kind of sustainable fixed cost reduction, we can kind of factor going forward for the company sir?

Jairam Varadaraj: Well, we don't have a final number on that Manish in terms of what will be. See if you look at Q3, some of the fixed costs has increased and part of it is also because of the business has grown. But if you look at the increase in fixed costs in relation to the increase in business, it's, a fraction of what it used to be earlier. So we still haven't really done a detailed calibration of what, when things get back, the vaccine has been, vaccination has been done, and people are coming out and things come back to normal. A part of our, the way we conduct our business is also a function of the customer. Today, our customers are quite happy to tell us don't come to the factory or don't come to our office, they are quite happy to talk to you virtually. But when things get back to normal, if customers start saying no, we want to see you then it changes. But we will have to see how best to optimize it. So, very difficult as I'm taking travel as one because that's one big, heavy aspect of our fixed costs. So it's difficult to say, but there are certain costs, like for instance, travel to the head office, head office people going to the branches, these kinds of costs, we will definitely save, because we have said no we're not going to do that. We are going to use the virtual platform for those kinds of meetings.

So, difficult, like I said in the earlier meeting, we have decided to shut down our branches, we have already talking to all our employees. So that's going to be a saving, so those are sustainable. So we still haven't done a final tabulation of how the steady state will look like.

Manish Goyel: And sir you did give the number for India sales at 53% for the quarter. So, can I have the comparative Y-o-Y number for Q3 last year, and also nine months, last year?

Jairam Varadaraj: You mean the percentage of ELGi, the percentage of India versus the rest of the world?

Manish Goyel: Yes, so earlier you said 53, I wanted a competitive number?

Jairam Varadaraj: The earlier quarter was also 53, sorry Q3 of last year was also 53.

Manish Goyel: And nine months also sir?

Jairam Varadaraj: In nine months, this year India is 47. Last year was 54.

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

Harshit Patel: Thank you very much for the opportunity, sir. I had a few queries on our oil free compressors business. So sir how is that business now shaping up further, in the last quarter you had mentioned that we had started doing reasonably well, even in the international markets on that front. So then how is that we are scaling up in that business now?

Jairam Varadaraj: I think the traction we gained in the prior years in India is continuing and Q3 was also a good quarter for us on that thing in India and the international traction that I mentioned to you in Q2 continues to remain strong. But it's a long, thought in that product segment, so it takes some time.

Harshit Patel: Sure. So, sir could you give us some idea as to what portion of our revenues would now be coming from the oil free?

Jairam Varadaraj: I wouldn't like to share that number Harshit, if you don't mind it's too competitively sensitive.

Harshit Patel: Sure, sir no problem. My second question would be on the motors front. So you were earlier highlighted that we were doing some validation trials for the developed markets, both USA as well as Europe. So sir have we now started supplying compressors with our own motors for those markets or is it still more of an Indian?

Jairam Varadaraj: No, the regular supplies have started for the Indian market quite steadily. The motors are, we don't want to take any risks. So the validation process for doing it in Europe and America will take some time. So it will be probably down around the second half of the next financial year is when we will start seeing more regular supplies for the motors into those markets.

Harshit Patel: Sure, sir. So just a small follow up on the same. So in India, how much portion of our companies have now our own motors?

Jairam Varadaraj: I don't have that number in front of me. I don't have it. I can, I don't have it in front of me, sorry.

Moderator: Thank you. The next question is from the line of Ritwik from Deep Finance. Please go ahead.

Ritwik: Sir, I have one question on employee cost, if I see the consolidated numbers, it's up 10% sequentially from Q2 of FY21 and standalone is flattish. So does that imply that the entire employee cost is increasing due to Europe investment?

Jairam Varadaraj: You are comparing Q2?

Ritwik: Yes, correct of current financial year.

Jairam Varadaraj: So, what happens in Q2 is there was a huge subsidy both in Australia and the US. That is not there in Q3, that subsidy was close to 83 million. If you add that it almost becomes level.

Ritwik: Sure, so that explains the entire part of it. So, going forward should we consider this 110 crores as our run rate going forward since the subsidy would be gone completely in the coming quarters as well?

