



February 8, 2023

National Stock Exchange of India Ltd.
Exchange Plaza,
C-1, Block G Bandra Kurla Complex
Bandra (E)
Mumbai - 400 051

BSE Limited
Phiroze Jeejeebhoy Towers
Dalal Street
Mumbai - 400 001

Through: NEAPS

Through: BSE Listing Centre

Dear Sir/Madam,

**Subject: Transcript of the analyst conference call - financial results for the quarter ended
December 31, 2022
Scrip Codes: NSE - ELGIEQUIP / BSE - 522074**

In continuation to our letter dated January 24, 2023, regarding Q3 FY 2022-23 Earnings conference call and pursuant to Regulation 30 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, please find enclosed the transcript of the analyst conference call held on Monday, February 6, 2023 at 5.00 P.M. for your information and records.

The aforesaid information is also being made available on the Company's website viz., www.elgi.com

Thanking you,

Yours faithfully,

For Elgi Equipments Limited

S Prakash
Company Secretary
Encl.: a/a

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“ELGi Equipments Limited
Q3 FY2023 Earnings Conference Call”

February 06, 2023



**MANAGEMENT: MR. JAIRAM VARADARAJ – MANAGING DIRECTOR –
ELGi EQUIPMENTS LIMITED**

**ANALYST: MR. KAMLESH KOTAK – ASIAN MARKETS SECURITIES
LIMITED**

Moderator: Ladies and gentlemen, good day and welcome to the Q3 FY2023 Earnings Conference Call of ELGi Equipments Limited hosted by Asian Market Securities Limited. This conference call may contain forward-looking statements about the company which are based on the beliefs, opinions and expectations of the company as on date of this call. These statements are not the guarantees of future performance and involve risks and uncertainties that are difficult to predict. Actual results may differ from such expectations, projections, etc., whether expressed or implied. Participants are requested to exercise caution while referring to such statements and remarks. 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 Markets Securities Limited. Thank you and over to you!

Kamlesh Kotak: Thanks Yashashri. Good evening everyone. On behalf of Asian Markets we welcome you all to the 3Q FY2023 Earnings Conference Call of ELGi Equipments Limited. We have pleasure in welcoming Mr. Jairam Varadaraj, Managing Director representing the company. I request Mr. Jairam to take us through an overview of the quarterly and nine monthly results and then we shall begin the Q&A session. Over to you Sir! Thank you.

Jairam Varadaraj: Thank you Kamlesh. Good evening ladies and gentlemen. Thank you for taking the time out to be with us this evening. Like we normally do I will take you through a reconciliation of our EBITDA performance compared to the Q3 of last year so we grew sales by about 18% and we improved on our contribution by about 3% so effectively we should have had an EBITDA of close to 1500 million and we posted an EBITDA of 1120 so there is a gap of about close to about 30 Crores so the main thing is we have to look at comparing to last year one the fixed costs were very, very low because we were still coming out of COVID and business was still conducted by and large virtually there was very little travel by employees very little travel and all other costs were low, that has changed progressively this year besides increased travel the cost of travel has also gone up so as a consequence that has taken up quite a bit of our cost which is actually when you take go back to the pre-COVID levels we are not in such a bad shape. Of course employee costs have also gone up by virtue primarily of increments because that was also subdued during the COVID period and we have done some marginal headcount in different locations in the world so there is nothing to be alarmed about so overall I think the profitability has been very good in this quarter at all levels of profit whether it is at operating profit level or at a contribution level we have done well.

Moving on to the sales number the 18% growth is roughly 3% in volume, about 10% in price and about 5% in exchange rate that is really the contributing factor for our 18%. Like I normally do I will start with Australia and work my way West. Australia did better than the previous year but there were some challenges with specific product, specific business verticals which are temporary and we are hoping that in the last quarter we will do even better. South East Asia continues to be a challenge though they have done better than last year they were really not anywhere near what we targeted the performance in that region, but we continue to pay attention to how we can improve our share there. Coming to India we had a reasonably good run but I think there are opportunities in India that we need to explore a little bit more deeply. There were some verticals that were absolutely dead like our water well business. Our new product which we launched about three years ago has taken on very good traction in the market in terms of acceptability not just acceptability but as a product preference over competitors but the market has been literally dead so that is something that we did not anticipate that it will be this bad and it is still early days to say if and when this market is going to come back.

