



February 03, 2026

To
The General Manager
Department of Corporate Services,
BSE Limited
Phiroze Jeejeebhoy Towers,
Dalal Street, Fort Mumbai – 400 001

To
The General Manager
Department of Corporate Services,
National Stock Exchange of India Limited
Exchange Plaza, Bandra Kurla Complex,
Bandra (East), Mumbai – 400 051

Scrip Code: 544253

Symbol: KROSS

Sub - Submission of Transcript of Earnings Conference Call held on January 30, 2026

Dear Sir/Ma'am,

Pursuant to Regulation 30 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, please find enclosed herewith the transcript of Earnings Conference Call held on Friday, January 30, 2026

This is for your information and record.

Thanking You,

For Kross Limited

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“Kross Limited
Q3 & 9M FY '26 Results Conference Call”
January 30, 2026

E&OE - This transcript is edited for factual errors. In case of discrepancy, the audio recordings uploaded on the stock exchanges on 30th January 2026 will prevail.



**MANAGEMENT: MR. SUDHIR RAI – CHAIRMAN AND MANAGING
DIRECTOR – KROSS LIMITED
MR. SUMEET RAI – WHOLE-TIME DIRECTOR – KROSS
LIMITED
MR. KUNAL RAI – WHOLE-TIME DIRECTOR AND
CHIEF FINANCIAL OFFICER – KROSS LIMITED**

MODERATOR: MR. MIHIR VORA – EQUIRUS SECURITIES

Moderator: Ladies and gentlemen, good day and welcome to Q3 FY '26 Kross Limited Results Conference Call hosted by Equirus Securities. 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 this conference call, please signal an operator by pressing star then zero on your touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Mihir Vora from Equirus Securities. Thank you and over to you Mr. Vora.

Mihir Vora: Yes. Thank you, Neerav. Good afternoon, everyone. On behalf of Equirus Securities, I welcome you all to the Q3 FY '26 Results Conference Call of Kross Limited. From the management side, we have with us Mr. Sudhir Rai, Chairman and Managing Director, Mr. Sumeet Rai, Whole-Time Director, and Mr. Kunal Rai, Whole-Time Director and CFO.

So, without further ado, I now hand over the floor to management for opening remarks. Over to you, sir.

Sudhir Rai: Thank you, Mihir. Good afternoon, everyone. Thank you for joining us on this earnings call of Kross Limited for the quarter and nine months ended December '25. Along with me I have Mr. Sumeet Rai, Whole-Time Director, Mr. Kunal Rai, Whole-Time Director and CFO, as well as other senior team members and our Investor Relations advisors, Strategic Growth Advisors.

Let me first update you on our performance and the industry in which we operate for the quarter and nine months gone by. Supported by a favorable macroeconomics backdrop, including GST rationalization, a healthy monsoon and a steady improving demand environment, the company delivered a strong performance during the third quarter of FY '26.

Revenues for Q3 FY '26 stood at INR177.5 crores. This between Q2 and Q3 of FY '26 has seen an increase of 37%. And if you compare it with our year-on-year Q3 results, it is 18.3%. Our EBITDA also has seen a growth in margin and its current margin is 13.2%.

For the nine months ended FY '26, the company reported a revenue of INR447.8 crores, reflecting a year-on-year growth of approximately 3%. EBITDA for the period stood at INR54.4 crores with a margin at 12.1%, underscoring sustained operational discipline despite a transitional demand environment in the early part of the year.

For the first time in seven quarters, the company witnessed growth in the M&HCV segment. The segment had remained subdued over the past seven quarters. However, from October '25 onwards, both key OEMs, Tata Motors and Ashok Leyland, have reported a sharp increase in production volumes. The production projections for Q4 FY '26 is also encouraging.

The increased demand within the M&HCV segment is largely driven by dumper, tippers and prime movers, which is well aligned with the company's product portfolio. As a result, the company expects H2 FY '26 revenues from the M&HCV segment to be significantly higher than H1 FY '26.

The company's capacity expansion initiatives continue to progress in line with the planned timeline. Trials for the axle beam extrusion plant are currently underway, with commissioning expected by February '26. Upon commissioning, the facility is expected to enhance axle manufacturing capacity by approximately 50%. In addition, construction of the seamless tube facility has been completed.

