November 7, 2025

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

Dear Sir/Madam,

Sub: Transcript of earnings call pertaining to the Unaudited Financial Results for the quarter and half year ended September 30, 2025.

This is with reference to the intimation dated October 21, 2025, filed with the stock exchanges in terms of regulation 30 of the SEBI (Listing Obligation and Disclosure Requirements) Regulation, 2015, regarding the earnings call to discuss the financial results for the quarter and half year ended September 30, 2025, scheduled on October 30, 2025. The audio recording was filed with the stock exchange. We are enclosing the transcript of the Earnings call. The same is also being uploaded on the website of the Company at the below link:

https://www.vguard.in/uploads/investor_relations/V-Guard-Industries-Q2-FY26-Transcript.pdf

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

Thanking You,

Yours Sincerely,

For V-Guard Industries Limited

VIKAS KUMAR TAK

Digitally signed by VIKAS KUMAR TAK
Date: 2025.11.07 12:32:49 +05'30'

V-GUARD INDUSTRIES LTD. ★ DOOR NO. 42/962, VENNALA HIGH SCHOOL ROAD ★ VENNALA KOCHI-682028

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

Encl: As above

"V-Guard Industries Limited

Q2 & H1 FY '26 Earnings Conference Call"

October 30, 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: MR. DEEPAK AGARWAL – AXIS CAPITAL LIMITED

Moderator: Ladies and gentlemen, good day, and welcome to V-Guard's Q2 and H1 FY '26 Earnings Conference Call hosted by Axis Capital Limited. As a reminder, all participant lines will be in the listen-only mode, and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing star then zero on your touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Deepak Agarwal from Axis Capital Limited. Thank you, and over to you, sir.

Deepak Agarwal: Thanks. Good afternoon, everyone. On behalf of Axis Capital Limited, I welcome you all to V-Guard Industries Limited's Q2 FY '26 Earnings Conference Call. Today, we have with us the senior management represented by Mr. Mithun K. Chittilappilly, Managing Director; Mr. Ramachandran V, Director and Chief Operating Officer; and Mr. Sudarshan Kasturi, Senior Vice President and Chief Financial Officer.

Without taking much of time, I will hand over the floor to the management for their opening remarks, post which we'll open the floor for Q&A. Thanks. Over to you, sir. Thank you.

Mithun K. Chittilappilly: Yes. Thank you. Good afternoon, everyone, and welcome to this earnings call. On behalf of the team at V-Guard, we would like to convey best wishes for the festive season and wish all of you a prosperous year ahead. I would like to thank Deepak Agarwal and the team at Axis Capital for hosting today's call.

We will be discussing the operating and financial performance for the second quarter and half year of FY '26. I trust that all of you have had the opportunity to review the investor presentation shared earlier.

We witnessed a modest top line growth across segments during the second quarter of FY '26 due to headwinds such as higher-than-average rainfall, weak demand and the GST transition. Consolidated net revenue from operations for the quarter was INR1,340 crores, an increase of 3.6% over the revenue recorded in the corresponding period of the previous quarter.

The Electronics segment comprising of Stabilizers, Inverter Systems, UPS Systems and Solar Systems delivered a growth of 5.3% Y-o-Y in the second quarter. The prolonged and intense monsoon impacted the demand for Stabilizers and Inverters.

The Electricals segment, which remains our largest revenue contributor and includes Wires, Pumps, Switchgears and Modular Switches, registered a growth, revenue growth of 4.7%.

In the Consumer Durables segment, covering Fans, Water Heaters, Kitchen Appliances and Air Coolers, we reported a revenue growth of 1% Y-o-Y. Here again, the unseasonal rain impacted demand for Fans and Air Coolers.

Sunflame reported top line growth of 3.4% on a Y-o-Y basis in Q2. General trade and modern trade channels delivered growth, while CSD business continued its decline. We believe the progress of the integration and the eventual merger of Sunflame will help to accelerate growth and unlock efficiencies.

Gross margin continues to be healthy, sustaining the progress made in the recent years. In Q2, we reported a gross margin of 37.6% compared to 36.2% in Q2 last year, an increase of 140 basis points. On a sequential quarter basis, the gross margin has improved by around 70 bps from 36.9% in Q1 FY '26.

EBITDA, excluding other income for Q2 stood at INR109 crores, declining marginally by about 1% Y-o-Y basis. Given the low top line growth, the EBITDA margin reduced by 40 basis points to 8.1% compared to 8.5% in Q2 of FY '25.

Consolidated PAT for the quarter was INR65 crores compared to INR63 crores in the same period of last year, an increase of 3%. Reforms introduced as part of GST 2.0 are a welcome step in simplifying the tax structure and boosting consumption. We expect the improvement in demand to start reflecting in the coming quarters.