Jairam Varadaraj: Yes, for this year yes. The next year, like I said we have a strategy in in Europe which we paused because of the COVID situation, we will recommence that strategic initiatives so there will be an increase in people cost as a consequence of completing that strategic initiative. Then they will approach these normal increments and all that will come in, because we had frozen increases, we had frozen all kinds of stuff this year. But the team has done an outstanding job. So it is only fair that we reinstate those practices that we had before. Next year there will be an increase.

Ritwik: Right, so this is the €25 million that we plan to invest from FY22 onwards or three?

Jairam Varadaraj: We started in 1920, and we paused in this year now. And now we have gaining traction, we believe that we are part of this COVID now, and then slowly we are getting back to that original plan.

Ritwik: Sure, okay. And sir in the revenue split, could you give us the figure for Europe and USA, what would be the percentage for nine months FY21?

Jairam Varadaraj: The total, I don't know the percentage of but Europe as over FY21, the whole year I don't have it in front of me. So, I would say Europe. I have only for, I can't say it for the whole year.

Ritwik: Okay. And sir harping on the Europe investment again, could it be about what is the kind of run rate that we are looking at from FY22 on an annual basis for employee cost increase?

Jairam Varadaraj: Sorry, I didn't get your question?

Ritwik: So, we mentioned that Europe investment will restart from FY22, because we are seeing good traction in that region, so what is the, if I'm not wrong our earlier plan was to invest about €25 to €30 million for three to four years.

Jairam Varadaraj: So 25 to 30 million would be the loss over a period of four years that we will incur in our initiative, that's what I said. So, in terms of increase in people, cost next year would be about 13 to 14 crores.

Ritwik: Okay, that on an annual basis?

Jairam Varadaraj: Yes.

Moderator: Thank you. The next question is from the line of Kishore an Individual Investor. Please go ahead.

Kishore: Okay. So, question I had was more towards overseas operations and the forward looking view on that part, we pass the question one is what is the relative margin profile across the different key markets that we have gone into. The second part is, how much of our forward-looking growth is going to be driven by inorganic and what's the competitive response that we're seeing there. So, are we for example, facing any difficulties in moving forward down that path or what is the competence response we are seeing there?

Jairam Varadaraj: I will answer the question to the extent that I've understood, then you can correct me if my understanding was right or wrong in terms of profitability, like I've always maintained at the contribution level our markets outside are far more profitable than India. I don't want to get into the differences in percentages, but they are significantly more profitable. It is at EBITDA level of course, India is more profitable, because we have a bigger presence in India and therefore we are able to absorb our overheads. Whereas in the markets that we have entered into our overheads are high by virtue of people cost there are high and we are in the trajectory to gain size that it will happen and we are already beginning to see that happen. In terms of our acquisition, we don't have anything on the horizon or we have not looked at anything in our compressor business. Our acquisition strategy is about acquiring customer acquisition. Wherever there is an opportunity to acquire customers, so distribution companies, service companies that has a relationship with customers who own the relationship with customers, those are the ones that are attractive for us. We're not looking at buying any compressor company. So it's right now our goal is primarily at least for the next couple of years, we are going to be looking purely focused on organic growth. So, I don't see any acquisition in the horizon.

Moderator: Thank you. The next question is from the line of Renjith Sivaram from ICICI Securities. Please go ahead.

Renjith Sivaram: Sir one thing which doing this lockdown period you were very apprehensive regarding investing into people and ramping up our domestic operations, but now that we have a very good missionary budget in which things are extending it's increase so, would you go back to the drawing board in terms of your domestic strategy by investing into people and looking at improving market share, will there be any change in their approach now given the scenario we are in ?

Jairam Varadaraj: Absolutely, even while we had our the concerns and caution with COVID, we did not stop our strategic planning, our go to market strategies refinement, we continue to work through it and we are now at a very advanced stage of significantly shifting the needle in India. So, to the extent that strategy has to be supported by incremental structures in different geographies of India, we will certainly do that. But it has to be done after ensuring that all our efficiency possibilities are extracted, and then we will do that, absolutely.