During the quarter, the company further diversified its product portfolio with the launch of a key product in the trailer segment, the Tipping Jack. This addition is expected to strengthen the company's positioning within the trailer ecosystem and provide incremental revenue opportunities beginning FY '27.

The manufacturing facilities for the product have been fully installed, production has commenced, and the product is currently undergoing validation phase. The company has also expanded its forging capabilities by commissioning a 2,000-ton screw press, a 1,000-ton screw press, and now, additionally, a 1,600-ton screw press is under commissioning, and it will be completed in the month of February.

These investments expected to enhance our forging capacity, improve operational efficiency, and support future growth across product segments. On export front, the company achieved meaningful progress during this period. Purchase orders were secured from a leading Tier 1 company in Europe across two distinct product families.

Samples were successfully dispatched, and the supplier approval has been obtained for one family of parts, against which trial orders have already been received. Exports contributed 4% of our total revenue during FY '26, that is for the nine months, registering a growth of 14%. The company remains confident on achieving its full year export contribution of 5%, and has laid out a clear roadmap to scale exports to double-digits by FY '27.

The trailer segment has also witnessed a noticeable pickup in demand, further supporting volume growth in the second half of the year. The company added five new fabricator customers during the quarter. Continued focus on expanding the fabricator customer base is further strengthening the market penetration and improving demand visibility in this segment.

The agri-sector is operating at a high level of activity. The company's tractor segment delivered healthy revenue growth of 16% during the nine months of FY '26, with strong momentum carrying into Q4. We have also witnessed an earlier-than-usual improvement in the schedule visibility, with OEM production schedules increasing meaningfully from February itself, which typically accelerates from April.

Over the next two years, the company aims to increase the tractor segment contribution to approximately 15% of its revenue. Overall, customer engagement continues to reflect a strengthening demand environment, evidenced by higher production schedules and increased inward volumes. This positive movement has extended into Q4, with schedules for the quarter remaining healthy.

Combined with an improving working capital cycle, new product launches, a healthy order book pipeline, and ongoing capacity expansion, the company remains confident of delivering a

strong performance in the fourth quarter of FY '26. With this, I'd like to hand over the call to Mr. Kunal Rai to update you on the financial performance for the quarter and nine months ended December 31st, '25. Thank you.

Kunal Rai:

Hi, good afternoon, everybody. Let me take you through the financials and take a moment to walk you through all the key performance indicator. Speaking about the Q3 first, revenue for us stood at INR177.5 crores, reflecting a growth of 18.1% on a year-on-year basis. EBITDA for the quarter stood at INR23.5 crores, representing a year-on-year growth of 18.9% compared to INR19.7 crores in Q3 of FY '25.

EBITDA margins for this quarter stood at 13.2%. Profit after tax came at INR14 crores as compared to INR13.6 crores in Q3 FY '25, reflecting a growth of approximately 3%. And the margins for this quarter are at 7.9%. The revenue contribution in terms of a sales mix from trailer axles and suspension stood at 40.7%, while the other component business, which includes CV components, exports and tractors, stood at 59.3% in Q3.

For a nine-month period, the revenue stood at INR447.8 crores, which is approximately a growth of 2.8% on a year-on-year basis. EBITDA stood at INR54.4 crores as compared to INR54.5 crores in nine-month period of FY '25. EBITDA margins for the nine months were at 12.1%. PAT came in at INR32.8 crores as compared to INR30.9 crores in nine-month FY '25, reflecting a year-on-year growth of 6.1%.

The PAT margins stood at 7.3%. For the sales mix for the nine-month period, the revenue contribution from the trailer axle and suspension business stood at 41.3%, while the rest is at 58.7%. Just to update our investors on our IPO proceeds, we have approximately spent 90% of the proceeds.

These have already been deployed, and the balance 10% will fully be deployed within FY '26, which has been previously guided by us. We thank everyone for their continued support, and we now can open the floor for further questions and answers.

Moderator:

First question is from the line of Aakash from NV Alpha Fund Management.

Aakash:

Sir, two questions from my side. Firstly, on the new product - Tipping Jack, which we did in December, I guess. So I just wanted to understand about the product acceptance currently. What kind of validations will be required? Where are we currently at that stage? And what are the break-even volumes we will be requiring? And when do we target to achieve those break-even? If you could give some color on that?

Sudhir Rai:

See we started this project in this financial year only. In fact, we started installing all the equipment in June-July. And during this very short period, we have come into production. Now, since we are already in this trailer segment business, the product will be used by the same customers as our existing fabricators for their trip trailers. So, what is correct, how it is to be done, as we have testing...

