

### May 20, 2025

The Manager,	The Manager,
Listing Department,	Listing Department,
BSE Limited,	National Stock Exchange of India Limited
Phiroze Jeejeebhoy Towers,	Exchange Plaza, 5th Floor, Plot No. C/1,
Dalal Street,	G Block, Bandra-Kurla Complex,
Mumbai- 400 001	Bandra-East,
	Mumbai- 400 051
Scrip Code: 532953	Symbol: VGUARD

Dear Sir/Madam,

## <u>Sub: Transcript of earnings call pertaining to the Audited Financial Results for the quarter and</u> year ended March 31, 2025.

This is with reference to the intimation dated May 06, 2025, filed with the stock exchanges in terms of regulation 30 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, regarding the earnings call to discuss the audited financial results for the quarter and year ended March 31, 2025, held on May 15, 2025. The audio recording was already filed with the stock exchange. We are enclosing herewith the transcript of the Earnings call. The same is also being uploaded on the website of the Company at <a href="https://www.vguard.in/uploads/investor\_relations/V-Guard-Industries-Q4-FY-25-Transcript.pdf">https://www.vguard.in/uploads/investor\_relations/V-Guard-Industries-Q4-FY-25-Transcript.pdf</a>

We request you to kindly take the above information on record.

Thanking You,

Yours Sincerely,

For V-Guard Industries Limited



Vikas Kumar Tak Company Secretary & Compliance Officer Membership No. FCS 6618

Encl: As above



# "V-Guard Industries Limited Q4 & FY '2025 Earnings Conference Call"

May 15, 2025





MANAGEMENT:MR. MITHUN K CHITTILAPPILLY – MANAGING DIRECTOR – V-GUARD INDUSTRIES LIMITED

MR. RAMACHANDRAN V – DIRECTOR AND CHIEF OPERATING OFFICER – V-GUARD INDUSTRIES LIMITED

MR. SUDARSHAN KASTURI –SENIOR VP & CHIEF FINANCIAL OFFICER – V-GUARD INDUSTRIES LIMITED

MODERATOR: MS. NATASHA JAIN-PHILLIPCAPITAL (INDIA) PRIVATE LIMITED



**Moderator:** 

Ladies and gentlemen, good day and welcome to the V-Guard Industries' Q4 FY '25 Earnings Conference Call, hosted by PhillipCapital (India) Private Limited.

As a reminder, all participant lines will remain 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 the operator by pressing "\*", then "0" on your touch tone telephone. Please note that this conference is being recorded.

I now hand the conference over to Ms. Natasha Jain from PhillipCapital (India) Private Limited. Thank you and over to you.

Natasha Jain:

Thank you, Ryan. I, Natasha Jain, on behalf of PhillipCapital, welcome all of you to the 4th Quarter FY '25 Earnings Conference Call of V-Guard Industries Limited.

From the Management today we have Mr. Mithun K Chittilappilly – Managing Director; Mr. Ramachandran V – Director and Chief Operating Officer; and Mr. Sudarshan Kasturi – Senior VP and Chief Financial Officer.

I would now request the management to give their opening remarks, post which we shall open the floor for Q&A. Thank you and over to you.

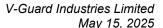
Mithun K. Chittilappilly:

Thank you, Natasha and PhillipCapital for hosting today's call. A very warm welcome to everyone joining us today to discuss our Company's operating and financial performance for the 4th Quarter of FY '24-'25. I trust that all of you have had the opportunity to review the investor presentation shared earlier.

We have delivered a robust performance in Q4, marked by strong growth in both revenue and profitability. Consolidated revenues for Q4 FY '25 stood at ₹1,538 crores, a year-on-year increase of 14.5%, representing the highest ever quarterly revenue in our history.

The Electronics segment comprising of stabilizers, UPS systems and inverters continued its strong momentum, recording a growth of 26.3% Y-o-Y. The performance builds on the solid start the segment saw earlier in the year.

The Electricals segment, which remains our largest revenue contributor and includes wires, pumps, switch gears and modular switches, registered a Y-o-Y growth of 14.6%. In the Consumer Durables segment covering fans, water heaters, kitchen appliances and air coolers, we reported a 11.9% Y-o-Y revenue growth, supported by a good start to the summer season and healthy demand for cooling products.





Sunflame reported a Y-o-Y top-line degrowth of 24% in Q4. While the kitchen appliance industry continues to face headwinds, this decline also reflects the high base effect from Q4 of the previous financial year. Additionally, the business has been impacted by continuous slowdown in the CSD channel. Integration efforts for the Sunflame business are already underway. Once completed, we expect improved momentum in the general trade, modern trade and E-commerce channels. While recovering, the CSD channel could take time. We have a clear road map of the strategic steps to get the business back on a stronger growth trajectory.

In Q4 FY '25, revenue from non-South market grew by 18.6% Y-o-Y, while the South market grew at 15.3% Y-o-Y. For the full year, the non-South market contribution reached 47.5%, excluding Sunflame.