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

Moderator: The first question is from the line of Ravi Swaminathan from Avendus Spark. Please go ahead.

Ravi Swaminathan: Hi and thanks for taking my questions. My first question is with respect to the Electronics segment. If you can give more colour on the kind of growth that the Stabilizer and the Inverter segments would have seen. So my question is would the Stabilizer category have seen a decline this quarter because of AC season, AC sales also not doing that great.

And any colour on how the Inverter segment would have grown, including the Solar Inverter category? And also in this quarter, the margins in the Electronics segment had dipped. Was it purely because of the mix being slightly inferior and lack of operating leverage?

Mithun K. Chittilappilly: Yes. As a policy, we don't give out product-wise numbers, but I can definitely say that the Stabilizer product as a whole has declined in revenues, largely led by the decline in Air Conditioner Stabilizers, as last year, we had a very good Q1, extremely good Q1 and followed by a good Q2. The Inverter and Solar Business have grown well. The Inverter business has grown decently well. Solar Business is a new business, so it has grown at a higher rate. So what you see is a blended number.

Yes, gross margin difference is due to, mainly due to the product mix. And yes, to some degree, like the factories were operating at higher capacity, especially our Pantnagar plant was operating at a higher capacity last year compared to this year. So all this would have played a part.

Ravi Swaminathan: Understood. And with respect to the backward integration efforts in terms of extending our Battery manufacturing facility for the Inverters, what is the status of that? And how much margin improvement should we expect for the Inverter category because of this? Need not quantify, but if you can directionally give an answer also?

Mithun K. Chittilappilly: Yes. So, we have already started on Phase 1 of Battery manufacturing. So today, our capacity is roughly about 40% to 50% of our total sales. We have a plan to actually increase capacity and then probably take this to at least 70% to 80%, over the next 2 years.

Ravi Swaminathan: Understood.

Mithun K. Chittilappilly: I mean, there is already some improvement that has happened. When we had done the investment, we had envisaged improvement in margins, and they are delivering as per our expectations. And with the expansion, we could see some more improvement because of further operating leverage.

Ravi Swaminathan: Understood. And my second question is with respect to the Electricals segment. So essentially, other players in the Wires category have seen double-digit growth. And for us, Switches and Switchgears is a relatively smaller business. So from a low base, it should be growing. But in spite of that, we would have delivered only mid-single-digit growth there. So did the Pump category see a decline during this quarter?

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

Ramachandran V: Yes. So I think basically, as far as the Electricals segment is concerned, I think some of our competitors have definitely grown well. But I think a good part of it has actually come from the Cable business. So we are basically in House Wiring Cables business, right? So Domestic House Wiring, right? So I think that's one dimension to that.

Otherwise, yes, I think also this quarter, I think the monsoon has been very, very strong. I think we've had like the highest monsoon in the last 15 years, and this affects construction activity also. It will affect the sellout from the trade also. So which is why the Electrical category has seen a bit of, what I would say, lower single-digit kind of a growth here.

The Pump business has been flat. Yes, the monsoon is good. So water table is good. So Pump replacements have not happened. So Pump is flat for the quarter, yes. It has not declined.

Ravi Swaminathan: Understood

Moderator: Thank You. The next question is from the line of Natasha Jain from Phillip Capital. Please go ahead.

Natasha Jain: Thank you for the opportunity. Good afternoon, Sir. My first question is a follow-up on the last one. So, if Pumps have been flat and Switchgear is pretty much a very small contributor in the

Electricals overall, so margin improvement has been extremely sharp given top line has been quite moderate. So, any one-offs in terms of margins?

Mithun K. Chittilappilly: No. I think see, what has happened is we had a quarter where there were sharp increases in copper prices. So although the Wire business growth has been muted, there has been a good improvement in the gross margin for Wires because by the time we purchase Copper, we process it and when we sell it, the price is going up. So you get that benefit of inventory. We are basically selling inventory produced at lower cost at higher prices. So that effect plays out a little bit.

Natasha Jain: Okay. Understood. But then by that logic, if I see fourth quarter of last year, fourth quarter of last year was a super strong quarter, again, mainly because of Copper rising. And in that quarter, you grew by 15%, but the margin was still at 11.5%.

Mithun K. Chittilappilly: I think a lot of things are there. There is the timing of the price increases, the quantum of price increases and all that. I think this quarter, there is, I'm not sure about the velocity, but I think this quarter, definitely, there was.

Sudarshan Kasturi: See some normal range of fluctuations will always be there. The Electricals, the midpoint margin, we can take it about 10.5%, 1% here and there quarter-to-quarter, we have to expect some variations. Within that, there can be many reasons.

