



PG ELECTROPLAST LIMITED

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May 27, 2024

To,
The Manager (Listing)
BSE Limited,
Phiroze Jeejeebhoy Towers,
Dalal Street,
Mumbai – 400 001

To,
The Manager (Listing)
National Stock Exchange of India Limited,
Exchange Plaza,
Bandra Kurla Complex,
Bandra (East),
Mumbai - 400 051

Scrip Code: 533581

Scrip Symbol: PGEL

Sub.: Intimation under Regulation 30 of SEBI (Listing Obligations and Disclosure Requirements) Regulations 2015 – Transcript of the Earnings Conference Call

Dear Sir/Madam,

Pursuant to Regulation 30 of the SEBI (Listing Obligations & Disclosure Requirements) Regulations, 2015, please find enclosed Transcript of the Earnings Conference Call held on May 23, 2024.

This is for your information & Records.

For **PG Electroplast Limited**

(Sanchay Dubey)
Company Secretary



“PG Electroplast Limited
Q4 FY’24 Results Conference Call”

May 23, 2024



MANAGEMENT: **MR. VISHAL GUPTA – MANAGING DIRECTOR,
FINANCE – PG ELECTROPLAST LIMITED
MR. PRAMOD GUPTA – CHIEF FINANCIAL OFFICER –
PG ELECTROPLAST LIMITED**

MODERATOR: **MR. DEEPAK AGARWAL - JM FINANCIALS**

Moderator: Ladies and gentlemen, good day and welcome to PG Electro Class Limited's Q4 FY24 Results Conference Call, hosted by JM Financials. Ladies and gentlemen, certain statements in the release concerning our future growth prospects are forward-looking statements, which involves a number of risks and uncertainties that could cause our actual results to differ materially from those in such forward-looking statements. We will now undertake to update any forward-looking statements that may be made from time to time by us on our behalf.

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 an 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 JM Financials. Thank you, and over to you, Mr. Agarwal.

Deepak Agarwal: Thanks. Good evening, everyone. On behalf of JM Financials, I welcome you all to PG Electro Class Q4 FY24 Earnings Conference Call.

Today, we have with us Senior Management, represented by Mr. Vishal Gupta, Managing Director of Finance, and Mr. Pramod Gupta, Chief Financial Officer. So, without taking much of time, I would like to hand over the floor to the Management for their opening remarks, post which we open the floor for Q&A. Thank you, and over to you, sir.

Vishal Gupta: Thank you, Deepak. Thank you, everyone. Good evening, everyone. Thank you for spending your valuable time and joining this call today. Hope all of you are doing well. I am joined on this call by Mr. Pramod Gupta, our Chief Financial Officer. We have already shared our results presentation earlier, and hope you must have gone through that. Financial year 2024 has been another remarkable year in the growth journey of PG, with many milestones. The company has been able to de-leverage its balance sheet and raise funds via QIP for the next phase of growth.

The company has also forged a new JV partnership for the TV and hardware business, and the JV company, Goodworth Electronics, was selected for IT hardware PLI 2.0. Operating revenues for the company grew 27% and crossed INR2,746 crores, with product business contributing around 61% share in the operating revenues. EBIDTA also increased by around 52.3%, and stands at around INR275 crores, and net profits rose by around 77% to INR137 crores.

Company has posted industry-leading growth in the product business, and operating revenues for product business crossed INR1,668 crores in FY24, with 24% growth. This is despite the fact that average selling price, that is AFP, in certain categories is down by up to 8% on a year-by-year basis. The room AC business contributed INR1,317 crores, which is a 26% growth on a year-by-year basis. The washing machine business had a growth of 20% on a year-by-year basis, and coolest operating revenues were flat, largely because of steep fall in ASP. Order book and visibility for product business remains robust, and the company is on track to accelerate product business growth significantly in current financial year also.

PG's new product offerings in washing machines and room ACs have been received very well, and we have got very good response from our clients. The company is focusing its efforts towards developing cost leadership, while striving for product leadership too.

Vishal Gupta:

The company continues to see increased interest for business from new and existing clients, and we remain very confident on the future growth prospects of the business. For FY25, our operating revenue guidance starts at least INR3,400 crores in PGEA, and another INR1,600 crores in our GB company, Goodworth Electronics, employing INR4,000 crores of group operating revenue, which is a growth of 46% over FY24 numbers. We are also guiding for consolidated net profit of at least INR200 crores in PG Electroplast, which is a growth of 46% over FY24 net profit of INR137 crores.

The growth in product business, i.e., washing machines, room air conditioners, and air coolers is expected to be around 44% from INR1,668 crores in FY24 to INR2,400 crores in FY25. capex guidance for FY25 is in the range of INR370 to INR380 crores, and the company has planned to further expand room AC capacity by setting up a new integrated unit in Rajasthan. The company is also expanding their washing machine capacity from 1.2 million units to 2 million units with a new greenfield facility being planned in Greater Noida.

The SUPA facilities will be expanded further with new buildings and further capacity enhancement for room AC business.

As suggested by several investors to improve the liquidity in the credit shares, the Board of Directors has approved the stock split in the ratio of 1:10, implying that each INR10 paid-up share will be subdivided into 10 shares of INR1 each. Also, the Board of Directors has approved the final dividend of INR20 paid-up on each split share of INR1 each face value.