We have reported a gross margin of 35.5% this quarter compared to 34.5% in Q4 of last year, an increase of 100 basis points. We have driven a meaningful improvement in gross margin through the year and believe that the margin recovery is largely complete. This recovery has been driven by increasing share of in-house manufacturing, cost efficiency initiatives, and gradual shift towards a more premium product portfolio. We will continue to pursue further incremental gains in the gross margin going ahead.

EBITDA, excluding other income, for Q4 stood at ₹ 143 crores, reflecting a Y-o-Y growth of 11.9%. For the full year, we reported an EBITDA of ₹ 513 crores, an increase of 20%, while EBITDA margin was 9.2% compared to 8.8% in the previous year. Consolidated PAT for the quarter was ₹ 91 crores, up 20% Y-o-Y, compared to PAT of ₹ 76.2 crores in Q4 of FY '24. For the full year, consolidated PAT was ₹ 314 crores, higher by 21.8% Y-o-Y. In recognition of this strong performance, the Board of Directors recommended a final dividend of 150% equating to ₹ 1.5 per equity share.

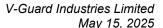
Working capital remains efficient, ensuring strong cash flow generation. We have repaid, ahead of time, the entire term loan related to the Sunflame acquisition and are back to being a debt free Company.

Overall, it has been a satisfying quarter and a strong year, marked by strong double-digit growth in both revenues and profitability. This growth has been broad based with meaningful contribution from all key segments. We are also progressing on initiatives aimed at structurally enhancing the performance of the Sunflame business.

With that, I conclude my opening comments, and I would like to thank Natasha and the team at PhillipCapital for hosting this call. I would request the moderator to open the floor for Q&A. Thank you.

Moderator:

Thank you. Ladies and gentlemen, we will now begin the question-and-answer session. The first question comes from the line of Rahul Agarwal from Ikigai Asset. Please go ahead.





Rahul Agarwal:

Yes, hi. Very good afternoon to all of you. And congratulations for another good quarter. Mr. Mithun, two questions, essentially one is, there are a lot of highest-evers for V-Guard I think this year, I am looking at two things, gross margins and working capital. I think in the history of V-Guard's, both these numbers look like best ever. Just wanted some outlook on gross margin as well as working capital cycle, how will this shape up over the next two, three years? Obviously, you mentioned that we will continue to improve this, but my sense is further improvements on gross margins will really need a lot of internal efforts, as well as on working capital. I think we are very tight on receivables now, so just some outlook on this. That's my first question.

Mithun K. Chittilappilly:

Yes. I think as far as gross margins are concerned, as I mentioned in the opening remarks, we are largely back to the pre-COVID levels. I think, of course, some more small improvements in gross margins are possible, I think we will be working on it. But I think largely it has recovered from all the commodity inflation and all that. So as far as working capital is concerned, we may not see a very huge improvement. But some more possibilities are there, like we had mentioned that we are working on a more premium portfolio in each category, so which also should kind of give the gross margin a slightly improved trajectory.

As far as working capital is concerned, I think, yes, we are at a very good place. I think as far as debtors are concerned, yes, I do not think it can go much lower than this. But inventory wise, I think we still have a little bit of more inventory than we would like to. So, maybe from the inventory side some more small improvements are possible. But I think even working capital wise, we are largely in line with whatever has been our steady state.

Rahul Agarwal:

Got it. Fair point. And the second question was on alternate energy business across, I mean, you have announced a battery manufacturing CAPEX, so just a bit on that, why this decision and what do you see going forward? Something on Gegadyne, if you can explain as in what's really happening there; and solar rooftops, which is essentially part of Electronics – how do you look at these businesses? And any single segment which you think can be like ₹ 500 crore top-line annually, if you could highlight what could be your potential opportunity across these? That's all from my side. Thanks.

Mithun K. Chittilappilly:

So the solar rooftop business is growing very strong. It's housed within Electronics. We have had very, very strong growth, although we do not give out product wise numbers. I think in about four to five years' time, we should hit really good numbers. And I think once it's large enough, we will start disclosing the numbers. So a solar rooftop is something that's doing very well for us. We have always been in the inverter business, but solar rooftop is something that was carved out about four years back, and I think we were right on time to take advantage of all the incentives given by the Government. The Government is giving a lot of incentives for individual houses moving to rooftops and that's driving a lot of demand. I think we still have a lot of headroom because this entire demand is from some seven or eight different states out of these 35 states. On the second thing, sorry, what was the second part, on Gegadyne, right?

Rahul Agarwal:

Right.





Mithun K. Chittilappilly: Okay, Ram, you want to take this question on Gegadyne?

Ramachandran V.: Yes. I think we had invested in Gegadyne to help them to support and establish the technology.