Ramachandran V: See, it can also happen that, see, the Wire business is a commodity business and prices go up and prices go down.

I think maybe last year's factors which would have impacted the Wire would have been different and what would have impacted this year would have been different.

Mithun K. Chittilappilly: I think primary margin difference is what you are seeing is coming from the Wire itself because the other categories are all pretty much in the stable state.

Natasha Jain: Understood, sir. That's helpful. And my second question is on Sunflame. Now if I compare your numbers with peers, definitely, we might have underperformed slightly compared to peers. Now even at that moderate top line, again, margin expansion is sharp even if I take a sequential look at the margins. So assuming even you are indexed to Cooker, Cookware, where there was a GST rate cut, but that's again hardly 10 to 11 days in the quarter. So what again has led to such strong improvement in margins in Sunflame?

Ramachandran V: No, no. Our Sunflame margins are significantly depressed, and they have to only get better over a period of time. I think last year numbers are not reflective of the long-term margin of Sunflame business. So I think Sunflame performance is not extraordinary.

Mithun K. Chittilappilly: See, last year numbers were extremely low because of a lot of transition issues and transition costs and everything. So it's slowly coming back to the normal.

Natasha Jain: So sir, what should we assume a normalized range here going forward for Sunflame?

Mithun K. Chittilappilly: Yes. So I think in 2 years, we are expecting to hit about 12%; our 12% EBIT is what we should expect in 2 to 3 years' time. It'll go up in phases.

Natasha Jain: Understood. And sir, just one last question on Consumer Durables. How has the winter portfolio started picking up?

Mithun K. Chittilappilly: So just like the factors that are affecting summer products that are bad for them, definitely, the heating categories like Water Heaters should do well. We also have a significant new launch this year that's doing well. So we'll come back and update after Q3. I think the expectation is to have a good sale for Water Heaters this year.

Natasha Jain: And sir, any pricing pressure you're seeing on Water Heaters?

Mithun K. Chittilappilly: The Water Heaters is a very competitive category. It has been competitive for the last 6, 7 years. There are close to 20, 30 brands and every year, 2, 3 brands enter. Pretty much anyone in Sanitary today is having Water Heaters. Anyone who's selling Tiles also will sell Water Heaters. So there are all kinds of people in the industry today. But we have some differentiated product offerings that we have this year, so we should be okay. But yes, it remains ultracompetitive.

Natasha Jain: Thank you so much sir and all the very best.

Moderator: Thank you. The next question is from the line of Shivkumar Prajapati from Ambit Investment Management Advisors. Please go ahead.

Shivkumar Prajapati: Hi thanks for taking my question. So my first question is, would you be able to give the breakup within this Consumer Durables segment, I mean, which forms around 30% of our top line, I mean, the breakup between Heaters, Fans, Kitchen Appliances and Coolers?

Mithun K. Chittilappilly: No. As I said before, as a policy, we don't give out category-wise numbers. But I can tell you the bulk of the Consumer Durable is driven by Fans and Water Heaters. That forms the majority.

Shivkumar Prajapati: Understood. And sir, how was the demand for Fans during this quarter? Or do you see any uptick so far 30 days of this October month?

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

Ramachandran V: Yes. The Fan business is still coming out of the challenges of, let's say, strong monsoon and its impact on Fan demand. So we continue to remain in a challenging; I think for us, I think Ceiling Fans would have been flat to maybe low single-digit growth. And TPW would have been still having double-digit degrowth.

Shivkumar Prajapati: Understood, sir. And sir, my next question is on Solar Pumps. I mean, I believe this forms really very small part of our business so far. So just wanted to understand what your take on this boost that we are seeing in the Solar Pumps demand these days? And how bullish are we to develop this segment going forward?

Mithun K. Chittilappilly: So V-Guard is not present in the Solar Pump business. So we are in the Solar Rooftop Inverter and Panels business. So they are 2 different segments. And we are present in Solar Water Heating business. But I think by next year, we are hoping to enter Solar Pump business. We have so far stayed away because it's a government and tendering-based business. It is a large business, and we are exploring opportunities to enter.

Shivkumar Prajapati: Ok great sir. Thank you.

Moderator: Thank you. The next question is from the line of Keyur Pandya from ICICI Prudential Life Insurance Limited. Please go ahead.

Keyur Pandya: Thank you. Sir, two questions. First on the Electronics side. So in quarter 2, which was relatively weaker, we have seen 17% plus kind of margin and the initiatives that you have taken, whether backward integration or some other efforts, should we assume the annual margins steady state should be upwards of 17%? Or what should be the margin range for Electronics segment? That is first question.