I would like to reiterate that the company remains committed to improving capital efficiency by improving asset terms through product business growth, and we aim to deliver industry-leading growth with best-in-class return ratios in coming years. With this, now, I will hand over the call to my colleague, Mr. Pramod Gupta, our CFO, to elaborate on the financials. Thank you.

Pramod Gupta:

Hello and good afternoon, everyone. I am sure you have seen the financials in detail already. We have had a good scale-up during FY24 from operations point of view in a very challenging environment.

The ASPs in the RAC washing machine and coolers were down significantly due to low commodity prices during the year and especially in the fourth quarter. Also, the business in the first half of FY24 suffered due to unseasonal rains, and despite these challenges, we have posted industry-leading growth in RAC revenues of 25% for the full year. The company's operating margins and operating revenues for fourth quarter were up 30% in revenues at INR1,077 crores. EBITDA grew 56% at INR120 crores, and net profit rose 78% to INR71.6 crores.

During the year and fourth quarter, we saw improvement in the margin largely due to cost control, low commodity price, and operating leverage. On balance sheet, net debt has declined

by almost INR325 crores in the fourth quarter on a full-year Y-o-Y basis. During the year, the company has done significant capex in commissioning a new greenfield plant in Bhiwadi, new building in Supa in the PGTL premise, and we have also acquired NGM for INR65 crores, thus assuring land and building availability for future growth in Supa.

As stated by Vishalji, we have guided for INR370 to INR380 crores of capex in the coming financial year. This will be funded largely by internal approvals. Again, reiterating that improving capital efficiency by sweating existing and new assets will be the key focus area for the company in the coming years and quarters. We remain very optimistic on the growth opportunity in our area of focus, and we believe company is well placed to expand its market share further in the coming years.

With this, I would like to open the floor for Q&A. Thank you.

Moderator: Thank you very much. We will now begin the question and answer session. Ladies and gentlemen, we have a first question from the line of Nikhil Kale from Invesco. Please go ahead.

Nikhil Kale: Yes. Thank you for taking the question. Firstly, congratulations on a very good set of numbers. Sir, can you just repeat the AC revenues? Sorry, I missed that, for the year.

Vishal Gupta: AC revenues for this year was INR1,317 crores for FY'24. Yes.

Nikhil Kale: Got it. And what is the outlook for AC revenues? Obviously, the year has started on a very strong note. But at the same time, we also have new facilities coming in for some of the larger brands. So, what is the outlook there and how are you seeing the growth in RAC for FY'25?

Vishal Gupta: Sir, still, for this current financial year, we are again targeting at least 25%-30% growth in our RAC revenue also.

Nikhil Kale: Got it.

Vishal Gupta: Minimum 30%-35% Yes.

Nikhil Kale: Okay. And again, that will be coming in from some of the larger brands or again looking at multiple smaller brands giving you?

Vishal Gupta: It's a mix of large and small brands. We will not be able to give you exact break-up of that because of the obvious reason. But we are targeting at least 35%-40% growth in our RAC numbers for FY'25.

Nikhil Kale: Got it. And, sir, can you just help us with the incentive numbers? So, both on PLI and whatever state incentive that you might have received, if you could just help me with that number?

Vishal Gupta: So, we have already received PLI of INR15 crores in FY'24, which has been recognized in our last balance sheet and the P&L. Coming back to your question, Sir, I will tell you that demand is looking very good in AC business. And, in fact, the industry itself is very pleasantly surprised

with the kind of end-consumer demand. And we are seeing that channel inventories are at a very low level now. So, we see this year going to remain very healthy for AC business.

Nikhil Kale: Okay. And, sir, the PLI incentive you mentioned, the state, the capex that we have done, we will also get some incentives on that, right? That will start from next year?

Vishal Gupta: Yes. We are targeting that we should start getting these benefits from current financial years.

Nikhil Kale: What could be that amount, sir?

Vishal Gupta: It should be around INR40 crores-INR50 crores, Pramod Ji?

Pramod Gupta: Yes. It should be something around that, INR40 crores-INR50 crores.

Nikhil Kale: Got it. And, sir, just on the margin profile, obviously the margins have been very strong. But with the new facility coming in, how are we looking at margins? Do you think that in the near term there could be some dent given that the initial part of the year you might have limited costs?

Pramod Gupta: You have seen our.

Nikhil Kale: No, no, no.

Pramod Gupta: Let me just -- let me take this question. First of all, coming on the incentive, this year the incentive was about INR15 crores from PLI and about INR4.7 crores net from the previous capex that we did in PGEL. Next year onward, in the first year we will get something like INR35 crores-INR40 crores minimum for the for the state government benefit and INR30 crores PLI.

And coming to the operating margins, actually next year in the company PG Electroplast, operating margins, we are having a slight upwards bias for the full year. And one of the main reasons for that is that TV business, which is a low margin business, is no more a part of PG Electroplast. So, on a full year basis, actually we are hoping that we will see some improvement in the margins at the operating level.

Nikhil Kale: Got it. So Q4 it was part, right? Or Q4 also it was not a part of the business?

Pramod Gupta: No, no. Q4 it was a part of PGEL, TV business was very much a part of the PG Electroplast. In fact, even in Q1 we will see some contribution from the TV business because what happened was that there was some inventory of the kits which was lying in the PG Electroplast. They are getting sold out and cleaned out in PG Electroplast. So maybe about INR30 crores-INR40 crores of turnover will come from TV business and PGEL in the first quarter and that will be it. After that, TV business contribution will not be coming in the PG Electroplast.