And on where Gegadyne is today, I think about 18, 24 months back they had put up a pilot plant based on the funding that we had extended. They have kind of stabilized to achieve their technology goals and we have validated it; it's working well. So now they are in course of figuring out how to scale up and how to move forward, and how to prepare for a commercial launch, but that will be at least another couple of years away because they will have to establish a capacity for that. But yes, I think the progress on technology development has been good and

they have met the development objectives for which they were funded.

**Rahul Agarwal:** Got it. Anything on the battery expansion for V-Guard?

Ramachandran V.: Yes. Mithun, would you want to or shall I?.

Mithun K. Chittilappilly: No, you can. Please go ahead.

Rahul Agarwal:

Ramachandran V.: So, about three years back we had initiated a project for setting up a battery capacity in

Hyderabad. And about 18 months back, this capacity was commercialized. And as we sit today, the factory is operating on full capacity utilization there. The business has been growing in high double digits and that is warranting further increase in capacity, together with what I would say some shortfall or scope for us to feed some of our outsourced revenues through the factory. So I think this plant is expected to come up in the next 18 to 24 months. And we expect to be able to feed our growth from this plant. This plant may take about another six to nine months to fully stabilize beyond the commercialization date. So we are looking at this capacity coming up two and a half years from now, I mean, getting fully stabilized two and a half years from now.

Ramachandran V.: See, this investment is purely on machinery, okay. And we are looking at the possibility to install

this machinery around our existing facility. In terms of throughput, I think this should give about

Yes, and the ₹ 50 crores can make how much amount of sales, like what's the asset turn here?

₹ 300 - 400 crores of throughput, it should support this investment in net sales terms.

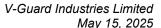
Rahul Agarwal: Got it. Thank you so much for answering all the questions. All the best.

Moderator: Thank you. The next question comes from the line of Naushad Chaudhary from Aditya Birla

Mutual Fund. Please go ahead.

Naushad Chaudhary: Hi, thanks for the opportunity. Two questions. First on Sunflame sir. I think last quarter also we

indicated that the cleanup has been done and sequentially we should experience improvement. But this quarter also we have seen sequential decline in the margin and also on the top-line. Any sort of clarity what exactly are we doing here? How should we look at this piece of business?





Ramachandran V.:

Yes. Firstly, Q3 is a high quarter compared to Q4, because Q3 is when you have the festival season. And generally, Q3 sales are higher than Q4, so you may not make a sequential comparison. However, that being said, I think compared to last year, our results have already been published, and it is challenged. So notwithstanding that, I mean, the business is under stress. We are okay as far as emerging channels are concerned. We are okay as far as even GT is concerned, it is in line with the market. I think that we have a bit of stress. I think last year base was high, as Mithun has already explained, and also we have some stress in CSD, CPC channel.

Now, fundamentally in terms of what we are going to do going forward, I think we are working on business integration of Sunflame with V-Guard, right. So this is a journey, and I think it will take some more time before the integration is complete. We are also, as we had indicated last quarter, we are working on a project and more or less we are at a stage of closure on defining the way forward in terms of the strategy and pathway that we will take to grow the business again. I think that business integration has taken a bit more time because we had a few challenges. We have had to refresh the product portfolio. Typically the cycle for product refresh is about, I think we had explained last time also, the cycle for refresh is about 18 months. And we also had the team on board seven or eight months after the integration had happened.

So I think some of those are some of our set up delays which are impacting us. We remain hopeful that we will be able to get the business back on growth path on the back of improved product offerings and the integration of some of our capabilities into Sunflame, particularly in the area of customer service, logistics and quality management, these areas we expect that by September or October we should be able to fully integrate and extend similar delivery as what one witnesses in V-Guard. So this is a journey. It's taking time and it's taking longer than what we had anticipated.

Naushad Chaudhary:

So for FY '26, on a low base of '25, should we expect growth in this business and margin improvement or should that remain?

Ramachandran V.:

Sudarshan?

Mithun K. Chittilappilly:

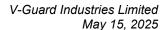
You are talking about Sunflame, right?

Naushad Chaudhary:

Yes, Sunflame, should we expect growth and margin improvement or should it remain a pain point for us?

Sudarshan Kasturi:

On the GT and E-commerce side, we are confident that we will see growth. However, on the CSD front, we really cannot predict how long, whether that slowdown is going to continue or not. But as Ram was saying, most of the business integration efforts are towards strengthening the product back end as well as selling capability, and primarily in the GT and E-com channels. So, yes, short answer, growth will depend on how CSD sort of turns up, but on the GT we are more confident.





**Naushad Chaudhary:** And GT and E-com would be 50% plus of the overall revenue?

Sudarshan Kasturi: Yes, about 60%.

Naushad Chaudhary: Okay. And last question on the Gegadyne. How would the success of Gegadyne help our base

business? If you can run us through what exactly we are thinking. And if this goes well, how

will it help in our base business?