Renjith Sivaram: And are you seeing on the ground traction in terms of construction companies ordering has improved or the inquiries have come out because?

Jairam Varadaraj: Yes, contractors, construction contractors definitely, yes we have seen that.

Renjith Sivaram: Okay. And in terms of our, we get to hear a lot of anti-China sentiments running throughout the globe. So will there be any advantage for our Australian operations, especially that one geography where very still there is more dependence towards Chinese. So, are we seeing one of the beneficiaries and do you want to actually capitalize on that and strengthen our market share or is China where relevant player there?

Jairam Varadaraj: Yes, the sentiment on China, China Plus One strategy on sourcing, these are all things that are floating around. But like I said, for certain category of products, the switching costs are very low and they will switch and we are beginning to see that switch happening. And that's why some of the segments in India are beginning to see a sudden on the rush of significant shift in the business. So, but for certain other categories of products, the switching cost are very high, you can't switch that easily. So that will take some time and definitely we will right that way, but we don't want to be the ones that are make it look like we are benefiting from somebody else's agony. We like to play in the market, we'd like to be, we don't want to go and sell ourselves as a auction for a Chinese player. We'd like to sell ourselves as a good option period.

Renjith Sivaram: Okay. And sir our, one of the new launches which we had showcased in our last analyst meet also, that oil free compressor, so we had also put out notice that we participated in one of the exhibition So how has been the customer feedback and are you seeing a lot more acceptance to that product, what is the outlook out there**?**

Jairam Varadaraj: It's positive, we are the product acceptance has been very, very strong, customer experience has been good because many of our reputed blue chip customers are repeating that purchase that is for any product repeat purchase is the ultimate evidence of endorsement. So, that is happening, we are also pushing the performance of the product, like I said this product that we launched is only one milestone, our goal is to continue to push where both the oil lubricated and oil free categories merge. So, we've been using this period to continue to develop our technology and we are beginning to see some good progress on that. You're we couldn't meet the expectation or the guidance that your organization had put out at the EBITDA level.

Moderator: Thank you. The next question is from the line of the Bhiman Shah from One Up Finance Consultants. Please go ahead.

Dhimant Shah: Two or three quick conjoined questions in terms of market acceptance, and ability to offer solutions, would you say you are equally placed in all the geographies that's question number one. Question number two, are there still some low hanging fruits in terms of our ability to either exploit somebody else's weakness or completely bereft of any offering for example let say if somebody is not able to offer oil free and you have an excellent solution, maybe that gives you a readymade market. And as a as a corollary to that would you as the overall piece moves towards the vision laid out by the management would you say that roughly about 10% to 15% growth would be ideal, along with 15% to 20% spares and AMC and rest of the product segment, so if you can even highlight some on this and lastly, in terms of our ability to either on manufacturing side or the ability to offer product portfolio in a totality. So, be it rotary, be it let say be it dynamic, centrifugal, all the categories are we missing out on some large size opportunity, which can be filled in the future?

Jairam Varadaraj: Okay, there are multiple points, I will try to answer them to the extent that I remember each one of them. To start with in terms your question was, are there any territories that we are where we are not present yet, Yes, we are not present in China. We entered China, China's the single largest market for compressors. We operated in China for almost 10 years and we made a deliberate decision to step out of the market because for an Indian product with an Indian brand, the expectation on price was just not viable. So, we had to completely redesign a product which we felt was not a prudent use of resources when we had opportunities, a lot more profitable opportunities in Europe and Australia and America. So, we are not playing in that market. So, to that extent, we are not present in all.