Moderator:

Sir, go ahead. There was some disturbance from the participant's line. I muted the line. You can go ahead.

Sudhir Rai: Okay. So after -- during the installation of this plant, which has taken us up to, you know, October. Yes, October this year, we had the whole plant installed. Now, the product is under validation with a few of our known customers who are willing to use the product and also give us the feedback on its performance.

We will like to launch this product sometime in January or February this year. We have already, you know, dispatched close to about 35 or 40 assemblies in the field. And as far as our capacity for manufacturing, this Tipping Jacks is close to 800 assemblies a month. It will take us maybe the whole financial year FY '27 to come to the peak capacity.

But otherwise, currently, we are at, I think, so close to 350 to 400 units. That is from the time where we will start producing in bulk. Currently, we are awaiting our validation of -- It's a highly safety item -- so we have to go through the process of validation. Unfortunately, you don't have an external agency like ARAI, which validates this part.

In fact, validation of the trailer axle is done by ARAI, but not for the Tipping Jacks. So here, the validation has to be done by us. The second part of the business will start maybe in the next one and a half years, after 18 months when we will approach all the OEMs also for this product. So there is going to be a long story of development on this assembly.

Aakash: Understood, sir. Just if you could indicate what sort of volumes are you planning for this year, that is FY '27, before I move on to my second question?

Sudhir Rai: So like we had indicated to you that we will reach our peak capacity within a year's time, that is 800. So in Q1, we will produce close to 750 units. That is an averaging of 250 units a month. And as far as producing the components are concerned, I told you we have a laid out capacity of 400 units a month. And we can take it up to 800 units a month. That is when we go to the peak capacity.

Aakash: Sir, at what utilization will breakeven generally? Like what level will breakeven?

Sudhir Rai: So it is like this, you know, we have a utilization for all the brackets which are used, we are doing the castings ourselves. All the trunion which are used, we are doing the casting and forging ourselves. There is a lot of backward integration available with us. So it's very difficult to, you know, say what is the utilization.

There are dedicated, you could say six, seven machines which are for this application. But we have to get all the child parts, all the inputs, all the pumps and all that ready. That is where the problem is. I mean, as far as the top limit is concerned. In fact, for this quarter, that is Q4, we have a plan to do 300 units also. We have a plan for Q4 of this financial year to do 300 units.

Aakash: Understood. So just if I want to understand the product at a margin level -- on the EBITDA margin level, can we get delta to the current margins on a consolidated that we do as compared to a Tipping Jack?

Sudhir Rai: Margins, you know, we have, let us say, a total backward integration when our tubes are going to be made, we will have the seamless tubes also. Even we will be backward integrated to that

extent. We have all the forgings, the castings and all proprietary items like pumps and valves. They are going to be bought out for us and also our competitors. Now, as far as margins are concerned, we cannot price ourselves more than, say, the market leaders.

So we have to take margins at a time once we penetrate into this marketing and be a number two player. Then we can talk in what type of margins we will earn. But just predicting our margins when we are producing 200, it doesn't make any sense. We are looking at a bigger picture. We are looking at this contributing to our top line in the next two years - a hefty amount. And margins should be calculated looking at that, not what we are doing currently.

Aakash:

Understood. Just one last question before I move on to the queue. Sir, on a nine-month basis, if we compare our other expenses as a percentage of sales, I think it has moved up significantly by almost around 250-300 bps. So, I mean, what could be our levers to reinstate our EBITDA margins to our initial levels? I think we had achieved around 15% kind of level last year in March in a similar scale of supply?

Kunal Rai:

So just speaking on the other expenses, if you look into it as a percentage, firstly, our other expenses for Q3 of FY '25 were at approximately 24.5%, which has now gone up to 26.5%. If you look into the preceding quarters of Q1 and Q2, they all stand at around 26.5% and in fact 28% for Q2 as well.

Now, just to give a little flavor on the other expenses, which basically constitute into - these are a large variety of consumables and spares. Now, we have a lot of ongoing projects, you know, things like the extrusion, new components for the exports - that is for Leax, even the Tipping jack business, which has just started off.