Mithun K. Chittilappilly: No, I think Electronics segment.

Sudarshan Kasturi: 17% to 18% is the normative margin for the segment. When you go into H2, there will be other factors, the mix will change and all that. But you can assume 17% to 18% range.

Mithun K. Chittilappilly: It should hover between 17% to 18%.

Keyur Pandya: Okay. Generally, Q4 and Q1 margins are relatively higher. Despite that, you're guiding 17%-18%. Are you keeping some margin of safety or we should assume 17%- 18%? There were some one-offs in these higher margins.

Mithun K. Chittilappilly: If you look at a very long-term number, like 5 years back, our in-house manufacturing for Electronics was close to like 20%-odd. And now it has gone to something like 50%- 60% or even 60%. So that definitely that backward integration has played a role. The new normative margin is what we are saying could be between 17% to 18%. The thing is the mix changes every quarter as well.

Keyur Pandya: Understood. Sir, second question is on the lower growth in Stabilizers because of the AC. You earlier talked about two important categories for Stabilizers which are ACs and TVs. So are you seeing any TV-led demand in Stabilizers post cut in GST rates or even otherwise, with normalization in say, AC inventory or Stabilizer inventory, how should we see some normalization or growth, say, over the next 2, 3 quarters?

Mithun K. Chittilappilly: So ex of AC Stabilizers, the Stabilizer business has done well, both Refrigerator and Television business has done well. The cut on GST, for that, it is still very early days because it is effective from 22nd of September. I think this quarter will determine that. But having said that, the weightage of Air Conditioner Stabilizers is very high. It is still very, very big part of the Stabilizer business. So even if the other segment grows, it may not be enough to offset the decline.

Keyur Pandya: Understood. Just last question on the capex side. So capex number for this year or this year and next year and the areas where we are spending capex on?

Mithun K. Chittilappilly: So capex will be between INR120 crores to INR130 crores in the current year and next year. Areas will be, there is capex going in for a new Research and Innovation Centre. There is capex going for 2 factories, Fan factory this year and maybe Battery factory next year. And then balance will be for; a lot of it is also going for moulds and dyes.

Keyur Pandya: Understood Sir and Thanks a lot.

Moderator: Thank You. The next question is from the line of Keshav Lahoti from HDFC Securities. Please go ahead.

Keshav Lahoti: Thank you for the opportunity. As Q2 has been slightly muted quarter, any change in guidance on the top line growth and margin what you have given earlier?

Mithun K. Chittilappilly: No, I think when we started the year, we said that we hope to grow by 15%-odd, but that definitely looks unlikely. We wouldn't like to give any guidance at this time. We'll wait and see. I think once we finish Q3, and we'll have a better sense of how we'll end the year.

Definitely, this year has been very, very challenging. And we also have to remember that last year, H1, we had a very high base. We grew by almost 18%-odd in the first half. So we hope to do better in H2 and, but it's too early to say. So once we complete Q3, we'll say. But definitely, achieving 15% growth this year wouldn't be possible.

Keshav Lahoti: Understood. Got it. And sir, in Sunflame, can you give us some sense how each channel has done this time? And lastly, how you see the Sunflame growth going forward on the margin side?

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

Ramachandran V: Yes, yes. So I think traction on Sunflame is good as far as general trade and modern trade is concerned, which is organized retail. So these are good. And we are integrating the GTM for general trade as we speak.

And so it should favourably support Sunflame. I think the challenge on CSD remains as far as we are concerned. And I think it's going to take us some more time before the e-commerce is going to fire for us. So that's where we are. E-commerce and CSD are the two areas where we still have work to do. e-commerce should, in 3 to 6 months' time, pick up.

Some of the categories; see, our operating model is slightly different from Sunflame. So we directly sell on the platforms and listing the SKUs and getting them through the process is a time-consuming process. And I think things will get better once our foundation that is stabilized as far as e-commerce is concerned. CSD, I think we'll have to wait and watch and see how that entire environment develops.

Keshav Lahoti: Got it. One last follow-up on this. So what kind of synergy benefits do you expect from Sunflame? What will be the key benefits?

Mithun K. Chittilappilly: We will not give any quantitative way. We'll talk a little qualitatively.

Ramachandran V: Yes. So mainly synergy will come in areas like customer service, quality and logistics. Also in the front end, right, in terms of go-to-market, where, we will have significant ability to get Sunflame to reach more counters in South and East. So where we are strong. So I think these are the benefits that we are talking about. And I think maybe in a 2- to 3-year time frame, the benefits will also be visible in areas like e-commerce and organized retail, where we have strong strengths.