Ramachandran V.: So, Mithun, I will take this. So I think the investment in Gegadyne has been anticipating a shift

in battery technology which we expect to happen. I think over a period of time, alternate energy battery costs are coming down, and at the TCO level already I think alternate chemistry batteries are having a better TCO compared to lead acid batteries. I think as the unit price of the alternate chemistry batteries starts to come down, there will be a shift in the market towards the alternate energy batteries, right? And that's the play in which we are invested in as far as Gegadyne is concerned. I think as I already explained earlier, I think it will take a couple of years for the benefit of Gegadyne to materialize because these batteries are to be commercially produced for which a capacity has to be set up. I think the technology targets are met and we have given them a go ahead to figure out how to, what I would say, commercialize the battery output, right. So I

think that work on that is underway.

Naushad Chaudhary: And suppose, it goes well three, four years down the line, would this kind of change/help the

industry to consolidate further? And the guys who are ready with the technology and integration should benefit more? How would you be positioned from a three to four-years point of view? If

you succeed in this, would you have better advantage versus what you are today?

Ramachandran V.: Yes. So two, three things. So one is that Gegadyne has its own journey, okay? And our business

is a small part of Gegadyne's journey and future, right, because basically we have invested in this fundamentally to support our inverter battery business, and also, wherever there is a possibility to have energy storage integrated with our existing products and categories. So that's our scope. Our scope is a narrow part of the overall Gegadyne journey, which has far more significant potential, multiple times. But as far as V-Guard is concerned, our objective is fundamentally centered around growth for our battery business. It will help us to obviously grow, because this is a differentiated product, it doesn't have lithium, it gives a far longer life than even lithium-based batteries, and it is far more stable and safe as a technology. It has the benefits to help us to be able to price and probably earn a better margin, right, compared to other alternate

chemistries. So I think that's how it will benefit V-Guard. And probably, we will have the comfort of having a more stable and reliable battery which we can launch in the market.

Naushad Chaudhary: Any plan, increasing the stake in this Company, if you are to come up with the commercial plant,

how much minimum CAPEX would be required?



Ramachandran V.: I think that depends on the size of the CAPEX and that also depends on the plans of the promoters

of Gegadyne. I think the shareholders of Gegadyne will make that call in terms of what is the

size and what the investment will be.

**Naushad Chaudhary:** Do you have any exclusive rights with this Company?

Ramachandran V.: Yes, we have exclusive rights for our categories, which is for the inverter battery space, and for

any potential application for our categories.

Naushad Chaudhary: Thank you, sir. All the best.

Ramachandran V.: Thank you.

Moderator: Thank you. The next question comes from the line of Keyur Pandya from ICICI Prudential Life

Insurance. Please go ahead.

Keyur Pandya: Thank you. Congratulations to the team for the great results. Sir, I just want to understand from

the Electronics segment perspective, so stabilizer as a category of Electronics segment has grown for the last two, three years in high double digits. In the backdrop of such a high base, and the recent news of relatively weaker summers, how do you see performance of Electronics as well

as CD that is fans and coolers performance in FY '26? Some thoughts would be useful.

Mithun K. Chittilappilly: Yes. So, I think this year in April we had intermittent showers in the South and eastern part of

the country, and summer here has been less warm when we compare with last year. So definitely the sales of cooling products will get impacted like air conditioners, stabilizers, air coolers, fans, pumps, and to some degree inverters as well. But we have not yet completed, so we still have 45 days to go. I think till June 30th we have summer in many parts of the country, so we will wait and see. But yes, it depends on what will happen in the next 45 days. But some parts of North etc. are warm. But yes, we have a bigger skew towards South, so there could be some challenge

in terms of these categories for South India.

**Keyur Pandya:** Okay. In your earlier remarks when you talked about margin, I mean, in the longer journey of

stable margin or improving margin, do you see this year's margin getting impacted because of

either mix change or negative operating leverage, if the season is bad?

Mithun K. Chittilappilly: No, I do not think...

**Keyur Pandya:** Basically or you have lever options in South or some other levers say on manufacturing which

would offset the margin?

Mithun K. Chittilappilly: So, I think we are not only dependent on; last year we had a tailwind in 1st Quarter definitely,

but the following quarters we did not have any support from the summer categories. Definitely 1st Quarter of last year, we had a very good tailwind from that perspective. So, to some degree,

we could expect a muted 1st Quarter. But I think for the full year, we do not expect a huge impact



because we are also having other categories. And like you said, we also have summer, there is a chance of summer still being warm in the northern part and the other western part of the country, which should support some demand. So, I do not think it will have a huge impact. We are quite confident as far as margins are concerned, I do not think we will have problem.

Keyur Pandya:

**Moderator:** 

Understood. Sir, just a last question, some thoughts on how the demand has been for the house wires segment or other categories related to real estate? And your non-South initiatives, any specific regions, focused regions in previous years or say in FY '26? I mean, more details or specifics of the non-South initiatives and wires demand?