On the profitability side we have a railway business which is contractual business, we get orders, we participate in tenders and the orders are generally for execution over a year and we were stuck with legacy prices and current cost so as a consequence there was a compromise on margin nothing significant but I am just giving it as an overall assessment of the business.

Europe continues to grow for us. We are aligned and in line with the overall strategic plan that we made for Europe so it has been a positive experience on the topline. We are waiting for the coming year when we expect to see a significant shift in the volume which will start changing the bottomline profile of Europe.

North America was again a very strong performer for us. We continue to grow in that market. Both Europe and North America are a little bit of a conundrum for us. The published information or the press keeps talking about doom and gloom in Europe, they talk about the war, they talk about the energy crisis but we continue to grow there and I think I believe that from whatever we have been able to clean out of our competitor's numbers they have also grown. The same thing with North America the stated inflation and the threat of unemployment in spite of all that we are growing and I believe our competitors are growing as well so this is really the synopsis and ATS of course it is continuously doing well this year a lot more to the equipment business.

So going on to the revenue mix we continue to maintain 45% India and 55% rest of the world that ratio continues to remain. The Q4 we expected to be as strong as the Q3. We normally have very strong Q4 like most companies in India. We are not sure considering the way that is all these uncertainties and changes that are there whether we will have that kind of a hockey stick in Q4 but we still believe it will be as good as the Q3.

As far as profitability is concerned we expect that we will continue to maintain it. We do not see continuing improvement in the same trajectory, but we will be able to maintain the current levels of profit. As far as capex is concerned we had projected that our total spend will be about Rs.50 Crores and we are still well within that. I do not think we will exceed that number for this year. Having said that we are looking at building a longer term bigger capex for moving current facility from the city campus to our new campus where our new facilities exist. We have not finalized the number. We hope that by the end of this financial year we would have finalized that number and probably during the next call we will give great more details about what that would look like.

So as far as the current cash position is concerned with the sale of our property in South Boulevard in Charlotte we have no debt in the books. Effectively the net debt position is actually positive so that is the situation as far as we are concerned on the cash side. So this is a kind of a summary for Q3 and we are happy to answer specific questions. Thank you very much.

Moderator: Thank you. We will now begin the question and answer session. Ladies and gentlemen we will wait for a moment while the question queue assembles. We have our first question from the line of Ravi Swaminathan from Spark Capital Advisors. Please go ahead.

Ravi Swaminathan: Congrats on a very good set of numbers. Sir my first question is with respect to the general demand scenario, which is there in the domestic market are you seeing it moderating across industry so basically let it be industries or infra, your views on how budget can kind of trigger infrastructure-related spend and how it can benefit LG, so if you can talk about the India market it will be really great?

Jairam Varadaraj: Yes well except for a few verticals not even a few specific verticals like spinning industry and textiles which has really been challenge for the last year but we do not see any problems in any of any specific verticals or any slowing down. Inquiry levels continue to be healthy. In the earlier quarter I had kind of expected that there will be, we kind of sensed maybe there is a bit of delaying of finalization and all that we are not seeing anything of that nature at the moment so the domestic market is running along quite nicely. As far as the budget is concerned one thing that is a big highlight for us is the huge investment in

railways. We are a strong player in that segment and we are waiting to see how this budget is going to get translated into production of locomotives which is really what our business is, which is what our business is linked to so even though there will be some expenditure towards expanding the rail network I think quite a bit of it is going to go towards rolling stock enhancement so that would help our business. The general investment in infrastructure that the budget has talked about we need to know the specifics. We do not know the specifics yet but we are in the capital goods business so any infrastructure bill which requires capacity we will be there so we are quite optimistic that it will only contribute positively to our business.

Ravi Swaminathan: Sir what would have been the volume growth during this quarter in the India market any sense on that?

Jairam Varadaraj: I do not want to go too granular or that Ravi I gave you an approximate at aggregate level we had told you the volume growth is about 3%.

Ravi Swaminathan: Got it Sir. Thanks a lot.

Moderator: Thank you. We have a question from the line of Vinodh Sastri from Instanomic Ventures. Please go ahead.