Keshav Lahoti: What I'm trying to understand, it's already a wholly owned subsidiary. Anyway, this benefit can be done earlier also. Are there any major benefits, any cost rationalization or making side?

Ramachandran V: No, we kept the entities separate, and we were running the two businesses separately. The integration is happening as we speak, this year. So service integration is complete. We are already seeing some financial benefits there from customer service. And integration in other areas is underway as we speak.

Keshav Lahoti: Got it. So will there be any saving in manpower cost and other expenses, anything on cards?

Ramachandran V: There will obviously be...

Mithun K. Chittilappilly: For example, Sunflame is operating warehouses and all that, which will be eventually merged into V-Guard. So we will save a lot on the back-end logistics. We will save a lot on sourcing because instead of a INR300 crores company, now it will have the might of INR6,000 crores company doing the purchases. So those kind of benefits will come. We just don't want to talk about any quantitative numbers as of yet. But definitely.

Ramachandran V: That's baked into what Mithun has already said, right, where he said that the Sunflame margin in 2 to 3 years will get to 12%. That's baked into that outlook.

Keshav Lahoti: Understood, Alright and thank you.

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

Aniruddha Joshi: Ya thanks for the opportunity. Sir, two questions. Now considering the GST cut on Stabilizer as well as some of the Cooking Products like Cooker, Cookware, etcetera, what will be the overall GST cut? And I guess some of the benefit may get nullified by price hikes in Fans when the BEE norms change in January. So what will be net-net benefit to us considering both the things? That is question number one.

And then secondly, in terms of just, how do we see that whether distribution expansion will also be a key driver for growth because I guess we are having fairly high market shares in the key regions in Southern India. So what will be the strategy? Because whatever we understand in Maharashtra for that matter, the market shares are materially lower.

So how do you see this as the products or the brands are very well known, but somehow the reach is very limited. So is that missing right now in terms of driving the growth also further? Yes, that's it from my side.

Mithun K. Chittilappilly: So regarding GST, see, for our categories, we have primarily had GST cut into two areas. One is for Battery. Lead Acid Battery has come down from 28% to 18%. We have pretty much passed on everything to the consumer as required by the government. The second is on the Solar business, which has come down from 12% to 5%. And again, everything here also pretty much has been passed on. I don't think because of GST, you will see any benefit, point number one. Regarding market expansion, Ram, do you want to take this?

Ramachandran V: Yes. So yes, you're right. I think we are underpenetrated in terms of reach in non-South, including Maharashtra. That's a correct observation. Just for, we went out of South into non-South somewhere around 2009, and we are about maybe 15 years outside of South.

And we have progressively expanded our distribution, and we still look to add about 5,000 counters, 5,000 partners every year. I think that goal remains. And we look forward. I think right now, the contribution of non-South to our revenue is roughly in the region of around 50%-odd. And we look to expand this to 60% by, in another 4 years' time, which would be roughly about, let's say, about 17, 18 years from the time that we got out of South.

I think that's a fairly decent achievement. The contribution of non-South for our portfolio of business is about 63%, 64%. So we can't hit 60% contribution unless we are able to achieve a similar reach in non-South that we have in South. So I think we definitely can do better than what we are doing. But I think that we have made the decent progress, and we continue to expand our reach in non-South market.

Aniruddha Joshi: Okay. Sure, sir. And just on the Fans' price hikes, how much of a price hike we may need to take once we move to the new norms in Jan?

Mithun K. Chittilappilly: So, I think the price hike will basically happen in the 1- and 2-star categories. The current 5-star will become 4-star. And for the new 5-star, new products will have to be launched. I think the increase is going to happen in the economy segment. And what I am told is it's between 5% to 8% to make it compliant. So, the current 1-star we will have to redesign and add a cost of about 5% to 8% to make it 1-star for the new regime after Jan 1.

Aniruddha Joshi: So that's a fairly steep price hike.

Mithun K. Chittilappilly: Yes, it is a steep price hike, and it is going to hit the value segment. So as far as we are concerned, we are not a huge player in the economy segment.

Aniruddha Joshi: Ok. Sure, that's very helpful. Many thanks.

Moderator: Thank you. The next question is from the line of Rahul Agarwal from Ikigai Asset. Please go ahead.

Rahul Agarwal: Hi very good evening and thanks for the opportunity. Mithun, just two questions. Just wanted to get your thoughts on all these new business categories which V-Guard is venturing into. 5 years out, what kind of potential revenue business do we look for Solar - Rooftop and Pumps? You talked about Inverter Batteries, of course, it is growing faster. Lighting is going to be a new addition. So that's one question. And would those revenue sizes be higher than the company level margins? How do you think about that?