Nikhil Kale: Got it. Thank you, sir. I'll get back in the queue.

Moderator: Thank you. We have our next question from the line of Vipraw Srivastava from Incred Research. Please go ahead.

- Vipraw Srivastava:** Hi, I'm audible, right?
- Pramod Gupta:** Yes, yes, very much.
- Vipraw Srivastava:** Yes, just a couple of questions. So this incentive of INR20 crores which you have towards from PLI and from capex, how has it been accounted for?
- Pramod Gupta:** There was a cash incentive which has come so it has come as a part of the revenue. So it is a part of the operating revenue.
- Vipraw Srivastava:** So, this whole INR20 crores, right?
- Pramod Gupta:** INR19.7 crores, yes.
- Vipraw Srivastava:** Noted. And secondly sir you have also told that next year also you'll be getting some incentives, right? I missed that. Please repeat that. And secondly, the accounting will be same, right? It will be part of the revenue, right?
- Pramod Gupta:** Yes, yes. There will be a PLI of INR30 crores and INR35 crores-INR40 crores of state government incentive.
- Vipraw Srivastava:** Okay. So total INR65 crores will get incentive next year, right?
- Vishal Gupta:** Yes, yes.
- Vipraw Srivastava:** And last question, so you have also told that you have seen some improvement in margins due to lower commodity prices. So if you can quantify it roughly, how much would that be? Because, I mean, that because copper price is going up now so that might not repeat. So a quantum for that, if possible.
- Pramod Gupta:** In our business, although your quantum is given in the presentation also, if you look at the raw material cost on a full year basis, for us it is actually down by almost 2% or so. I'll just read out the exact number. On a full year basis, it is a 1.35% improvement in the cost of raw material as a percentage of revenue versus the same percent last year. But if the copper prices go up, then our sales also goes up.
- Actually in our business as I have been explaining, it is the fixed amount per unit which I get to make a product. I don't get a percentage. So raw material is a pass-through and optically the margins look better if the cost of raw material goes down and they look a little worse if the cost of raw material goes up. But nonetheless, because my mix is going to change for better because our TV was almost 10% of the revenue this year, slightly more than 10% of the revenue,
- I am expecting still some bump-up in the margins at the operating level in the overall business.
- Vipraw Srivastava:** Okay. Thanks a lot sir. Thank you.

Moderator: Thank you. We have a next question from the line of Pranay Roop Chatterjee from Burman Capital. Please go ahead.

Pranay Roop Chatterjee: Sir, next year you mentioned the number of INR65 crores to INR70 crores of total incentives. My question is how much of these incentives are you building into the INR200 crores package?

Pramod Gupta: So they are built in about the same amount, INR65 crores to INR70 crores versus INR20 crores this year. So there's an incremental INR45 crores and you have to look at PBT on that basis because there will be a tax, full tax, which we will be paying about 20% on these incentives also.

Pranay Roop Chatterjee: So that implies ex-PLI actually, there would be a very marginal bottom line expansion. Is that a fair statement and any specific reason why that is so, despite strong revenue growth?

Pramod Gupta: No, no. We have given that as a minimum this thing. So if you see INR60 crores is what you are saying is going to be the total incentive versus INR20 crores this year. So there's an incremental of INR40 crores. But out of that INR40 crores also 20% tax is going to be there. So effectively INR32 crores is the incremental number which is probably likely to hit the bottom line. INR32 crores versus my profit after tax is going to go up from INR137 crores to at least INR200 crores.

Which is like about INR65 crores-INR70 crores, INR70 crores almost. You can assume out of that INR32 crores is coming from the incentive and rest of it is from operational. And this is a minimum that we are expecting right now and as the year passes we will update you if we are seeing better numbers than what we have guided. In fact April and May month have been very, very strong for the AC sales this year.

And if that continues we'll probably see how we have to talk about the guidance in the coming days.

Pranay Roop Chatterjee: Thanks for that sir but I am slightly confused. So, just going through the numbers again and 45%-46% top line growth EBITDA will obviously, margin will see an improvement because TV is going below PBT and this is the explanation you gave INR135 crores of PAT going to INR200 crores then jump and you explained part of that is PLI. So if you take out the PLI it comes to only like 20% to 25% growth which is the organic portion. So I am just trying to understand 40 plus top line versus 20% bottom line?

Pramod Gupta: No, you are getting it See in the company PG Electroplast the growth in the business is going to be 23% or 24% from INR2,700 crores to something like INR3,400 crores. So that is about 24% growth and I have assumed that margins are likely to be flattish to slight positive I have not assumed a huge margin expansion although there will be upward bias because of TV business not being there and I am saying then apart from that there will be incentive which will be there and overall INR200 crores minimum profit is going to be there.

Pranay Roop Chatterjee: That is clear. Next question is on Goodworth Electronics I just wanted to understand I think it has been discussed previously as well. How exactly is Jaina Group going to add value to this? Both in terms of TV and Hardware Will they be able to bring in substantial new business? Is

there any other benefit they will bring to the business? Because the TV business has been shifted to the JV right and attributable PAT will be lesser for PG minority shareholders.