There is a lot of consumables like the tooling and everything which goes into for these, which have basically, you know, come into our cost, but not reflecting in terms of our top line yet. And once we do start these projects, you know, from Q4 and Q1 onwards, you will see these expenses remaining the same, whereas our top lines will go further up and then will contribute to a similar margin of approximately 14%-15% in this Q4 as well. That is what we are targeting.

Apart from the consumables, there are certain other expenses like the power and fuel and the freight expense, the traveling expense. We are consistently increasing our reach in our Trailer segment to other states, you know, where we have not been very present.

So, in fact, we feel that the expenses will remain the same now since most of these projects now have been set up. And will now further contribute towards the revenue side. And hence, then we will be able to have margins closer to the 15% for Q4 as well.

Aakash:

Understood. Thanks, sir.

Moderator:

Thank you. Next question is from line of Ankur Poddar from Svan Investments. Please go ahead.

Ankur Poddar:

Hi, congrats on a good set of numbers. I have a few questions. First is in terms of our exports, which we are targeting of over 5% for our full year. So, can you just help me with what is the duty which we are currently on, which is levied on our components? And is there any clarification on the FTA, like how the duty will move going forward?

Kunal Rai:

Okay. So, on our exports, which we are targeting at 5% for this year, it is going in line with what our plans were. Now, most of these exports, Ankur, is that our exports are 99% to Europe. And they are not to the US. Now, the custom duties, which we have been paying, is 0. I mean, obviously, what the customer pays is approximately 0% to 4%.

Now, coming in with this trade deal, which is being discussed between the EU and India, we obviously need to wait as to what exactly are the entire guidelines which do come up. But it's not that we benefit too much from it yet. In the sense, with customers like Leax, we already have the order book in hand. And it's now a process to ramp up on those volumes.

We've mostly secured all the businesses of these four components that we are doing. Similarly, where the other business has started, it's just at the stage of sampling and validation of these components which we submitted. Obviously, we will wait as to once these are completed, these will give us meaningful revenues from Q1 onwards.

So, with this deal coming in, we need to wait a little to find out what exactly, how it benefits us. But at least we are fortunate right now, we don't have this exposure of 5% into the US market. It's better that we have it in the Europe only.

Ankur Poddar:

Understood. And my next question is regarding our forging capacity. So, we are adding -- we have added a 2,000-ton screw press and a 1,000-ton screw press with another one scheduled for Feb. So, what would be our total capacity going forward and what is the utilization levels currently?

Kunal Rai:

The utilization levels in the forging are at approximately between 60% to 65%. We usually plan our forging infrastructure a little in advance because it takes time to install and commission these machines and most of these machines are imported for us. The regular machining capacity utilization is at around 70% to 75%.

But what happens in the machining infrastructure is you can add it as and when you like because mostly these are CNC turning, VMC centres where you can get delivery of these in a span of 30 to 40 days from the machine manufacturers. So, utilizations with all our businesses doing well in the sense especially the commercial vehicle segment in Q4 has seen a sharp increase.

Tractors are going to follow the same. Trailers have seen a huge spike as compared to Q2 which also uses a lot of our forging capacities. With the addition of these three presses, we will be at around 65% to 68%.

Ankur Poddar:

All right. And next, regarding our Trailer segment. Sir, what were the volumes for the quarter - the axle volumes? And also what is the run rate that we are seeing in Q4 in January, if you could help me with that?

Kunal Rai: As compared to, if you look into what our Q4 volumes are, we are looking at a volume of 4,000 axles a month. This is the kind of an order book right now we have as compared to, if you see what February and March, what we are planning that is 4,000 axles on a monthly basis. If you look into Q3, we have done approximately 8,300 axles.

Revenue wise, if you look into our axle business, in H1, we were approximately 12% down as compared to H1 of FY '25. But if you look into a 9-month period, we are just 1.5% down now. We have done revenues of around INR185 crores as compared to INR188 crores of FY '25.

Volumes from Q2 to Q3 have increased by 26%. And if you look into Q3 versus Q3, business has become better by 21%. We did a top line of approximately INR72 crores versus INR59.5 crores in Q3 of FY '25. So, it obviously helps because the entire CV volume has picked up. But it is picking up further in Q4. Although a lot of dumpers and tippers are being made within the OEM.

But for sure, whether there is a growth in the volumes, a bit of it might be in terms of market share also. And I think once the extrusion line starts by Feb and March, then we should be able to see even better volumes coming in.