And secondly, traditionally, V-Guard has always been a B2C company. Your thoughts on B2B opportunities? It looks like B2C will pick up with the improving in macro and income levels and whatever government has done. But B2B continues to deliver a lot of growth across other categories. Your thoughts on where can we contribute, and can we take some share on the B2B side? So just these two things.

Mithun K. Chittilappilly: Yes. So, I'll answer the first part on the Solar. So, the Solar business is a reasonably new initiative. We started focusing on the Solar Inverter and Panel. Rooftop Panel business was started about 4 years back. It's scaling up really fast. Parallelly, the Inverter and Battery business, which is an older business for V-Guard, is where we have been able to work on cost improvements by backward integration and making our products more competitive, and that's also delivering growth. I think put together; these both can deliver company average margins.

Solar is a new business, and it's also highly competitive. So, the business in Solar is; the margin in Solar is slightly lower than the Inverter Battery compared to the Inverter Battery segment, but I think that will change. And in Solar also, we are right now only selling to the B2C part of Solar. We are not participating in any government tenders and stuff like that.

Yes, so what has happened is that in the last 3- 4 years, the government has significantly increased its spending and capex. And a lot of it is flowing in through areas like Solar, Solar Pumps, Large Solar Rooftop and also Wires and Cables, especially LT, HT and EHP Cables, which you are able to see the results for many of our competitors. So, Ram, you want to add?

Ramachandran V: So a couple of things. If you look at the long-term growth in our industry, I think we have performed fairly well with the comparable peers. The challenge that has been is from those that have participated in the Cable industry and the opportunity on the Cable side, which has been driven by significant increase in the federal capex. So that opportunity has benefitted some of these players. And yes, that is B2B.

And you're right, I think Solar Rooftops, Solar Pumps also represent significant B2B-driven opportunities. Our current GTM, and our current capabilities are all driven and focused around B2C. So that's why we have continued to stay there. We recognize that there are significant opportunities in the B2B space. And this is something that we are internally in a dialogue with. And yes, I mean, if we believe that the product capability is what we share to be able to leverage this, but the GTM capabilities are not present for now.

The second point, the question that you talked about is Lighting. Yes, in the Lighting space, I think we will obviously be focused on driving a Lighting mix, which is healthy and profitable. As you already know, barring 1 or 2 categories, for most of the categories, we are the challengers, right? And we are acutely conscious and we try to manage our business in a healthy and profitable manner. So selling the right product mix is at the heart of how we will run the Lighting business.

Rahul Agarwal: Right. So let's say, for these all-new categories put together, cumulatively 5 years out, what kind of business can we have? Lighting, Solar Pumps put together, these are all new categories, right? V-Guard has never done this. Solar Rooftop, you already have some revenue. Inverter Batteries, you obviously have some kind of run rates. In terms of addressable market, top line, incremental top line, which V-Guard can generate 5 years out, how much would that be?

Mithun K. Chittilappilly: See, I think we don't like to give out these kind of numbers. And one problem is this business like Solar Pumps; it's going to be lumpy. It is going to be project to project, tender to tender state to state. And today, we believe that government is paying up and there are no bad debts and all that. But we are watching this space closely. So we've always said that we would like to grow 14% to 15% annually, and that's what we will look at. And all this will be part of that.

Rahul Agarwal: Right. Thank you so much and all the best.

Moderator: Thank you. The next question is from the line of Nikhat Koor from Dolat Capital. Please go ahead.

Nikhat Koor: Hello, thank you for taking my question. So sir, we have reached 37.6% gross margin, which is quite healthy. So do we expect further improvement in gross margin from here on?

Mithun K. Chittilappilly: I think more or less, we have completed a lot of our capex, which was driving for backward integration and improvement of margins, thereby making us more competitive. I think largely, it is done. We are always looking at cost-out projects and cost improvement and all that. But I think from here on, the delta will be very less.

Nikhat Koor: Okay. And for the EBITDA margin, can we assume around 9.5% to 10% for FY '27?

Mithun K. Chittilappilly: FY '27, yes. Yes. We should hope to get a decent top line growth.

Ramachandran V: See, actually, if we had a decent top line growth, we would have done even better than that, right? So it's basically the summer products have not performed. So there has been a top line shortfall. So the gross margin structure is fine.

Nikhat Koor: Thank you sir and all the best.

Moderator: Thank you. The next question is from the line of Archit Shah from B&K Securities. Please go ahead.

Archit Shah: Thank you for the opportunity. My first question is regarding Sunflame. We saw good margin improvement at 6.5% and also we saw growth. One of the competitors who earlier gave results also saw margin improvement and growth. Is there any fundamental change or improvement in the demand environment or, let's say, on the premium side of the portfolio or is it because the festive season was earlier this year, because of which we are seeing such improvement?