So I am just trying to get a sense there because I did a bit of digging in Jaina. They seem to be mainly a distribution business. They probably have some manufacturing footprint as well. They have some connections with Chinese manufacturers in other equipment. If you could just help us from your perspective from minority shareholders perspective, what is the value added from Jaina in this JV?

Pramod Gupta:

As we said initially Jaina first of all had a Google ODM license which only two other people have in India Dixon and one more company. So that comes into the JV because of the JV with Jaina. Second thing is that they have very good sourcing capability because they have been the promoters earlier of Karbon brand and they still own the Karbon brand. So they have very good sourcing capabilities in China and good relationship with the large ODM and OEM suppliers in China, especially in the TV and mobile handset and even laptop etc., which we are going to do in this company/

On the forward side also because they themselves are a good decent brand which they do about 7 lakh, 8 lakh TVs every year so large part of it is going to come to this JV for manufacturing and because of the scale that we gain immediately in this company in the TV business we are able to attract lot of brands. And I can tell you I mean within next one year you will be seeing tremendous growth happening in this business.

Last year we did totally 3.5 lakh TV's in our own company in this company within very first year we are targeting at least 7 lakh to 8 lakh TV's and I am very hopeful that in next 1-2 years this number will look even bigger than that, much bigger than that

Pranay Roop Chatterjee:

Got it sir I am sure I will be stopped soon. So I will be quick In terms of the JV which is 50-50 currently how much has PG invested or is going to invest both on the TV and IT hardware side and is the 50-50 split going to remain so even in the visible future?

Pramod Gupta:

Yes 50-50 will remain so in the visible future although they have an option after second year to convert one third of their shareholding into the PG Electroplast shares at the same valuation price to earning multiple as the PG is trading and then it can become a majority shareholding of PG in that case.

That is the option that they have after second year. Right now we have invested close to just about INR6-odd crores in this but we may invest another INR5 crores, INR6 crores in the JV for the TV business. Also by the way they bring lot of their sourcing capabilities, so in this company we are getting open credit from some of the Chinese vendors for TV kits which on our own we would not have been able to procure. So that sourcing capability is the advantage that Jaina brings to us in this JV

Pranay Roop Chatterjee:

Got it sir. And last question any update on IT hardware PLI orders?

- Pramod Gupta:** I will be updating you may be after this election and things are over. Because we are in talk with several clients but none of the clients are making any decision. They are all waiting for the policy and political clarity to happen and hopefully in the next 2-3 months we will be updating you more on that. We have had made some small successes, but nothing to in a very big way all are still in the stages of discussion and some due diligence etc.
- Moderator:** Thank you. The next question is from the line of Yash from Stallion Assets Please go ahead
- Yash:** Hi, thank you for the opportunity My first question is that could you broadly give us an idea of your EBITDA margins across the three main segments of electronics, plastic molding and products
- Pramod Gupta:** So this year you can say plastic molding is about 7.5% margin business electronics is about 2% and then rest of the margin whichever way you look is coming from the product business
- Yash:** I see And next year sir, how do you see the mix evolving given the strong growth that you are seeing in your product segment Do you think your majority like 70% of the revenue would still be on products
- Pramod Gupta:** Product business will continue to drive the growth. We don't expect the plastic component to have much growth and electronics will actually decline because of the TV business going away and the plastic molding and components is likely to see probably about 10%-15% growth. So overall growth is going to be driven largely by the product business where we are expecting and we have given an explicit guidance that at least INR2400 crores kind of a turnover we see in the product business next year versus 1668 crores this year.
- Yash:** And so last question would be given the strong demand we have seen on RACs in Q1 FY '25 How should we look at the seasonality this year?
- Pramod Gupta:** The seasonality still remains very much. It's just that seasonality has shifted forward, earlier business used to start in early December and then it used to end last till April end or mid May. Now this year the business has started late January and is probably continuing into the late June as it looks like.
- Moderator:** The next question is from the line of Bala Murali Krishna from Oman Investments. Please go ahead.
- Bala Murali Krishna:** Regarding any new products we are planning to add like air conditions for railways or any other products we would like to add in the near future in addition to the RAC washing machine
- Pramod Gupta:** Actually there are several discussions with certain clients which are going on we are in active stage of discussion and there are several other opportunities which are also on the doorstep of the company where we are still evaluating some of them and in some of them we are negotiating with some clients.

As and when some of these materialize we will update you but I can tell you the kind of enquiries RFQ and RFPs that are there is very, very high and we will be updating you once some decisions happen on such enquiries and opportunities which we are seeing but we are in active discussion on many other new segments as present.

Bala Murali Krishna: Just to follow up on that, is the railway AC also in the discussion or it is not under discussion

Pramod Gupta: Which is?

Bala Murali Krishna: Air condition supply to railways for the bogies.

Pramod Gupta: No we are not looking at railways as of now. That is a little different segment we are mostly going to concentrate on the consumer segments largely and we are going to be focusing on business to business segments not business to government yet. So we are little choosy on that segment that we will be probably continuing in this area.

Bala Murali Krishna: Yes that's a good one So regarding this hardware section when we can get some contribution, I don't know whether we are already producing laptop kind of things or not when we can get some contribution from that when we are expecting and what could be the margins in this laptop?