Vinodh Sastri: Good evening Sir and congratulations on the good set of numbers. Sir two questions. As per the earlier concall we discussed that Europe will come into the breakeven or we will be profitable by FY2027 that was a very deliberate plan considering the opening up of the European economy is there any chances that we will turn around before that is there any chance that we will be profitable over this?

Jairam Varadaraj: No I do not think like I just explained to you in the preamble we are on track to our original plan. Our original plan as you might remember got pushed forward by a year due to COVID and we are going along as per that revised plan.

Vinodh Sastri: Then the one more thing would be, just during the results is there any chance to provide a PPT which will be helpful for the investors actually?

Jairam Varadaraj: Sorry say that again I do not know what you meant by that?

Vinodh Sastri: Just during the results if there is a PPT which is released from the company that it would be helpful for somebody to just go through or what just happened during the quarter?

- Jairam Varadaraj:** Are you referring to a power point presentation?
- Vinodh Sastri:** Yes Sir.
- Jairam Varadaraj:** Sure we will do that.
- Vinodh Sastri:** Then one more question will be on the standalone basis the margins were 19% versus 17.97% close to 18% and on a consolidated basis say it was 14.83% versus 15.25% quarter-on-quarter and on the standalone side which margins at sustainable levels this 19%?
- Jairam Varadaraj:** You are talking about the EBITDA margin what margin are you talking about?
- Vinodh Sastri:** EBITDA margin Sir?
- Jairam Varadaraj:** Yes these are sustainable. Like I said the Q4 we expect performance to be pretty similar to the Q3 at the very least right. Normally the Q4 there is a hockey stick but I think considering the various financial barring economic conditions we think it will be very similar to the Q3 which means both the topline and bottomline we will be able to sustain.
- Vinodh Sastri:** Thank you Sir. Thanks for the opportunity Sir and good luck Sir.
- Moderator:** Thank you. We have our next question from the line of R Govindraj an Individual Investor. Please go ahead.
- R Govindraj:** Good evening Sir and congrats for a good set of numbers. Sir in the annexure it was mentioned that we have some joint operations with L G Balakrishnan Brothers so can you throw some light on those which are the operations we have a joint business?
- Jairam Varadaraj:** I do not know which one you are referring to we do not have any joint operation with LG Balakrishnan.
- R Govindraj:** The notes it is given.
- Jairam Varadaraj:** The Company is a partner in a partnership firm that is called L G Balakrishnan Brothers Firm it has got nothing to do with L G Balakrishnan Brothers Limited.
- R Govindraj:** Regarding the annual report of 2022 you have stated that we will sell all the noncore assets and monetize from them so Sir how much has been done and how much is left over Sir?

- Jairam Varadaraj:** Well we have been giving updates on that. We have sold our Ahmedabad office, we have sold our Mumbai office, we have sold our apartment in Mumbai, we have sold our Delhi office, and earlier two years ago we sold our Chennai office so progressively we are getting rid of all our noncore assets.
- R Govindraj:** Any ballpark amount Sir?
- Jairam Varadaraj:** Sorry.
- R Govindraj:** Any ballpark amount how much it will be?
- Jairam Varadaraj:** I do not have that number in front of me.
- R Govindraj:** Last question Sir. We recently concluded auto expo we have showcased some of our products for the automobile sector that is some equipments whether we are already in that business or it is a new venture Sir?
- Jairam Varadaraj:** No we have been in this business for more than 20 years to 25 years.
- R Govindraj:** Whether this new business will replace the older one or it is just launched now?
- Jairam Varadaraj:** These are new products that we display in an exhibition as part of our continuous improvement of our product range.
- R Govindraj:** Okay Sir. Thank you Sir. I will come in the queue Sir.
- Moderator:** Thank you. We have our next question from the line of Harshit Patel from Equirus Securities. Please go ahead.
- Harshit Patel:** Thank you very much for the opportunity. Sir my first question is on the pricing in the Indian market I remember in the last call you had mentioned that you might have to rollback prices in some specific categories of product based on how the market behaves so could you elaborate on how was the scenario in this particular quarter, have you done any cutbacks on the pricing and what do you see will happen in the next few quarters?
- Jairam Varadaraj:** We have not rolled back any pricing we have held on to our pricing. We have realized that in the price discovery thought process we have established a reasonably good relationship between the price and brands so I think we are okay.