Ramachandran V: The gross margin in the business has only marginally improved. The increase in overall margin is fundamentally where, as we said earlier, last year a lot of transition-related expenses and other activities were involved. They will get progressively lesser as we go forward.

Archit Shah: Okay. So I think sequentially also, we should see the margin at least at this level or to at least keep improving Y-o-Y, right, if I'm not wrong?

Ramachandran V: We should, as I think Mithun has already said, we will be looking at about 12%-odd in the next 2 to 3 years.

Archit Shah: My second question is, regarding Gegadyne, any update or progress about how that partnership is going?

Ramachandran V: Yes. Gegadyne is progressing well and they continue to work on commercializing the technology. So Gegadyne is working well.

Mithun K. Chittilappilly: Just one more point, maybe by Q4 of this year or Q1 of next year, we are looking to launch the V-Guard-Gegadyne Batteries with V-Guard Inverters. So that will start this process. And I think Gegadyne also has one more customer where they will be starting to sell Batteries maybe.

Archit Shah: So, what kind of benefits will that be getting, selling Gegadyne Battery with V-Guard Inverter? Will it increase realization or will it be cost accretive?

Ramachandran V: Look, I think I can tell you about consumer benefits. As far as business benefit is concerned; I think it will take some time. We'll have to commercialize this. We'll have to have the ability to make it on scale and drive it on scale.

So, it may be wiser to answer that in phases and not right now. But as far as the consumer benefit is concerned, yes, it will give a far superior performance compared to Lead Acid and probably better performance compared to even Lithium.

Archit Shah: So basically, it means those batteries will have better pricing?

Ramachandran V: They will have a longer life, right? So that the replacement cycles will be longer.

Mithun K. Chittilappilly: Longer life, less temperature.

Ramachandran V: And safer Batteries.

Mithun K. Chittilappilly: Less increase in temperature and much more safer batteries.

Archit Shah: Ok Sir. Thank You.

Moderator: Thank you. The next question is from the line of Keshav Lahoti from HDFC Securities. Please go ahead.

Keshav Lahoti: Hi Sir. Can you give me some sense how has been, what is the summer product mix in each of your segments in this quarter because that has been a drag for you? And lastly, on Consumer Durable margin, which has always been more like a sub-5%. Is there any scope to improve this margin materially in the next 2-3 years?

Mithun K. Chittilappilly: So, regarding summer categories, bulk of our underperformance has come from Air Conditioner Stabilizers, Air Coolers and TPW Fans. And these three categories have not sold much, and we are having a little bit of extra inventory, which in the next 2 to 3 quarters should get flushed out.

As far as CD is concerned, the largest category within Consumer Durables is Fans. So I think once we start; we are going to start working on the improvement of margins in Fans, and I think that has improved, but I think further improvements are required. I think in the next 2 to 3 years, we should start to see it go to like the 5% to 6% level from the current 1% level.

Keshav Lahoti: Got it. Last question from my side. How is the Fans channel inventory at Q2 end?

Mithun K. Chittilappilly: So ceiling Fan is fine. Like I said, ceiling Fan sales are not that impacted. But TPW, there is huge inventory. There is inventory with trade and there is inventory with us also. So I think we are, as we speak, slowly clearing out this inventory. But as you can see, rains have been very heavy in the last 6 months, 6, 7 months. So we are hoping by, I think, Q4, mid of Q4, we should come back to normalized inventory as far as TPW is concerned. Ceiling Fan inventory is not very high for us.

Keshav Lahoti: Got it. How much is TPW Fan mix in overall Fan portfolio?

Mithun K. Chittilappilly: For us, it's about 25%; 25% to 30% depending on the quarter.

Keshav Lahoti: Thank you. That's it.

Moderator: Thank you. The next question is from the line of Tanay Shah from DAM Capital. Please go ahead.

Tanay Shah: Sir, I just wanted to understand how has the Wires and Cables performance been for us this quarter, given that we've seen only a 5% growth in the segment. So just wanted to understand in terms of value, how it's grown given that Copper prices have seen an uptrend this quarter? And if you could just give some split between volume and value for Wires and Cables, please?

Ramachandran V: Yes. So, the growth that you're seeing has fundamentally come from value growth and volume growth, I think, has been below last year. That's the first observation. Second observation to tell you, I think this quarter also had a couple of rounds of price increase. And I think we also had some challenges in being able to feed the market towards the end of the quarter.