Mithun K. Chittilappilly:

So wires, has it grown by about 10%-odd in the 4th Quarter. There were some challenges for the growth because there was some fluctuation and reduction in copper prices. But in April, we have seen that there has been an improvement and increase in copper prices. So, I think this quarter we should do better than previous quarter. The second question is on certain regions. I think today V-Guard is fairly well diversified with almost every part of the non-South market almost contributing equally, of course, the Western markets; East has a slightly higher weightage when you compare it in the non-South. But otherwise, it's pretty much well spread. Barring the small states, from almost all the large states we are getting good contributions.

**Keyur Pandya:** Noted sir. Thanks a lot and all the best.

Thank you. The next question comes from the line of Aniruddha Joshi from ICICI Securities.

Please go ahead.

Aniruddha Joshi: Yes. Thanks for the opportunity. Sir, now considering the steep impact on the business of

Sunflame, and if I look at the goodwill as well as the intangibles, let's say, between the standalone and consol balance sheet, so I guess there is  $\stackrel{?}{_{\sim}} 700$  crores of intangibles. I guess, it is primarily linked to Sunflame. So has the, in a way, management thought about almost  $\stackrel{?}{_{\sim}} 700$ 

crores intangibles? Any like write-off or any revaluation of at least these intangibles?

**Sudarshan Kasturi:** We are required to review the carrying value of intangibles on an annual basis. So we have done

that and we have sort of concluded this for impairment. That is something we will review again

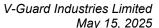
next year. So, at that time, we will see.

Aniruddha Joshi: Okay. Sure, sir. Understood. And in a way, what are the other ways we are looking at Sunflame?

Because the V-Guard part of the business is doing phenomenally well. If we exclude Sunflame part of the business, V-Guard has done wonderfully well. So what are the triggers that we are

looking at to, in a way, improve the Sunflame business? Or what can be the potential?

Because I guess the way Sunflame was doing the business earlier, it was high on trade margins and even debtor days etc. were materially higher to the trade. So now since we have changed that proposition, I guess, the value proposition for the trade may not be working out the way it was working out earlier. So what can be the potential here or like rebranding under it V-Guard,





Sunflame or something like that? So what can be the potential change that we can do, or increasing the share of voice materially in that, something like that?

Mithun K. Chittilappilly:

So just a couple of things. One is, the GT part of Sunflame is growing. Sunflame has two main channels, I mean, three, which is CSD, canteen stores department and defence canteens which contribute about 35% to 40% of Sunflame's revenues. What happened is about one and a half years back they had added many brands, and even V-Guard was added. For example, V-Guard which was doing ₹10 crores of business between CPC and CSD, today does close to ₹140 crores of revenue. The same Sunflame team only sells the V-Guard products into CSD. So we have a single team managing it. So in that sense, it has not been a complete issue.

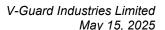
So one of the reasons that Sunflame's CSD business has come under pressure is, CSD which used to have four or five brands, today is having 12 to 15 brands in each category. So they have added a lot of brands and that has created a lot of problems for them in the sense of a lot of overstocking has happened. Now they are in a course correction mode and they are only ordering whatever is selling and stuff like that. That is one of the reasons why Sunflame business has got into trouble. GT has not had any issue. We have not changed much. We are continuing with whatever the earlier promoters were doing. Most of the distributors are continuing for Sunflame. So the GT business has not been much impacted. And CSD margins for Sunflame were higher because the overhead cost for Sunflame for doing CSD was lower. So when there was a drop in the CSD business, it has impacted margins. Ram, you want to add on to this?

Ramachandran V.:

Yes, I think we have not changed much. And fundamentally what has happened, see, it's a small entity. I think they lost about two and a half years in COVID, and then as they came out of COVID, we did the transaction. So three, three and a half years, not much activity and product refresh has happened, right? And after that our team came on board about eight months later and they took some time to settle down. And then they had initiated interventions on refreshing the product portfolio. In the last three, four months, and in the upcoming three, four months I think most of these SKUs are coming to market. So this is the first issue.

Second issue is I think that the service infrastructure has also been a challenge. And we are working on the integration of services with V-Guard. I mean, V-Guard service or V-Guard quality management systems and V-Guard logistics systems, these are far, far more efficient. And I think those are the areas which will witness the changes in the next three to six months and which are beneficial changes. I think the product refresh is an ongoing exercise and it will happen. Also what had happened is, in E-commerce I think V-Guard goes to E-commerce directly as a Company, Sunflame is to go through intermediaries. So we are transitioning this. It has taken us some time to set up the required infrastructure and systems, and also to build the recommendations before, what I would say, growth can be triggered.

So I think fundamentally now, these areas of organized retail, which is e-commerce plus modern trade, it's already integrated now with V-Guard. And as we make the differentiated offerings, our approach is to have differentiated SKUs. So even in e-commerce we are not pushing the





button aggressively because the pricing dynamics in e-commerce is very different from general trade. So a lot of the challenges are fundamentally related to resetting our product portfolio and offerings, right. In the meanwhile, the market had significantly refreshed the portfolio. So, the issue is not one of business system or brand, the issue is one of the competitiveness of offerings because of limited product refresh before we took over the business.