Harshit Patel: So you do not foresee a scenario where you might have to cut back on the pricing specific to the Indian market going?

Jairam Varadaraj: Not at an overall level. Pricing is a very dynamic thing that will continue to happen but at an overall level we do not see that happening.

Harshit Patel: So ideally now that should flow into our gross margins because I think we have now by far absorbed almost all the raw material price inflation right so I think that should enhance our gross margins significantly going ahead?

Jairam Varadaraj: No that is what you are seeing in Q3 results we cannot expect more than this.

Harshit Patel: Sir my second question would be on the European front as you have mentioned we should be able to break even in FY2025 so what was our loss for the first nine months of FY2023?

Jairam Varadaraj: I do not want to get into the detail of specific region's performance because that is not good for a competitive situation. We have made an overall plan of a loss of Rs.200 Crores over a five year period that got pushed to about six years and we are well on track to that.

Harshit Patel: Understood and just to check on the motor facility expansion so are we on track to produce a bulk of the motor requirements for our FY2024 production?

Jairam Varadaraj: Yes absolutely.

Harshit Patel: Yes that is all from my side. Thank you very much.

Moderator: Thank you. We have a question from the line of Amit Anwani from Prabhudas Lilladher. Please go ahead.

Amit Anwani: Thanks for the opportunity. I just wanted to understand the aftermarket business contributions for this quarter and how is our outlook with respect to aftermarket's contribution in let us say next year or a couple of years?

Jairam Varadaraj: So our aftermarket contributions have two dimensions one is aftermarket in India which is our core I would not say core business but it is our largest market in terms of our tenure of presence so we have a large installed base in India and therefore there is a very attractive aftermarket revenue stream coming from that. That has consistently grown for us and probably today we are at around 25% to 26% of our revenue coming from aftermarket. Is there room for further growth absolutely there is but this is very metered and very deliberate

movement from where we are to where we could be. As far as the rationale of the markets are concerned the first strategy in this business is to create an installed base which is where we are right now. So it is a little premature to be measuring aftermarket in markets outside India. Having said that it does not mean we completely ignore it we keep a careful eye on it. We make sure that the share of our installed base is maintained so that when the number the installed base starts becoming bigger we are able to extract the true value of that potential yes.

Amit Anwani: Sure. The next question is on the geographical performance I might have missed so I remember I think from past H1 we were facing headwinds in Southeast Asia, Sri Lanka, and Middle East so your outlook on that?

Jairam Varadaraj: South East Asia still like I said in my preamble it is still a challenge it is an extremely bright sensitive market but we have grown compared to last year. The potential is there. We are still trying to figure out what would be the most appropriate strategy for that region, but it is a very small percentage of our total revenue.

Amit Anwani: Right and last question on the manpower cost so is it better to assume this Rs.141 Crores to Rs.144 Crores quarterly run rate will continue till we break even in Europe or this is likely to increase or decrease?

Jairam Varadaraj: Are you talking about the current employee cost which is about Rs.144 Crores?

Amit Anwani: Yes you are right Sir.

Jairam Varadaraj: That will continue to be at this level and come April there could be a revision which is normal so that is what we expect.

Amit Anwani: Thank you Sir.

Moderator: Thank you.

Unknown Speaker: Yes Sir just two followup questions Sir. Just wanted to know what is the R&D investments that we have made so far and what is the progress on that would be the first question Sir?

Jairam Varadaraj: R&D investment in value terms would be about 3% to 4% of our revenue in Indian Rupee terms but if you normalize it for global costs it is probably 7% to 8% of our revenue.

Unknown Speaker: Is there any new products that we are planning any lineup into that?