So I think, but then that would not have made a material difference for the quarter, but would definitely have supported the underperformance vis-a-vis last year. The main challenge with Wire is, see, we only sell the House Wiring Cables, whereas the other companies whose growth you may be able to refer to publicly, they sell a wide range of Cables and Wires for a wide range of applications.

House Wiring Cable, also ours is fundamentally a B2C business, and we don't sell Project Wires also, or rather we are insignificant in that space. What that basically means is that in a situation like what we went through where we had monsoon, which was at a 15-year high, naturally, it affects the construction activity and the sellout of Cable from retail outlets.

So that's one of the factors which has put stress on our Wire business. Yes, we are almost entirely selling domestic Wires, which are sold through retail for domestic consumption. Even Projects, we don't sell.

Tanay Shah: So a couple of factors. One is obviously lower construction activity. And second is just some bit of internal issues on our side in terms of clearing our inventory to our dealer network because of which we saw a challenge in terms of volume growth, right?

Mithun K. Chittilappilly: Yes. Like we had some stock-out situations in, because the quantum and the pace of price increases was pretty sharp.

Tanay Shah: Got that, sir. Got that. And secondly, have you seen any sort of, sorry, if I've missed this in the start, but have you seen any sort of improvement in stocking for Water Heaters, et cetera?

Mithun K. Chittilappilly: So typically, Q3 is the biggest quarter. There are various reports which are suggesting that this year, we are supposed to have a winter that is colder than last year. If that happens, definitely, there will be a lot of sellout. So we are hopeful. But like I said, these things, you can never predict.

It's better to talk about it after it happens rather than trying to predict it. But we are hopeful. Definitely, if there is like a cold wave and stuff like that, definitely, it should help water heating part of the business. And we are hopeful of that. And we are, we have, I mean, like I read some reports suggesting that may happen, but let's see what happens in Q3.

Tanay Shah: And sir, just lastly, how has the festive season been for us? How did it go by? And how do we sort of expect demand for, across our portfolio to sort of scale up now in the second half, right? I just wanted to understand and get some flavour on that from your end.

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

Ramachandran V: Festive season has been tepid for us. I mean that's visible in our numbers also. I think what part of it is because of the weather impact and what part of it is related to the festive is a moat question. Because primarily, you will see the reflection of festive for us primarily in Kitchen appliances. Most of the other categories are connected also.

Kerala has done a bit better compared to the other states. If that is any indication because in Kerala, the September quarter had the benefit of Onam in August. But otherwise, we have not seen any, in our categories, it can also be because the trade inventory in many of the summer categories is already high. And they may be running down some of these inventories. So, it's a bit difficult to judge at this stage based on this.

Tanay Shah: Thank you sir.

Moderator: Thank you. The next question is from the line of Prasheel Gandhi from Anand Rathi. Please go ahead.

Prasheel Gandhi: Thank you, sir. Thank you for the opportunity. I just had one question. Sir, continuing from the previous participant, how should we look at complete Kitchen portfolio going ahead, given that Kitchen across has generally seen a muted demand over last 3, 4 years. So how should we think of the Kitchen business?

Ramachandran V: You need to probably see this in the background of two events. So, if you really look at it in the last 5 years, the early part of the 5-year period was COVID and, in that period, a lot of investment inside the home has happened as people were not stepping out and as all of us know, the Kitchen industry was one of the biggest beneficiaries.

I think the later part of it, we also need to keep in context the fact that Kitchen, among all the categories, like Electricals or Consumer Durables or fast-moving Electrical goods, Kitchen is the category that has categories which have the deepest penetration. So a Gas Stove or a Mixer Grinder, or even Cookware has much higher; because see, when you are talking about large Consumer Durables, we are still talking about penetration to the top 10% or 15% of the households. For some of the larger appliances it is not even 2%, 3% or 5%. Cars, again, the penetration is very low. But Kitchen is an item which has the highest penetration. And you should read this together with what is happening to FMCG companies.

So, this is how we would look at it. Yes. And I think that you will see a common theme; categories which are having deep penetration, right, have similarly performed, have seen challenging performance. So there may be an underlying challenge in consumption. But hopefully, I think a lot of favourable steps have been taken by the government, and I do hope things will get better.

Prasheel Gandhi: Thank you, sir. Thank you for the detailed answer.

Moderator: As there are no further questions from the participants, I now hand the conference over to the management for closing comments.

Mithun K. Chittilappilly: Thank you all for taking time to join our earnings call. I would like to thank Deepak Agarwal and the team at Axis Capital for hosting this call. We look forward to interacting with all of you in the next quarter. Thank you.

Moderator: Thank you, sir. On behalf of V-Guard, that concludes this conference. Thank you for joining us, and you may now disconnect your lines.