Pramod Gupta: We will be surely updating you on those numbers We will see some contribution in the hardware PLI this year We have made a small success in one of the client where our unit has succeeded in getting the clearance and we have got a final go through but they have to still place their first order and we are hoping that in coming months we will see something in the hardware PLI from that client but in other clients it is only the discussions which are happening and there is nothing materialized as of yet, everybody is waiting for probably the Election to get over and then take some decisions on manufacturing it in India or continue to source from other countries as of today.

Bala Murali Krishna: Yes and lastly on margins side so on a overall basis we are around 10% and but in Q4 we are around 11.1% so in the FY '25 which one we can see that we can do beyond 11.1% or it will be between 10 to 11 in a broad idea as not known in the ballpark number?

Pramod Gupta: I just want to highlight here and caution everybody that you know ours is a seasonal business so when you look at on a particular quarter and extrapolate it probably it is not the right way because we have a little higher exposure to the summer products which is AC and coolers and fans and maybe refrigerator components on the component side so Q1 and Q4 are typically very heavy and then operating leverage kicks in them in these quarters and Q2 and Q3 typically there is a slightly lower margin because the operating leverage works other way so please keep that in mind and always keep the full year margin as a benchmark and we hope to do better than that in the coming years surely on operating level on a full year basis

Bala Murali Krishna: Thanks a lot That's all from my side Thank you sir

Moderator: The next question will be from the line of Darshil Jhaveri from Crown Capital Please go ahead

Darshil Jhaveri: A lot of my questions have already been answered I just wanted to know our capex we're planning around INR370, INR380 crores what kind of assets and could we expect and will this capex be completed itself in FY '25 some color on that would be very helpful?

Pramod Gupta: So as we have been saying that we will require we want our fixed asset terms to improve and we think that at least 4-4.5 is minimum that we want in any new project which we are looking at This year incidentally the fixed asset terms are looking slightly lower than last year the reason being is that most of the capex got capitalized in the 4th quarter and there was hardly any contribution from Bhiwadi as well as the new NGM factory which we acquired in the 4th quarter. So assets have come in and there has been no revenue contribution from them. So that should actually see an improvement going forward as these assets start contributing towards the revenues.

Next years capex we hope to complete significant part of it in the next year itself. One of the major expansion which is happening is actually in the infra buildup, specifically the land and building for future growth area. This year probably we are going to be building almost close to a 1 million square feet to take care of the future growth opportunities that we see on the horizon. And therefore that is eating away lot of the capex in the coming year out of the INR380 crores that I talked about, almost INR180 crores will be or INR170 crores will be going in the land and building. And we hope that we should be able to complete significant portion of the building in the next year itself

Darshil Jhaveri: Fair enough sir That was very helpful sir. Just one maybe on a broad base, we have been doing fantastic numbers in the last 3 years. So just wanted to get a sense that now also we are striving for a great growth so over a long-term period maybe 3 years 5 years what kind of a run rate could we look at -- are we looking at what kind of a CAGR growth are we looking at?

Pramod Gupta: I mean with that kind of visibility we do not have but we can draw some inferences from the segmental growth in which we operate how they have panned out in other countries and the macroeconomic changes have happened like they are happening in India and we remain very optimistic on both AC, washing machine TVs as well as the new categories which we are pursuing and we think that penetration levels are still very low.

We think that we could be seeing even from here few times revenues in the coming 5 to 7 years because the penetration levels of AC just remains about 7%-8%, washing machine 12%-13%. So that kind of numbers will eventually go up as the spending power goes up. So the CAGR revenue should be very healthy in the medium to long term in our opinion which is like 3 to 5 years or 5 to 7 years we think we should see very healthy growth

Darshil Jhaveri: So in FY '26 also we would be able to do FY '25 type of growth, in terms of maybe next 2-3 years we would have substantial growth and then we would maybe come to a normalized rate would that be a fair way to look at it? Or maybe for the next 5-6 years we will go all conservative?

- Pramod Gupta:** I think our growth is going to be tied up to the industry growth, if industry does well we do typically better than the industry always because we have been gaining market share and we think that if the industry grows at about 15%-20% which we are very optimistic it should then we should be doing better than that in the medium term, in the existing product lines
- Darshil Jhaveri:** Okay. Fair enough. That's it from my side. Thank you. All the best.
- Pramod Gupta:** Thank you.
- Moderator:** Thank you, sir. We have our next question from the line of Kaushik Mohan from Ashika Stock Broking. Please go ahead
- Kaushik Mohan:** Hi, sir. Congratulations for the good set of numbers. It's a simple question. I just wanted to understand this year we have done around INR137 crores. So we have also received a PLI of INR15 crores that means that post taxes it will be somewhere around INR11.8 crores that means we have done exactly business wise it is 125.4. So we are guiding next year to be around 200 that means that we have a PLI benefit of INR40 crores, INR40 crores minus 21% leaves out to be as INR168.4 crores that means that we are talking about 35% growth am I right?
- Pramod Gupta:** Roughly to that extent maybe little -- the number is like INR30 crores is a PLI and another INR30-INR35 crores minimum should be the government incentive, state government incentive. So on that you take out something like 20% 21% tax out and then whatever remains is the growth you can assume if you want to look at that way. Also I want to highlight there that we are assuming not very high margin expansion next year although we think that margin will be expanding because TV business contribution is going to be lower.
- So overall we hope that we should be able to surpass this INR200 crores guidance at least that what we have given and we will be updating you more after the first quarter numbers on both top line and on the margins. Right now whatever business plan we have we are doing slightly better than what we expected in the month of April and May
- Kaushik Mohan:** Got it. And ROCE can I get if possible can get the volume growth as per our understanding we came to know that AC prices per unit has been gone down drastically. So just we wanted to understand because our margins is intact and we have a fixed cost pass over for the client. So we will be having an fixed EBITDA per unit. So can I understand what is the volume growth from last year to this year on AC and washing machine and other?
- Pramod Gupta:** Yes. Just give me 2 minutes -- just give me a second I will do that. In the meantime if you have any other question we can take that?
- Kaushik Mohan:** I have another question. Sir I just wanted to understand like how much are we in our entire total revenue on the AC part and the washing machine part and also on the air cooler how much is going for the branded players and how much is going for the private level players if it is possible to be?