Aniruddha Joshi:

Okay. Thanks for that elaborate answer. In a way, this CSD and CPC issue is a kind of structural, I guess, it is with many consumer brands including Sunflame. So now with so much new brands coming in, plus they are going for inventory correction also, so do we see the growth rates coming back? In a way, I mean, the business recovering back to, let's say, FY '23-'24' levels immediately, or will it be a course correction for next two, three years?

Ramachandran V.:

No, I think our business across the other channels will grow. I think CSD and CPC, we do not have a view at this stage. But I would think that whatever damage has to happen has happened. It should probably be better going forward because I am sure that they have taken aggressive action. I think it's but natural; the market is limited, so when more brands get in, so rediscovery will happen and some things will move and some things will not move and they will correct it. So, we do hope that this is what we have to do. And we will do better than where we are today, but this is something that we cannot control so we do not want to give a point of view on that subject, right, because we do not know how it will evolve. But as Mithun said, look, one side we have been hurt, another side we have been a beneficiary also, right. Because we have been able to significantly grow our business because more SKUs we could launch. So on an aggregate, the Company has done well, but one side has benefited, the other side is a bit stressed.

Aniruddha Joshi:

Sir, this is very helpful. Just last question, if we divide the market as per the channels, general trade, modern trade, E-commerce, MFI and this CSD-CPC, what will be the share of all the channels for the market or for V-Guard per say? Yes, that's it from my side. Thank you.

Mithun K. Chittilappilly:

Ram, you want to take this?

Ramachandran V.:

Yes. I think, I mean, it's hard to answer this because the portfolio of every Company is different, i.e., the product portfolio of every Company is different. And the share of different channels is also different. But for example, right, if you were to look at the portfolio or the bundle that V-Guard is, in terms of categories, right, I think it would be fair to say that, let's say, if we exclude wires so maybe about 40% to 45% of the business may come from non GT, which is modern trade, RSS, E-commerce and CSD-CPC, and MFI and all these things. So GT is now about 55% to 60%, right. So, I think in Electricals' categories like the wires, switches and switchgears, I mean, these channels are not that significant in any way. So it's more or less GT oriented. Even pumps, right, so I would say wires, switches, switchgears and pumps, it is more or less 98% GT.

Aniruddha Joshi:

Okay. Sure, sir. Many thanks.



Moderator: Thank you. We take the next question from the line of Natasha Jain from PhillipCapital (India)

Private Limited. Please go ahead.

Natasha Jain: Yes. Thank you, sir. I have two questions. One, in terms of other expenses, there is a very sharp

increase this quarter, so can you highlight what is that about?

Mithun K. Chittilappilly: Yes, one second. Sudarshan, you want to take this?

Sudarshan Kasturi: So, other expense has gone up by about 16% compared to a turnover growth of about 14%. But

some portion of it is related to factory expenses, and some manufacturing expenses also get captured under this line. And as new factories come in and they scale up, so that cost goes up. The routine overheads are pretty much normal, so much of it is contributed by factory related

costs and some increase in A&P and volume related stuff.

Natasha Jain: Understood. Sir my next question is on the stabilizer business. So when I was on the ground, I

saw certain of your peers, especially Voltas has also come out with AC stabilizers, and even Everest, pricing of Everest is way cheaper than V-Guard. While V-Guard still remains the leader, I just want to understand from your perspective how you are seeing this competition coming up, especially Voltas? Because what I saw later on in the season was Voltas even started giving its

stabilizer along with its ACs. So any comment on that, sir?

Mithun K. Chittilappilly: Ram, you want to take this?

Ramachandran V.: Yes See, these competitors have been around. I mean, they are not new competitors, they have

been around for many, many years. Everest pricing vis-à-vis V-Guard has always remained the way it is presently, it has not got adverse. I think that there have been some challenges in the air conditioning industry, and it may be that some of these kind of measures may have been taken up tactically maybe by Voltas or something like that. But generally, yes we are around 55%, 60% of the market, there's a remaining 40%. This keeps changing. Brands come and brands go, brands become active, and brands become slow, I mean, they taper off. But that's what I would

like to say. Mithun, do you want to add anything more.

Mithun K. Chittilappilly: Yes, I think a lot of air conditioner companies have stabilizers like an accessory. And when I

guess maybe the season is slow this year, instead of discounting the product they may give free accessories. And this is not a new thing, it has been going on for some time. I mean, at least till last 10-15 years, starting with Godrej and all that we have seen companies launching, like Ram said, they will launch and they will sometimes discontinue, sometimes continue. But anyways, we do not hope to own 100% of the market, like Ram said, we will be at 40%- 45% of the

organized market, and that's comfortable for us.

Natasha Jain: Understood, sir. Thank you so much.



Moderator: Thank you. We take the next question from the line of Achal Lohade from Nuvama Institutional

Equities. Please go ahead.

