ELGI Equipment Ltd

1. Regarding the working capital improvement (Rotair) that you have mentioned in the last concall, can you guide us through what kind of improvement are your looking to do? Have you noticed any improvement in your working capital in this quarter?

   We are looking at optimizing the inventory and tightening the credit. Though we have noticed improvement in working capital in the current quarter, we are expecting significant results only by the end of the year.

2. On the aftermarket segment, when can be see a good momentum going forward and how are you going to improve on this as you mentioned that there are some difficulties going on internally?

   There is not specific date by which this inflexion will happen. It will continue to improve. Internally constraints have been largely mitigated.

3. Currently the foreign subsidiaries contribute around 24% to our topline *(Consolidated – ATS - Standalone)*, what is our target contribution we are expecting from this subsidiaries 5 years down the line as we are focused on becoming #1 Air Compressor Company globally by both organic and inorganic growth and our inorganic growth will be majorly from outside India?

   The foreign subsidiaries have contributed around 36% to our top line in Q1.

4. As our focus will be to acquire companies with good customer and dealer base and not manufacturing, on this line is our capacity sufficient to cater such high growth, and if not, is there any expansion (brownfield/greenfield) the board has in mind?

   Capacity planning is an on-going exercise that is matched to our aspired growth, both organic and inorganic. Our new campus has given us the basic infrastructure such as utilities and buildings to incrementally add capacity as required.

5. Is the Oil free compressors launched that was going to be in July? How is the response you are getting from this product and which sector is this product more useful in?

   It is still early days but all the installations that we have done have received extremely positive response.

6. Any progress in the China market? And when can we see growth in that market, as u have mentioned it is the largest air compressor market so have we came up with products or strategy that is suitable in China?

   Like we have mentioned in all of our calls and meets, for the moment the company is not going to focus on China. Once we have stabilized our initiatives in the chosen geographies, the company would look at China.

7. In case of Brazil, are we only waiting for their economy to improve or we need to focus on our operations as well?

   Waiting for the economy to improve as the operations are quite efficient and effective.

8. What is the current production capacity and its utilization rate?

Difficult to specify the capacity since the same facility is used for multiple products and the product mix changes quite significantly from year to year. We can grow our revenue by 30-40% with the normal capex investments.

9. The capex being underutilized so what is the scope for EBIDTA margins to expand from current level of ~10% once the utilization rate increases and what is your target EBIDTA margin going forward? Can we expect a high margin of around 20%?

   This is our aspiration but to reach this on a steady state basis, it is not only pure utilization of the capacity and hence volume leverage but also incurring some additional fixed costs, primarily people costs, to enable the planned revenue gain. So it will be a curved approach rather than a step up approach.

10. In regards to our market share in India, have we seen an improvement in our share? If possible can you provide us with our market share in India as well as globally?

    Market share is difficult to specify since nobody shares their sales information. We believe we are growing our share by virtue of our growth rates in specific products vis-à-vis the growth rate in GDP. We wouldn't like to share our exact growth rates, for competitive reasons.

11. This Quarter the tax rate is higher as compared to previous quarters on a consolidated basis, what is the reason for the same?

    This phenomenon can be observed in Q1 of every year because dividends from ATS and Elgi Sauer are accounted in standalone accounts in this quarter and are eliminated while determining the consolidated results but, only one fourth of the tax benefit available for exempted income is considered in tax computation.

    If tax paying entities alone are consolidated, the Effective tax rate is almost at the same level in all the quarters and also for the full year of 2017-18.