- Pramod Gupta:** Yes almost 80% to 85% is going in the AC to the brands and about 15% to 17% is going to the to private levels. In the washing machine it is slightly on the higher side probably the private levels are close to about 35% and brands are about 65%. Now coming to your volume growth in washing machine the volume growth was about 24% -- the volume growth was about 12% for indoor units and volume growth was about 51% for outdoor units.
- Kaushik Mohan:** Sir if possible can I get the unit number also if possible?
- Pramod Gupta:** Unit number we have stopped giving actually but we can take it offline.
- Kaushik Mohan:** Sir last and final question I just wanted to understand the branded and white good players where do we get the higher margin do we get it from the branded player or do we get it from the white good players private level?
- Pramod Gupta:** No margins are very similar the pricing or the conversion cost that they give is actually similar in both the brands and white good players. It is just that white good players most of them do not intend to have their capacity and they are slightly better because they are doing sourcing from imports or they may be totally outsourcing locally, they are dependent on outsourcing and therefore there is no risk of seeing any business going away because of their capacity coming or those things, but margins wise there is hardly any difference.
- Kaushik Mohan:** And sir which is the best company that I can assume for us to be in the comparison?
- Pramod Gupta:** We actually have a slightly different mix, In washing machines and TV we are competing with Dixon and in AC we are competing with Amber and therefore it is a slight mix of that now Amber has also got into washing machines now let's see what happens next year because they have invested in Resojet, we can be actually compared to Amber in some of the bigger overall things because for us AC is still the largest segment as of today
- Kaushik Mohan:** Got it. And sir Amber when we compare with the peers our employee cost is slightly being higher I understand that I have seen the practice so I understand what is happening, but can I understand do we have because currently we have expanded so much capex and all, so on opex side, on the employee side how much it will be increasing going further?
- Pramod Gupta:** See employee cost should grow in line with the revenues, In the last 1 years, 2 years there has been significant portion in employee cost almost 10% to 12% in the last 2 years which is coming from the hit on account of ESOPs. So we have given quite decent ESOPs, almost 200 people in our company are covered under ESOP and we have taken INR15.5 crores hit this year which is a part of our employee cost because of the ESOP and therefore our employee cost looks slightly higher.
- And also we are in the expansion phase continuously for the last 3 years we have been expanding very rapidly in some of the facilities where we create new capacities we are not able to utilize them fully in that particular year and therefore those employee costs look slightly higher which is the case this year Bhiwadi has actually not contributed, but we have the full team which was employed in the month of in the fourth quarter and their costs have come in

- Kaushik Mohan:** Got it. Thanks sir I will get back in the line.
- Moderator:** Thank you. We have a follow up question from Nikhil Kale from Invesco. Please go ahead.
- Nikhil Kale:** Yes. Thanks for taking my follow up question. Sir just going back to the incentive I think all of us are kind of trying to look at the core profitability excluding incentives, but would it be fair to assume that when you are now quoting prices to customers you are in a way quoting lower prices given you are the leader of PLI incentive.
- So to that extent you would have passed on some of that benefit to customers in the form of lower prices would that be a fair understanding?
- Pramod Gupta:** No it is not exactly a fair understanding actually there is nothing like that. Our pricing is almost same as the competition or slightly in some cases slightly better than competition and we are not compromising on the pricing because we have some cost advantage or we have some PLI benefits as of now.
- Nikhil Kale:** But is it a lever that you could potentially use in the future going forward or no that is something that you are not thinking?
- Pramod Gupta:** Future I don't know, but as of now we have not done any such. There was no such requirement to go and undercut for the pricing for because we have a PLI benefit or because we have benefits,
- Nikhil Kale:** Got it. And sir just lastly I think you mentioned some of the companies that kind of [inaudible 46:00] the same example Dixon is now also talking about getting into say PCB assembly you obviously are expanding into new product segments, any thoughts on looking at that segment or nothing?
- Pramod Gupta:** We are already doing PCB assembly and we are supplying the kits basically the controllers we were supplying. For AC this year we have started. So we are doing PCB assembly and controllers and now we have started doing PCB assembly we were earlier also doing for the TV motherboards so that continues and we will be looking at other opportunities which will come our way in coming years.
- Nikhil Kale:** Got it. Thank you.
- Moderator:** Thank you. We have our next question from the line of Aditya Gupta from Tara Capital Partners. Please go ahead.
- Aditya Gupta:** Hi good evening and thanks for taking my question sorry I think I am a little confused with the bad guidance and sorry to keep coming back on this I tried to answer it in the past. So again looking at core 120 crores is what we have done this year excluding the PLI and if you add the INR70 crores of PLI on top of this for next year 30 plus 40 from states that itself takes you from 200 if I knock that off that itself takes us down to 130, so what part am I not understanding correctly over here?