Achal Lohade: Good afternoon, sir. Thank you for the opportunity. Congratulations for good numbers. My first

question is pertaining to wires. You did mention about 10% growth, is that the volume growth

you talked about 10% Y-o-Y in Q4?

Mithun K. Chittilappilly: Okay, we need to come back on that. We talked about a 10% value growth, sales growth.

Achal Lohade: In Q4?

Mithun K. Chittilappilly: Yes, in Q4, yes.

Achal Lohade: Does that mean the volume was pretty much flattish given the average copper prices were about

10%-12% up Y-o-Y?

Sudarshan Kasturi: I think price growth was about 8% and volume growth was 2%, something like that.

Mithun K. Chittilappilly: Volume growth was about 2%, 3%.

Achal Lohade: Okay. And you are saying that Q1 it is improving, have I understood right the volume growth?

Mithun K. Chittilappilly: Yes, 1st Quarter sequentially we are seeing an improvement because there was an uptick in

copper prices in April.

Achal Lohade: Understood. The second question I had was with respect to pumps business, right?

Ramachandran V.: That is towards the end of March.

**Sudarshan Kasturi:** We were talking full year numbers until now. Q4 volume growth is 5%, price growth of 12%.

Mithun K. Chittilappilly: Okay, sorry, that was a full year number. Q4 growth is 17%, 5% volume growth and 12% value

growth.

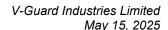
**Achal Lohade:** So 17% revenue growth in cables and wires, have I understood right, for Q4?

Mithun K. Chittilappilly: Yes.

Achal Lohade: Okay, understood. The second question I had was with respect to the pumps business, do we

have any exposure in terms of solar pumps the way we have gotten to solar rooftop? Is there any

case for solar pumps as well?





Mithun K. Chittilappilly: So, it is something that we looked at it, but the go to market is through the agricultural department

of various states. So we typically do not like dealing with these kind of customers. We have not

got into it, no, we do not do solar pumps.

Ramachandran V.: Actually the problem is, the channel is very different. See, most of this is agricultural pumps,

the channel is very, very different from our remaining part of the business, right? We do not have a pathway and this space is also highly volatile. Agriculture as a business is very much

dependent upon the rains and also the size and type of pumps varies also across, right.

Mithun K. Chittilappilly: Sorry Ram, you are talking about solar pumps.

Ramachandran V.: No, no, I am just saying that basically it's for agricultural application and a lot of it either travels

through similar channel or it is through Government business, right. And the skills required

there, we do not have teams which are focusing on this kind of business, right.

Mithun K. Chittilappilly: It's primarily Government tenders, so we are not present in that.

Achal Lohade: Fair point, sir. And just the last question with respect to CAPEX, how do we see current year,

and over next couple of years do we see any substantial step up and the outsourcing mix?

Mithun K. Chittilappilly: We were around ₹100 crores per annum. I think we do not expect any major increase from this.

In fact, a lot of our plants are up and running and there are a couple of more factories that are to come. And there is, of course, going to be more active investment in moulds and investments in moulds have gone up in the last five-six years and that will continue and that's going to be a

major part of the CAPEX.

Achal Lohade: Got it. Thank you. I wish you all the best, sir. I will fall back in the queue. Thank you.

Moderator: Thank you. The next question comes from the line of Aditya Bhartia from Investec. Please go

ahead.

Aditya Bhartia: Hi Mithun, Hi Ram. My first question is on employee expenses and Op Ex .which have almost

doubled in the last three years. Just wanted to understand is there an element of factory overheads not being absorbed properly, given that we are still in the ramp up phase? Or is it just a function of us doing more business in-house and therefore gross margins correspondingly increasing but

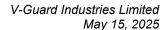
associated costs now getting recorded in staff expenses and other expenses?

Mithun K. Chittilappilly: Okay. So I do not think the employee expenses have doubled over the last year.

Sudarshan Kasturi: Not doubled in three years, but against the published numbers, when we look at it's showing

about a 26%, 28% growth. And the increase is basically because there were some writebacks

last year.





Mithun K. Chittilappilly: Okay. So if you look at Q4, I think there was some writebacks in the previous year of ESOP and

stuff like that.

**Sudarshan Kasturi:** ESOP and variable pay some writebacks were there, this year the full provision is there.

Aditya Bhartia: No, sir I was looking from a three-year perspective that on a three-year basis, let's say, in FY '22

we used to have roughly  $\stackrel{?}{_{\sim}}$  270-odd crores of per employee expenses which now are  $\stackrel{?}{_{\sim}}$  520 crores. Other expenses used to be  $\stackrel{?}{_{\sim}}$ 470 crores,  $\stackrel{?}{_{\sim}}$ 480 crores, which are now almost  $\stackrel{?}{_{\sim}}$ 1,000 crores. So, from that perspective I was saying that is it also because of the change in mix or procurement

wherein we are doing a lot more in-house?