- Jairam Varadaraj:** That is a continuous investment into upgrading our existing products and building adjacency so it is too many to talk about yes.
- Unknown Speaker:** Just regarding this Siemens order for this Rs.26000 Crores onto the railway what is the kind of market share that we can expect just on a very hypothetical situation what is that we can expect out of this Siemens order from the railways Sir?
- Jairam Varadaraj:** It is very premature to even answer that question. Siemens first has to make a decision on who they want to work with. There are so many considerations because this is a very complicated and large order with extensive service conditions that go to very long periods of time so nothing can be stated with certainty at this point in time.
- Unknown Speaker:** Just some numbers on any kind of market so that we will be having?
- Jairam Varadaraj:** It is very difficult to say that.
- Unknown Speaker:** The same applies to whatever is on the budget allocation towards this railway rolling stocks for this Rs.38000 Crores?
- Jairam Varadaraj:** It is just a very positive environment that is all we cannot convert it into specific business numbers yet yes.
- Unknown Speaker:** But on the whole you expect the railway division to do the comparative to the last year during the FY2023 and FY2024 right Sir?
- Jairam Varadaraj:** Yes I hope so yes.
- Unknown Speaker:** Then the final question would be on the textile sector. Even on the last concall we just discussed that we are facing some difficulties and there are some lower order enquiries towards the textile segments can we find any resilience towards that on the enquiry side is there anything going on the positive side or we are still maintaining into what we were some one quarter or two quarters back?
- Jairam Varadaraj:** We are still at the same situation I do not think textiles has shown any significant improvement yet.
- Unknown Speaker:** When are you at least expecting something to happen towards that segment Sir?

Jairam Varadaraj: I wish I had that crystal ball to make that statement. Every time we speak to people our customers in the industry they used to say next quarter now they have said it so often now when we go and ask them they say we do not know so there are uncertain periods that they are going through.

Unknown Speaker: Thank you Sir.

Moderator: Thank you. We have our next question from the line of Manish Goyal an Individual Investor. Please go ahead.

Manish Goyal: Thank you so much. Hope you are doing well. You continue to surprise us positively.

Jairam Varadaraj: That is a good thing is not it.

Manish Goyal: Yes. Sir just a couple of questions. One on the international business which probably if I just put the numbers based on your revenue share we have seen roughly 30% growth so is it largely contributed you did allude to various geographies but looks like that it is largely coming from Europe and North America and you also mentioned that there are a lot of economic challenges and still things look good so just wanted to get a perspective what is driving it and also you mentioned that in the coming year you are expecting a significant volume growth in Europe so maybe if you can elaborate on that as well? Thank you.

Jairam Varadaraj: So our growth outside of India has not just been in Europe and the US all our geographies have grown quite well that is point number one but within that Europe and America have had a disproportionately higher growth that is for sure. As far as why they are growing it is I can only give you a speculative answer because there is a conundrum in terms of what is published in the press by the experts in economics and then there is a ground reality right. The expertise and economics talks about energy crisis in Europe, the Ukraine war, the inflation in America and the possible unemployment, increase in unemployment in America so this is really what they are saying but the ground reality is everyone is growing there everyone is investing and business is doing well. Now this has been going on for not just one quarter but it has been going on for almost a year right so sometimes you wonder whether the people of the world are behaving independent of what economists say they will right so even this is what happened even during COVID, all these doomsday scenarios that had been put out by various economists and whoever else but the world reacted very differently and citizens of the world reacted very differently so I do not know whether that is the manifestation here. That is from a philosophical level but at the same time there are things that are happening for instance I think all the countries are looking at a lower dependence on China and part of that strategy is one is China plus one strategy going to

other countries and the other one is also in sourcing production so if you look at in the US there is investment being made in manufacturing products that they were earlier sourcing from China so some of the growth and some of the demand for our products probably coming from that so it is very difficult to say what exactly is going on.

Manish Goyal: Sure and on my other question you did mention that in coming year we would probably want to see strong volume growth in Europe?

Jairam Varadaraj: So it is not anything exceptional we are looking at a trajectory of growth which we have, if you look at the trajectory of our growth for the past few years it is the same trajectory that we are maintaining into the future so it is not like there is something like an inflection that we are looking at which could set us up to fail and get disappointed but we have a clear four to five year track record of consistent growth and what we are expecting into the next year is following that same trajectory and the foundation it is not just that graph but the underlying things, the number of distributors we have built, number of markets we have built, number of customer installations that we have created, references that we have done, and success stories, they are all very robust so those are the ones that are going to drive it.