Moderator: Thank you. Ankur, can I request you to come back for a follow-up question please?

Ankur Poddar: Sure. Thank you. Thank you, Kunal.

Moderator: Thank you. Next question is from the line of Pritesh from Lucky Investment Managers. Please go ahead.

Pritesh: Yes. Hi, guys. So, just with the extruded axle line now becoming operational, one question is on the trailer axle side of the business which is 40% of your business.. There if you have to map your growth rate with the CV prime mover growth rate with the new product which you are introducing, what should be the multiplier in terms of volume?

It's a fair guess that you can make. Will you grow 1.5X? Will you grow 2X the prime over growth? And second question is, is there any pricing premium that you would command on extruded axle versus a welded axle today? Or as a market penetration strategy, both the products will be equated on pricing?

This will give us a fair guess on what should be the growth in your axle side of the business which is about 40%-45% of your business. I'll ask the other two questions later. Maybe you want to answer this first.

Sumeet Rai: Hi. This is Sumeet here. I'll just reply to the first question first of with the extrusion line starting, what is the increase in sales volume that we expect for the trailer axle? I think that was the first question. Look, at the moment, we are at around 26%-28% market share in the Indian market.

And the market leader is at around 45% market share. So, we of course want to become the leaders in the market. But what we will be looking at, we would like to reach a market share of about 35% with this improvement in technology.

Whether we can demand a premium for this product? Of course, we would always like to demand a premium on the product. But to the customers, we have to show a better performance of the product which of course we are committing to our customers. But I think this premium would probably have to come in at a slightly later time.

If we add the premium today, maybe the acceptance of this product, - is there in the market, - but then we will sort of be missing out on increasing our market share. At least for the first six months of introducing this product to the market. We don't plan on charging a premium immediately.

So, I think when you talk about multipliers, we have not kept a multiplier in our head. But we are looking to grow our market share from about 26%-28% to a figure of 35% is what we are looking at. We are also looking to explore export markets with this product.

So, we have an installed capacity of 7,500 extruded beams with the line which we have set up right now. And we are at a current volume of 4,000 axles per month. So, in the next 1.5 years, we should be -- in the end of next financial year, we should be looking to utilize this whole capacity of ours of 7,500. Could you repeat the second question?

Pritesh:

I didn't ask the second question. My second question is with respect to the 55% components business, which is in turn linked to tractors and CVs and also the export. So, one, what is the progress on the export order that you had, which was supposed to bring you a revenue of about INR100 crores? So what is the progress there? What level have you reached now?

And second, what are the incremental developments on the domestic CV component side, if any? Are there any for which you can grow faster than the CV, tractor market growth rate or you will grow in line with the CV and the tractor market volume growth rate is the question.

Kunal Rai:

Right. So, first, this is Kunal here again. We have, as far as our component business, we have a very diversified component base. And we should grow faster than what the market is. In terms of the overall growth in the CV industry, we should be faster than that. I'll give you a few examples.

We do an anti-roll bar for one of our customers. And a year back, that was used to be around 2,000 a month. And now with the cabins, with all the air conditioning in, they've converted those cabins to 5,000 to 6,000 a month. So, there are certain product lines within our component business, which are going to grow faster than the cycle. And if you look into just our figures, within our component business, in the CV component...

Moderator:

Sir, sorry to interrupt you. Pritesh, can I please request you to mute your line from your side?

Pritesh:

Okay.

Moderator: Sir, sorry, please continue.

Kunal Rai: Yes. Within the component business, in the CV components, in 2, we had done a revenue of approximately INR48 crores. And in Q3, we've got that revenue to INR82 crores. That's a jump of approximately 70%. And that's not how the industry obviously has expanded. So, we are obviously looking with all these new developments to grow faster than the cycle.

Secondly, your first question was on the exports. Exports, you know, we are still -- if you look into our Leax business, this year, we would be approximately doing INR28 crores to INR30 crores in our export business. The other two, three components with the same customer are, you know, now in production.

And I think by next year, we should be able to double this revenue, what we have planned for this year. So, it's going as per the plan. It's obviously in the exports - it's a little slower than the domestic speed, which is there. But it's going in the right track. with this. And then we've added another new Tier 1 company for which, as I told you, samples and everything have been sent.

It's under validation. We should be starting doing some revenues from Q1 of this coming year with at least two of the products. And all these products are very similar to what we are already doing with our existing customer.