- Pramod Gupta:** First of all this year numbers out of the whatever INR137 crores there is already incentive which we take and we are not following any different practice than anybody else. Everybody in our industry is getting some sort of incentives from the state and central government. So these numbers are very much comparable like on like that is one. Second thing is this that you are getting it all wrong because the incremental incentive next year is going to be probably close to INR40 to INR45 crores only and then on that you have to pay tax also
- Aditya Gupta:** Let's knock off the PLI benefit for this year and let's assume the INR120 crores is the core PAT for this year right ballpark speaking?
- Pramod Gupta:** No it is not going to be INR120 crores it will be probably something like INR118 crores, INR119 crores is going to be the profit after tax X of PLI and the other benefits.
- Aditya Gupta:** Okay and this should at least grow by the 45% odd revenue growth even if you assume the margins to be flat at the PAT level plus whatever added benefit that you get right next year, is that the correct way to look at it alright thank you. And the second part is on the state benefit and on the PLI what is the timeline and how long are we expecting these benefits for?
- Pramod Gupta:** See the state benefits are going to continue for 10 years maybe 12 years from next year starting this year and PLI is going to come for next 4 more years?
- Aditya Gupta:** And the run rate will be?
- Pramod Gupta:** Pardon
- Aditya Gupta:** The run rate for these will be annual run rate?
- Pramod Gupta:** The PLI is actually not a fixed run rate it is amount which has been decided depending upon the targets getting met. So if we meet all the targets then next year the number is in FY25 we should get INR30 crores after that INR36.5 crores then year after that INR51 crores and year after that last year number is INR60 crores. In case of state government benefits first year is going to be little bump up maybe INR35, INR40 crores and then year after that every year about INR20 to INR25 crores.
- Aditya Gupta:** Got it for the another 10 years, 11 years and both of these you will be reporting in a revenue line?
- Pramod Gupta:** Yes everybody does that practice we were actually following earlier a different practice.
- Aditya Gupta:** No I am just clarifying it for myself I am not saying you are doing something different. Thank you for clarifying this again and sorry to hop again.
- Moderator:** Thank you we have our next question from the line of Debashish Mazumdar from Svan Investment.
- Debashish Mazumdar:** Hi sir. Good evening. Thank you very much for taking my question am I audible clearly?

- Pramod Gupta:** Yes very much.
- Debashish Mazumdar:** Sir only one question I need to understand currently we have a ROCE of around 17%, 18%. So when you get into a new project what is the kind of target? Do we target EBITDA margin of 10-11% or we look at ROC of 17%, 18% and is there any target that is there in the management's mind of pre PLI or post PLI ROC that we have?
- Pramod Gupta:** So typically right now first of all I want to correct according to our calculation ROCE is about 21.6% on a last year basis and I have given the calculations in my presentation you can go through it this is one. Second thing is this that whenever we take any new project X of PLI and on a conservative basis we are looking at least 15% to 16% ROCE pre-tax. ROCE the way I have calculated. and that is the basic benchmark for us before taking up any new business or any new project in our company
- Debashish:** The second question is, do we have any plan to getting into high margin low volume businesses like aerospace and industrial and stuff like that?
- Pramod Gupta:** As of now, we are not having any such opportunities which are coming our way if there are any opportunities which we will surely consider, provided they meet our return ratio criteria.
- Debashish:** Okay. So it's like even the higher margin businesses despite having higher margin, you think the ROC is lower there?
- Pramod Gupta:** In some of the cases if the asset terms are not adequate then margins may not be sufficient to take care of the return ratio.
- Debashish:** Okay. Understood. One last thing as a repeat of the first question so any target ROCE that you have in your mind for FY '25 and FY '26 as capex has already been done. Although you are still doing some amount of capex in next year, but any targeted ROC that is there in your mind?
- Pramod Gupta:** We will like to have a slight improvement in the ROCE which we report and we think we are on track to achieve that we are hopeful that we will be able to maintain this ROCE of about 20% pre-tax ROCE which we are continuing to do right now.
- Debashish:** So is it fair to assume that with the kind of growth and some amount of margin improvement by FY '26 or '27 will be able to achieve 25%-26% kind of ROCE?
- Pramod Gupta:** It will actually depend on the growth and how the seasonality plays out, see seasonality plays a very important role in our business. If the seasonality is not very stark and we are able to utilize our assets there better than the number you are saying is very much possible.
- Debashish:** Sure, thank you very much for answering my question, sir. Thank you
- Moderator:** Thank you. We have our next question from the line of Farokh Pandole from Avestha Fund Management. Please go ahead.

Farokh Pandole: Yes, hi. Pramod, congratulations on the great results. My first question was, what's our current net cash position and in relation to that clearly once we navigate the next year the capex should from what you have said, fall substantially in the year after?

Pramod Gupta: So right now, we have cash and balance cash balance of about close to INR180 crores. But right now, we also have a gross debt of about INR360 crores, now this cash and cash balance will be getting utilized because some of it is earmarked totally for the purpose for which we raise the QIP, so we cannot utilize for any other purpose. So this year that thing should get over maybe by second or third quarter and I am very hopeful that out of the INR370 crores to INR380 crores capex, which we are planning this year significant part almost 90% should be internally generated. So we will not be seeing any increase in the gross debt level, hopefully, despite the higher turnover and higher capex in this coming year.