The second question was on aftermarket, whether the growth we should be content with 10% to 15%, 10% to 15% being content is in a specific context. So, if you look at in the Indian market where our presence is quite strong, And depending on how the Indian economy grows, assuming it grows at 5%, 6%, 7%, if you grow at 10% to 15%, then I will say that is good, right, but 10% to 15% is not good in nascent markets, that we are present, nascent for us but developed by everyone else. Like Australia and in Europe and in the US, we have to grow at a much higher percentage, which is our aspiration and we are looking towards doing. So, it is not 1% across all markets, it's different for different markets and after market, the whole purpose of this game, if you read our MDNA, in our last annual report, so one of the primary purposes of being present, and going through the challenges of this market is a profit in aftermarket, right. So aftermarket 10%, 15% is when we might as well shut up shop and go home. So the opportunity is to be at around 30%, 35% on a steady state, so you create an installed base in all the markets, and that installed base gives you the profitable aftermarket. So that is really a foundational strategy of the company from a profitability point of view.

Dhimant Shah: Sir, here if I can just interject does this also include any possibilities of even catering to installed base which is not ours?

Jairam Varadaraj: Well, some of the distribution companies that we own do third party service, but a third party service a strategic priority at the company level, no it's not at this moment, because we need to build installed base and service our customers effectively, gain the aftermarket for our machines and reach a certain steady state before you get distracted by opportunities outside your domain. So, it will come later, but not now. And your third question is are there?

Dhimant Shah: Any overall gaps that you still feel?

Jairam Varadaraj: Product gaps are of course there, we are continuously working towards building them, we are not going to make hanuman leap and cover all of them. And even if we develop the technology and the product getting them into the market and stabilizing them, it takes time. So, we have a roadmap of what priorities we want to do and we are progressing along down that path.

Dhimant Shah: So, just to probe on that, would you be more enthused to complete our dynamic or centrifugal portfolio or, existing days of oil free screw and reciprocating and rotary suffice?

Jairam Varadaraj: Obviously no compressors. So, if you look at centrifugal, we are doing some business there, it is a priority. We have the technology, when we are working on developing something there because those applications are very different.

Bhiman Shah: Correct sir, because maybe it is the impeller and the casing and so on and so forth.

Jairam Varadaraj: Yes.

Bhiman Shah: And lastly, are we also eyeing the huge CNG opportunity thrown in the local markets with, are we likely to?

Jairam Varadaraj: No, we are very clear we want to play in the air business. We will get to those exotic fluids at a later stage.

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

Manish Goyel: Sir just, would it be possible to give a rough idea as to how much infra should be contributing to our compressor sales in India, like even you mentioned that portable is doing well from the construction activity, including roads, while I believe railways is also seeing a uptick on the budgetary allocations. So broadly, if you can give us a perspective as to how much would be infra driven revenues?

Jairam Varadaraj: I don't have the number in front of me Manish, I'm just venturing a guess, for us portable compressor is not a big, is not a significant even globally portable compressors about 10% of the total compressor business, so if you take our consolidated number it's probably at around 5% or 6%. But this excludes water well, water well is a different story.

Manish Goyel: Yes, in fact I was coming, my next question was on water well.

Jairam Varadaraj: I was wondering why you forgot about that.

Manish Goyel: So, how is that market behaving sir and in terms of our product launches and market share, how it is?

Jairam Varadaraj: The market right now, the demand for machines is abyssal bad. There was excess capacity combined with all this COVID fear, and rains were good, there was no immediate pressure. So primarily, there was excess capacity drilling rates went down, so there's been a lull, but we expect that this year, this calendar year we are beginning to see, we will see some uptick because we are talking to customers many of them have old machines, there are machines that are coming to their end of life. So there will be investment, our new machine is working outstandingly well, we've got them out running with very key reference customers and the feedback has been outstanding. So, we are well set. So once we have completed all our validation and trials with all our customers, we will be launching that product and we hope that will coincide with when the market uptick happens. So we write that way, but it's a long haul because we around 70% market share we went down to 20% to climb back it's going to take time because the competitors are also strong.

Manish Goyel: Sure. And sir one housekeeping question on the debt number, you did mention the net debt at 109 crore, would it be possible to share the gross debt number and the cash, just want to get, like are we looking to reduce the gross debt number this year, what will be end of it?

Jairam Varadaraj: Well we have growth debt is 400 crores and our cash is 300 odd crores, 400 odd crores and 300 crores, that's the ratio right. So 404 and 295 to be precise. So, we can get rid of the debt, but most of our debt is in foreign exchange and it is at very low interest rate, there is really no need to get rid of it Manish.