Pritesh: Tractor in the CV mix in the components, what will be a broader mix in there? How much is tractor, how much is CV?

Kunal Rai: Tractors is, you can say for Q3.

Pritesh: Not for Q3, generally for the full year?

Kunal Rai: So, approximately tractors at around 12% and balance is the commercial vehicles.

Pritesh: Okay. And my last question is on the Tipping Jack product, which has been introduced. What kind of a business size do you see 2 years from now?

Kunal Rai: Well, next year, at least a year ahead, I can tell you in FY '27, we are targeting revenues of approximately INR45 crores to INR50 crores. Now, this is keeping in mind, we make close to an average of around 300 to 350 kits per month. So, if you look into that, it's approximately 4,000 kits with an average realization value of INR1.2-1.3 lakh. It comes to around INR45 crores, INR50 crores. This is what we've targeted in FY '27.

And FY '28, once obviously we see, you know, now rolling out 25 parts of these and trying to see what we're going to do 2 years ahead is not the right way. But 1-year ahead is what we have seen. And once we get a better response, we're just waiting for a little bit of validation to be completed. Then we should be able to penetrate faster after 7, 8 months.

Pritesh: Okay. And as a last clarification, your extruded axle is available in the market now, right?

Kunal Rai: No, not yet.

Pritesh: When will it be available?

Kunal Rai: March.

Pritesh: Okay, done. Thank you and all the best to you, guys.

Kunal Rai: Thanks.

Moderator: Thank you. Next question is from Shubham from Ambit Asset Management. Please go ahead.

Shubham: Hi, sir. Thanks for taking my question. Congratulations on a strong top line growth. A couple of questions on the cost side. We have seen around 80 bps Q-o-Q impact on the gross margin. Largely, I believe our gross margins would have been better because steel was soft during the quarter. So what was the reason for that and secondly, referring to the first participant's question on other expenses.

So largely if I look at your, over the last three, four years, other expense schedule and filter out expenses which largely appear to be semi-fixed, they are showing a growth of around 35%, over FY22 to FY25, which is in fact higher than even our topline growth. So what is it really guiding?

Kunal Rai: Sorry can you just repeat the second question again? Your line wasn't very clear?

Shubham: So, largely, if I look at your other expense schedule and if I filter out expenses which largely appear semi-variable or fixed and I calculate the growth, it is coming to around 35% CAGR over FY22 to FY25, which is in fact higher than our top line growth also, top line growth is around 30%. So, also wanted to understand what is really driving the increase in other expenses?

Kunal Rai: So, as I mentioned prior to this also, Shubham, on the other expenses there are few categories which have basically expanded as compared to overall last year Q3. Few of these include the consumables and the spares and secondly are certain work offloading charges and power and fuel expenses and also freight.

Now, with the amount of new product lines and new projects which are coming up for which all the installation and everything has been completed, the trials are running, there is certain amount of expense which comes into things like consumables and tooling, etc. Now, once we see the effect of these new projects and products coming into our top line, you will see that the total percentage of the other expenses starts reducing back to around 22% to 23%, which was there at 24% in the last year.

So, most of these installations, most of these trials have now been almost completed. In our axle network also we are going very strong in terms of expanding our network further. A lot of our freight is now coming in from the other customers apart from Jamshedpur. Earlier, our largest customer was at 15%, which was local. Today, our local sales in the state are just at around 13%. It's expanded elsewhere. So, you will certainly see once these revenues come

from the new product lines from Q4 of FY '26 and Q1 of FY '27, you will see that mostly these costs start getting offset into the top line.

Shubham: Sir, so should we on a long-term basis, let's say over the next couple of years, other expenses should be in line with how we have done over FY '24-25?

Kunal Rai: Yes, I mean, mostly in line with FY '25. We have several cost reduction activities which are always ongoing in our plant. So, we feel that it's mostly a lot to do with the revenues coming in now that we've come out of six, seven weak quarters and we've finally had better results of one quarter and then we continue to have this trend of increasing our top line by 10%, 15% every quarter. Then, you see that the other expenses also mostly fall in place as well.

Shubham: Sir and on the gross margin side?

Kunal Rai: Gross margins, steel will start seeing an upward trend now. From the month of December, we have already started seeing a little bit of increase in steel prices. The letters have come out, there are discussions happening between the OEMs and the steel mills. However, I think we should be able to maintain same gross margins, the fact that we will be compensated by the OEMs for the steel price hikes, but gross margins will vary between these percentages. 1% or 2% up can be there.