Farokh Pandole: And the capex in the year after?

Pramod Gupta: Year after things should actually depend upon, how the business pans out. I will tell you, what is the reason, why we are doing such a heavy capex, as I told you last year this year we are doing a huge capex on creating an infrastructure which is land and building for future growth. We are seeing some very exciting huge opportunities coming at our doorstep, which we are in the active stage of discussion with significant clients which are looking to shift their work to India from China and some clients which are looking to actually expand their relationship with us.

Now because of that, we think that we are getting into a phase where the growth could be accelerating in the coming year and we may be short of infrastructure for growth, because ready sheds are not available typically for leasing out and therefore we need to create some of those optionality for us and that money is going into creating those optionality and that, we should be able to utilize most of it in the next 2-3 years in our opinion.

So we have purchased a land in Bhiwadi 8.5 acres, we have purchased another land in Noida and in NGM which we acquired where 12 acres land was there we are building almost 450,000 square feet of construction for taking care of any of these new opportunities materializing. So that we have the ready shed and where we can actually host any new business which comes.

Farokh Pandole: So again, the following year clearly capex should be a significantly lower number than, what it will be for the current year?

Pramod Gupta: It will actually depend upon the growth, if we get growth, we are not going to say no to growth because we are not wanting to we are looking at, say for example, this year as I am saying like the product business is going to see probably 40% plus growth versus about 20%-23% this year. So we are preparing ourselves for any opportunities which we get in the coming year.

Farokh Pandole: And my second question was about 6 months ago, there was a lot of talk about the volume sort of augmenting by lot of the large players in the air conditioner space and in that connection given the fact, that this year the season is much longer, it's very sort of hot. You mentioned that the inventory levels were very low, so where do we stand on both of these contrasting forces and I

know that obviously you guided strongly for the next year but given that, now you have some better color and you have seen some of these capacities going live, how are some of these clients behaving?

ramod Gupta:

We are seeing industry overall being slightly short of the capacity right now on the monthly demand which we saw in month of April, May and June probably. April, May, also there was a little bit of planning shortfall, nobody actually anticipated such strong growth in the demand and therefore people were probably not ready to take care of such a huge, I'll say demand and therefore probably in the coming weeks or we will see some stock outs in some of the major brands, probably because the material is just not there.

And I think another very important sign on demand which we hear from our clients, we are not selling to end consumer but what we hear from our clients, is that we are seeing, lot of first time buyer in the AC especially from tier 3, tier 4 cities and even villages. And which is a very good and important sign because that means that probably, AC is going to see a good secular growth.

And the I'll say the trend which we all were waiting for, that that there will be a time, like which has happened in other geographies, where continuous growth of 20%, 25% growth has been seen, for a decade or so in China, for example in the period 95 to 2000 till 2010 that number, we could see for the industry in India. So that could be a possibility if this trend continues and surely affordability is increasing and we think that industry will be probably short of capacity if this trend continues for a year or two.

Farokh Pandole:

Ok great thanks very much Pramod and wish you all the best for the coming year thank you

Moderator:

Thank you. Ladies and gentlemen we'll take our last question from the line of Shrinidhi from HSBC please go ahead.

Shrinidhi:

Yes, hi thank you for the opportunity and congratulations on a great set of numbers, just on growth guidance a very strong 45% growth guidance, in product business will it be possible to share more colour on this growth guidance, I think you allude a lot to AC business but if you can share some colour on the washing machine business growth guidance what is really driving that?

Pramod Gupta:

We have been telling you all that we have added some very strong clients in the last two years the AC. And that ramp up has started happening we are seeing on a monthly, basis some very strong pickup, and we think that both AC and washing machine should grow, at about 40% to 45% this year.

Washing machine, is because of the client addition that we had and the ramp up which we are seeing in case of AC the first half is going to be very strong for us largely because of the fact that last year, because of the unseasonal rains we saw, lot of demand destruction in the first and the second quarter.

And then the demand actually recovered only in the fourth quarter. So that base is actually playing out well and we are seeing some very strong ramp up, and some very strong demand, in

the month of April and May, which we will likely to see continuing in month of June, as well. So therefore we are very hopeful that the number which we have guided we should be able to easily achieve.

Shrinidhi: Right, amazing and also washer sir, how much is the scale of business, and it's entirely ODM business is it?

Pramod Gupta: washer is 100% ODM business we are right now as we have sent INR313 crores, turnover last year. We think that number should scale up significantly in coming years.

Shrinidhi: okay thank you for answering my questions and all the best.

Moderator: Thank you. Ladies and gentlemen, that would be the last question for today and I would now like to hand the conference over to the management for the closing

Pramod Gupta: Thank you everyone for joining the call and I just want to highlight and assure reassure that management is committed to having, industry leading growth with best in class return ratios, in the areas of focus for the company. And we think that we are very well placed, now with our capacities our capabilities, and the infrastructure investment which we have made in the last few years. And thank you all

Management: And one more thing if you have any unanswered questions they can be taken up separately over a call or over an email you can connect us to Deepak from JM okay

Moderator: Thank you on behalf of JM financials that concludes this conference thank you for joining us and you may now disconnect your lines.