Manish Goyel: Thank you.

Kamlesh Kotak: Mr. Jai. Kamlesh, here I just wanted to have one understanding, sir about the US market can you just elaborate on how Patton's has done in the overall market and the medical compressor business how it has been performing there, that is one and second thing are we covered in terms of most pockets of the US market, or there are many more pockets where we need to enhance our distribution reach and that's only going to happen over a period of time you can just share on that?

Jairam Varadaraj: So, Patton's was a bit of a challenge it's flat, it is not done it has not grown like our industrial business. Portables is also flat because the rental market and construction activities were low our medical business did really well, obviously because a lot of investments was happening in hospitals, and that's our primary customers our hospital. So that's done well.

Kamlesh Kotak: Okay. And in terms of the geographical reach if you can just?

Jairam Varadaraj: Geographical, there are quite a few, America is a huge country in terms of our presence with distribution. So if you take it by distribution coverage on one axis and the quality of distribution on the other axis, we have a lot of ground to cover, if I take the strength of our distribution in specific markets, there are only very few markets where we are very strong with this, right. So there's a huge opportunity to improve.

Kamlesh Kotak: So it has to be a calibrated kind of expansion that we are looking at or?

Jairam Varadaraj: Absolutely, so like I explained in one of my earlier calls, we have a very strategic definition of our priority geographical regions in the US and our disproportionate focus is on those regions, how to grow those regions, how to partner with distributors in those regions and Michigan Air was a deliberate acquisition, because Detroit is in the top five. So we'll continue to look at very focused attention where the opportunities are the highest.

Moderator: Thank you. The next question is from the line of Amandeep Singh from Oculus Capital. Please go ahead.

Amandeep Singh: Sir just a small clarification, earlier on the call sir you mentioned that next year you are looking at 10% to 12% a minimum growth. So, was that an overall level or was that just for your India base?

Jairam Varadaraj: India.

Amandeep Singh: Sir and on overall level?

Jairam Varadaraj: Overall level we should be doing at other than India, anywhere between 15% to 17%.

Amandeep Singh: So, blended at company level 15% to 17%?

Jairam Varadaraj: No, other than India 15%, 17% so blended you take 7.5%, this is about 5%, 6% or 13%, 14%.

Moderator: Thank you. The next question is on the line of Kishore an Individual Investor. Please go ahead.

Kishore: So, I had a question on the IoT side of things, is there maybe not in the near term impact in the medium term, is there any visibility of any recurring revenue streams being generated through that side of the business?

Jairam Varadaraj: Our IoT platform, which is a global platform is ready, and it's going to get launched in sometime in March, April of this year, we are very clear about our IoT strategy. Providing reports and connectivity is not a value to the customer, we need to figure out how to bring either savings to the customer or productivity for the customer, or uptime to the customer. There has to be visceral, measurable, monetary value otherwise you cannot monetize your service. So it's a chicken and egg thing. So can we put the machines in, we have backend algorithms once we are able to tap into machines, we have algorithms which can monitor and analyze the performance of the machine and the opportunity to improve the performance. So once we are able to do that and then present that value to the customer then we will be able to invoice it. So right now to answer your question, we don't have a revenue model built around it. We right now our IoT is a pure cost model. We want to get it out there, put the machines in place, start getting the information and then go back to customers with value and then price.

Moderator: Thank you. As there are no further questions, I would now like to hand the conference over to Mr. Kamlesh Kotak from Asian Market Securities Private Limited for closing comments.

Kamlesh Kotak: Thank you Malika. On behalf of Asian Markets we thank everyone for joining for this call. Special thank you, Mr. Jairam for providing us an insight about the company's business and financial performance. Sir any closing comments you want to make?

Jairam Varadaraj: I am fine, thank you Kamlesh. Thank you for organizing it and thank you, everyone for your patience and participation. Thank you.

Moderator: Thank you. On behalf of Asian Market Securities Private Limited, that concludes this conference. Thank you for joining us and you may now disconnect your lines.

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