**Sudarshan Kasturi:** So if you take employee expenses, the underlying growth rate of for the last three years was

about 15% to 16%, which is really the routine increments, and some headcount increases and so

on. The rest of it, as explained, when new factories come up there are people getting added there.

Mithun K. Chittilappilly: The other expenditure?

Sudarshan Kasturi: Even people cost. Similarly, on other expenses, there are manufacturing expenses going in where

the new factories start coming in and then we see that the growth rate is higher. Once all the factories are set up and they have had one full year of operation, then this will start getting into

a normalized level of growth.

Mithun K. Chittilappilly: You can say at least maybe if you look at other expenditures and as a percentage of sales, close

to 1% to 1.5% is because of factory. Employee cost is largely okay, I mean there has been

addition of Sunflame's employees into our employment.

**Sudarshan Kasturi:** Sunflame is an addition that's come in the last three years, plus new factories.

Aditya Bhartia: Okay. And do you think some of these costs are today not being properly absorbed and there's

scope of increasing capacity utilization at our facilities and therefore operating leverage benefits should be playing out? Or all that has already happened and we are at a reasonable utilization

level?

Mithun K. Chittilappilly: Not the factory. So, for example, the first factory that was set up, I mean, the fan factory and the

Uttarakhand factory for Electronics, they are largely stabilized and delivering the results. Even battery factories have extended and started. But the Vapi plant for kitchen is not operating at the

full capacity.

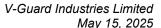
**Sudarshan Kasturi:** Typically in the first year of operation you will find that there is under absorption, but it takes

about that much time for the factory to reach its potential.

Aditya Bhartia: Sure. And sir my second question is on the outlook that you gave in the presentation wherein

you have mentioned that there was strong pre-filling in the channel in anticipation of a good

summer. And at the same time, you also mentioned that you are excited about the new product





launches. So just two clarifications on that, given that summer so far has been weak, does it mean that channel has much more inventory than what is required, excess inventory, and to that extent primary sales in the next few quarters could be very weak?

And the second question is, the new product launches that you are speaking about, are these usual product refreshes that we would be doing, the usual product launches that you would be doing, or is there something more to it, maybe a new product category or a complete change in product profile?

Mithun K. Chittilappilly:

So, as far as the new products, I think one of the key launches we have had last month was for fans. We have launched a mid-market range of BLDC fans, which comes in various configurations. And I think this segment, so V-Guard does slightly less than indexation in BLDC was slightly less than what we would have liked to be, and this should address that. This launch should do well. I think the initial response has been great. I was there when we had the great launch with all the key retailers of the county. So I think whether there is summer or not summer, I think this product would sell. So that's point number one.

We are also having a key launch for water heaters, it's going to happen in the next couple of weeks. That is also addressing the premium end of the water heater market, and that also we are quite excited about. So, these new launches should do well because in some sense they are addressing a new pricing segment where either we were not present or our models were not very desirable. So in that sense they should do well whether the summer is good or bad.

The second thing is, in case of South India, yes, there has been strong preseason filling, and sellout has been quite weak. But I think in the other parts of the country there has been reasonably decent summer, so we will wait and see. We are not yet over, in terms of North at least till June 30th we typically get sales. So some of this issue is only related to the southern part, where last year in South India we had a very, very warm summer.

Aditya Bhartia:

Understood, sir. That that's helpful. Thanks Mithun, thanks Ram.

**Moderator:** 

Thank you. Ladies and gentlemen, we take the last question from the line of Naushad Chaudhary from Aditya Birla Mutual Fund. Please go ahead.

Naushad Chaudhary:

Yes, just one clarification on FY '26 outlook. As the summer cycle is not doing well, do we still maintain our 14%, 15% top-line growth and consistent EBITDA margin expansion for '26?

Mithun K. Chittilappilly:

So I think like we said, we are really looking at one part of the country where summer has been impacted. There also we have time till May 30th, but South India typically March-April is the peak of summer. But the other parts of the country it is still warm, so we will wait and see. And like I said, last year if you look at it, only Q1 was very, very strong. After that, in fact Q2 and Q3, the performance was not that robust. So, we are not sitting on a very high base. So we could have a situation where Q1 growth could be slightly impacted, but for the full year we should still



try and hit that 14%, 15% growth. And margins, we are quite confident of maintaining the margins, we are not so far that worried.

Naushad Chaudhary: Okay. Thank you, sir. All the best.

Moderator: Thank you. Ladies and gentlemen, with that we conclude the question-and-answer session. I

now hand the conference over to the management for their closing comments.

Mithun K. Chittilappilly: Yes. Thank you all for taking time out to join our earnings call. I would like to thank Natasha

and the team at PhillipCapital for hosting this call. We look forward to interacting with all of

you in the next quarter. Thank you.

Moderator: Thank you. On behalf of PhillipCapital (India) Private Limited, that concludes this conference.

Thank you for joining us. And you may now disconnect your lines.

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