Shubham: Sir, largely, I was actually, I know that steel has now started trending upwards, but for Q3, why was there a 80 bps Q-o-Q impact?

Kunal Rai: December onwards, you see mostly when demand starts going up, there is steel price hikes which start coming in. So we have seen a bit of hike in the month of December also already.

Shubham: Sir, what kind of inventory do we hold for the raw materials?

Kunal Rai: We hold approximately an inventory of 30 days to 40 days, especially during a busy month. Actually, the thing is that there are various grades and sizes that we use. Now, there will always be some certain grades and sizes where we are single source to our customers. We have to hold a bigger inventory than the ones that we use on an everyday basis. So, it does vary in terms of different grades and sizes, but on an overall tonnage basis we do hold approximately 30 days, 35 days of inventory.

Shubham: Sir, just to clarify, your gross margin has – your gross margin across product categories would be similar, right? It is fair to assume that since truck components have gone up significantly in this quarter, that has nothing to do with how the gross margin pans out?

Kunal Rai: Gross margins are mostly similar across. I mean, what has gone up is our trailer business. If you look into quarter versus quarter, we have seen a growth of around 21% in terms of our Q3 of FY '25 versus Q3 of FY '26 has seen a growth of 21%. And the CV component cycle has seen a growth of approximately 16%. That is from approximately INR71 crores to around INR82 crores, INR83 crores. So, the tractors also have seen an increase only of Q3 versus Q3, it's approximately 25%, 26%. But gross margins overall across the industry are relatively similar.

- Moderator:** Thank you. Shubham, I'll request you to come back for a follow-up question, please.
- Shubham:** Sure. Thank you.
- Moderator:** Thank you. Next question is from the line of Riken from Capri Global. Please go ahead.
- Riken:** Hi, sir. Thank you so much for the opportunity. Sir, I have a few questions. Firstly, if you would help understand in the current quarter, our tractor business you just mentioned has grown at about 25%, correct?
- Kunal Rai:** Yes. If you compare it to Quarter 3 of last year.
- Riken:** Y-o-Y.
- Kunal Rai:** Yes, Y-o-Y.
- Riken:** Y-o-Y it is 25%. And if I'm not wrong, the industry volumes in this quarter would have grown at about 35% or so. Would you help understand, is it that some of our customers where we are present have grown slower and you did mention about adding a new client. So overall, you are at, I think at about quarterly run rate of about INR20 crores or so in this quarter. How do you see the tractor business run rate moving forward and also can you discuss about the performance versus the industry?
- Kunal Rai:** So number one, sir, adding a new client, yes, we have. But obviously it takes time to build business on it. It starts all with a sample stage and then you need to set up a dedicated production line for them. So that's only going to come in, if you ask me meaningful revenues to come out of it is going to be from Q1 onwards.
- If you look into our performance in Q3 of FY '26 versus Q3 of FY '25, actually the total increase has been almost at 29%. And if you look into nine months versus nine months performance, it's at around 16%, 17%. So we have to look at it at an overall broader picture. I think by the end of Q4, the increase in our tractor business is going to be upward of 20%. The fact that we usually see good schedules coming in only from April.
- But this is the first time now we've seen that February also has been very encouraging. The customers – see we don't have a very big proportion of the tractor business. We are associated currently with two companies, now added another one. And total tractor exposure is at 11%, which with the addition of this new customer and new developments with our existing customers, we plan to take it to around 15% to 16% of our revenue in a year and a half time. So that is how the tractor segment is working.
- Riken:** Got it. So tractors have grown at about – so tractor components have grown at about 29%. And the CV components have grown at what rate in this quarter?
- Kunal Rai:** So if you look into Q3 versus Q3, we've seen an upward movement of around 16%. And if you look into Q2 versus Q3, we've almost hiked by around 70%.

Riken: Right. Okay. And here again, what is the trajectory do you expect because are you sort of just expecting to grow this business in line with industry or are there any initiatives which will help grow the CV component business faster?

Kunal Rai: So CV component business, as I did mention to Pritesh as well in the previous question, that we must grow more than the industry, considering that we have quite a diversified product range. We do axle shafts, we do coupling flanges, we do anti-roll bars, planet carriers, differential spiders, bevel gears, lot of suspension parts. There are always certain product lines which grow faster with the OEM.