Manish Goyal: Sure and on last call we had mentioned about the inventory levels going up basically to withstand the supply chain challenges so how is your situation on that front number one, number two you did mention your net cash so you mentioned that after sale of property in US right?

Jairam Varadaraj: Yes.

Manish Goyal: Maybe you can share the numbers that will be helpful?

Jairam Varadaraj: So the numbers are as of today Manish because it is not Q3 numbers. Q3 numbers where that our net debt position was about Rs.120 Crores was what our net debt was and today that position is now zero or maybe marginally positive so that is really the situation. We sold the property as we have communicated into the thing for about \$17 million and yes so the realization for the company is probably around 16.5 or 17 taxes and brokerage and all that so that effectively brought the net debt position down to zero and then in the meantime we have generated some more cash and as far as inventory is concerned yes the inventory is still a problem we need to work on it, we have done some work on it but nowhere near where it should be and we are working on multiple initiatives to bring it down so I am hoping that in a few months we should be able to extract cash out of the inventory.

Manish Goyal: Sure thank you so much.

- Moderator:** Thank you. We have a question from the line of Priyesh Babariya from Axis Capital. Please go ahead.
- Priyesh Babariya:** Sir thank you so much for the opportunity. I just have one question regarding competition scenario in domestic market as well as an international market that you cater to?
- Jairam Varadaraj:** So is there any specific question?
- Priyesh Babariya:** So how was the competitive scenario in the past, how it has been shifted and what is the current scenario?
- Jairam Varadaraj:** I think by and large it is the same competitors who are there. They are very strong and highly respected competitors. They keep us on our toes. We learn from them so we have our own strength and we have our own value proposition that we bring to the customer and therefore yes it is nothing significantly changed. Of course in India in the last few years there are a lot of Chinese manufacturers who make very low cost, low performance, and low quality machines but that is I am not asking for any protection but I am just saying it is those prices are just not realistic but that is the reality and we are building on some specific strategies that will help us counter that but that is part of life you just take it and try and figure it out yes.
- Priyesh Babariya:** Sure. Thank you so much Sir.
- Moderator:** Thank you. We have a question from the line of Navin Vijay from NS Capital. Please go ahead.
- Navin Vijay:** Good evening Sir. I just wanted to have the contribution from our side to the new Vande Bharat Express Sir?
- Jairam Varadaraj:** Sorry Vande Bharat.
- Navin Vijay:** Yes Vande Bharat Express.
- Jairam Varadaraj:** Well our compressors are running on the train so right now the value of the business is very, very small not even worth talking about because we have just started production of these trains.
- Navin Vijay:** Okay Sir. Thank you Sir. That was the only question from my side.

Moderator: Thank you. We have our next question from the line of Bhavin Vithlani from SBI Mutual Fund. Please go ahead.

Bhavin Vithlani: Good evening Jai. Congratulations for great numbers.

Jairam Varadaraj: Thank you Bhavin. I was wondering where you are hiding all this time.

Bhavin Vithlani: So pardon me I joined a bit late. For the compressor business what has been growth in India and if you could really give some color on how has been the movement on the market share and the reason this question is we understand that some of your European peers have seen significant increase in their wait period due to inventory issues or supply chain issues so have we benefited some bit on that?

Jairam Varadaraj: I do not want to talk about specific percentage of growth in India Bhavin that would not be in our interest to reveal that in the call which is public but what I can say is if you look at the performance of our competitors globally they have grown and they have grown pretty significantly so yes they have had supply chain challenges probably a little bit more than us by virtue of the fact that they have their scale is much larger but I think they have been able to get their customers to wait and buy from them so it is not like there has been an exodus of their customers towards running into our arms no that has not happened. Maybe marginally in certain peripheral cases we have gained share by virtue of being able to deliver quickly but I would not say that there is a big shift towards us because of availability from LG no.

Bhavin Vithlani: Sure. Just a couple of followup here how has been our growth or progress on the oil free part of the business and also the water well given that we have taken corrective actions on the water well side?

Jairam Varadaraj: So oil free continues to grow well for us both in India as well as outside the country. Obviously the value of our revenue in both in oil free is far higher in India than in the international markets but good traction to get some marquee brands as customers in Europe and in the US so it is overall a very positive thing but it is a long haul we realize that it is a technically sensitive product, customers have a lot of apprehension and there are well established brands who are preferred brands for that category of compressors so we have to chip away at it and that is what we are doing and we are getting some good results and entries into good customers so that is on the oil free side. As far as water well is concerned I was providing a narrative before you joined the market is dead. Our product has gained the preferred product position from not being considered today the market and customers think

our product is very good and probably the preferred product so once the market turns I think will be in a good position.

Bhavin Vithlani: So a few years ago our product used to be at a discount to some of the international multinational peers and now we see that it is either at par or in some cases at a premium are we able to sustain this and are we seeing the amount of acceptances from a customer side about the pricing strategy that we have now adopted?

Jairam Varadaraj: I do not think we are at a premium or anywhere close to being the same as our large multinational competitors so I think that would be a bit of a wishful thinking and if somebody is saying it is probably our sales guys and distributor who lost the orders who are saying that they are top prices that is not true. By and large if you look at the next average point we are still at a lower thing which is fine that is the Toyotas of the world and Hyundais of the world they took a long time to build their price points to market levels which is far for the course that is the nature of the game which is fine so that is the journey we are at right now.

Bhavin Vithlani: Sure just last question from side. Your view on the underlying demand outlook and pardon me if you have already given especially in India are you seeing the momentum of the demand the same, accelerating or decelerating?

Jairam Varadaraj: In the last quarter's call I was saying that there were things that seemed to be slowing down in terms of customers taking longer to finalize it does not seem to be there. Enquiry levels I am not saying they are going through the roof but they have not come down they are continuing down the same pace so as far as India is concerned I think it is continuing right there is nothing there that is negative. As far as Europe and America we are still continuing down that same path. Our presence there in those markets are so small so even if there is a dip in the market there is enough of an opportunity for us to grow.

Bhavin Vithlani: Thanks so much for taking my questions. Best wishes.

Moderator: Thank you. We have a question from the line of Manish Goyal an Individual Investor. Please go ahead.

Manish Goyal: Sir just on other income which has seen a significant increase in that standalone and consolidated so if you can just provide data pointers to one-time income and what was the gain from the sale of property and where is it captured, what is the amount that was number two and number three at standalone how much of dividend income from the subsidies? Thanks.

Jairam Varadaraj: So you seem to be picking up stuff that I do not prepare for Manish so anyway I will try and answer what all I have in front of me. The property sales did not happen in Q3 so you would not see it in the Q3 numbers. You will see it in our Q4 numbers but since the sale has already happened it is 17 million is the sale growth value the realized value is about 16 something after brokerage and whatever else so that is on the property in the US. The rest of it is all small stuff that we have sold in India. Ahmedabad we sold. I do not have the breakup of the value but these are all bulk of other income is in that form of what we disposed of.

Manish Goyal: Sure okay and you will not have the other dividend in some number as well at the standard?

Jairam Varadaraj: So we have got about 16 million which is Rs.16 Crores as dividend from the subsidiary. That is not for the quarter this is for the whole year.

Manish Goyal: Always we are getting from ATS dividend?

Jairam Varadaraj: So it is ATS as well as Addison Precision which is just holding land and from the sale of the land.

Manish Goyal: Thanks Sir. I will take it off line. Thank you Sir.

Moderator: Thank you. We have our next question from the line of Navin Vijay from NS Capital. Please go ahead.

Navin Vijay: Sir you have mentioned that you are seeing below par demand level from the textile sector domestically just wanted to ask which sector has surprised you on the positive side above par enquiry or order level some colour on that?

Jairam Varadaraj: We are not dependent on any one industrial sector and that is the good part of this business because every factory needs compressed air and therefore we supply to all. So there is no one industry vertical that has done disproportionate growth in the year or the quarter.

Navin Vijay: Thank you Sir.

Moderator: Thank you. As there are no more questions I now hand the conference over to management for closing comments. Over to you Sir!



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Jairam Varadaraj: Thank you all. Thank you Kamlesh for hosting this. So it was a pleasure to listen to your questions and try to answer them to the best of our ability so I really appreciate it. Thank you.

Moderator: Thank you. On behalf of Asian Markets Securities Limited that concludes this conference. Thank you for joining us. You may now disconnect your lines.