One of them has been our anti-roll bar business. Due to the AC cabin mandate coming in, the customer is using more of these anti-roll bars and now they're using it in almost 80%, 85% of their vehicles, which was approximately 40% last year. So there are certain products which are going to grow for us faster than the industry. That is how we should look at it.

Moderator: Thank you. Riken, I'll request you to come back for a follow-up question, please.

Riken: Okay.

Moderator: Thank you. Next question is from the line of Bhargav from Ambit Asset Management. Please go ahead.

Bhargav: Yes. Good afternoon, team and congratulations on a good set of numbers. Sir, my first question is that on the export, you highlighted that you want to reach double digits as a percentage of revenues in FY '27 versus closer to 4% as of now. So is this on the back of the new European customer that you're working with or are you assuming that....?

Kunal Rai: The double-digit growth will take us a couple of years. Sorry sir there is -- it will be basically FY '28 is when we reach -- by end of FY '28 is when we reach a double-digit growth. This year we should be reaching at 5% and then it will obviously grow to 7%, 7.5% and then closer to the double-digit growth.

But even the incremental sales that will come in, say, from 5% to 7.5% is going to be one from the new customer marginally because in the exports there is a certain timeline to grow on numbers. But mostly, it will be coming in from our existing customer that is Leax where we have started the production of three more parts that we are doing with them.

Secondly is the supply to their other facility in South America. Earlier, we were only supplying to their European facility. Now, in the last two, three months there have been supplies which we have started to the South American facility as well. Plus, once we have our extrusion line, as Sumeet did mention is, we would be looking at exports of our single-piece extruded axle as well. We would be working on that.

Bhargav: For that, you are assuming some bit of revenue to come from that in FY '28 also or FY '27?

Kunal Rai: FY '27, in fact, by end of quarter because we are already under some discussion for the products with some customers.

- Bhargav:** Secondly, sir, on the seamless pipe, in your presentation you mentioned that the capex is completed, but that capex was supposed to be around INR170 crores, if I understand correctly or was that in our spaces?
- Kunal Rai:** No, sir. You are right. The capex for the seamless tube is left. The capex of the IPO proceeds mostly have been completed. But there is a lot of part of the seamless tube expansion which is still left out, but that is from the out of the scope of the IPO proceeds. The IPO proceeds have, you can say, by Q4, by end of it, are going to be fully utilized.
- Bhargav:** So, this around INR60 crores of capex that we incurred in the first half, maybe by the year-end we should be around INR80 crores, INR90 crores odd?
- Kunal Rai:** Yes.
- Bhargav:** So, this capex next year should be around similar levels or maybe INR60 crores, INR70 crores odd?
- Kunal Rai:** The next year capex levels mostly are going to be towards the balance payments for our seamless tube project. And the incremental capex expense that we need to do every year. But the majority of it in terms of a new casting line, a new extrusion line, new forging presses, that is addition of three presses. These, sir, have been mostly completed.
- Bhargav:** And lastly, Rajasthan, Chhattisgarh and Jharkhand are typically our key states for trailer axles. And you mentioned you added five new fabricators. Are these from the similar states or you are entering other states?
- Kunal Rai:** Sumeet can take this question.
- Sumeet Rai:** So, basically, we are strong in these states. And we are adding fabricators in these as well as in the other states, namely Gujarat and in Maharashtra. The majority of volume growth that we are looking at is going to come from our existing customers because those are the customers that make the highest volume of trailers.
- So, it's from a few states outside Rajasthan, Jharkhand and Chhattisgarh and one or two customers are from these three areas, but what's more important is that we capture the market where it's going, around the country we capture the market where it's going, which we are focused on.
- Bhargav:** Okay, great. Thank you very much and all the very best. Thank you.
- Moderator:** Thank you very much. Ladies and gentlemen, that'll be the last question for today. I'll now hand the conference over to the management for closing comments.
- Kunal Rai:** Thank you, everyone for joining this call. Thank you, Mihir for hosting it. We appreciate everyone's participation. We thank Strategic Growth Advisors as our Investor Relation advisors. And in case you have any further questions, we request you to please reach out to them, to us and we can plan that. Thanks a lot for joining.

Moderator:

Thank you very much. On behalf of Equirus Securities, that concludes this conference. Thank you for joining us and you may now disconnect your lines. Thank you.