



# **PG ELECTROPLAST LIMITED**

CIN-L32109DL2003PLC119416

**Corporate Office :**

P-4/2, 4/3, 4/4, 4/5, 4/6, Site-B, UPSIDC Industrial Area, Surajpur  
Greater Noida-201306, Distt. Gautam Budh Nagar (U.P.) India  
Phones # 91-120-2569323, Fax # 91-120-2569131  
E-mail # info@pgel.in Website # www.pgel.in

**February 10, 2025**

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 February 07, 2025.

This is for your information & Records.

For **PG Electroplast Limited**

**(Sanchay Dubey)**  
**Company Secretary**



“PG Electroplast Limited  
Q3 FY 25 Earnings Conference Call”

February 07, 2025



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

**MODERATOR:** **MR. DEEPAK AGARWAL – AXIS CAPITAL LIMITED**

**Moderator:**

Ladies and gentlemen, good morning, and welcome to the PG Electroplast Q3 FY '25 Earnings Conference Call, hosted by Axis Capital Limited. This presentation has been prepared for informational purposes only. This presentation does not constitute a prospectus offering circular or offering memorandum and is not an offer or initiation to buy or sell any securities nor shall part or all of this presentation from the basis of or to be relied on in connection with any contract or investment decision in relation to any securities.

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As a reminder, all participant lines will remain in the listen-only mode. There will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal the operator by pressing 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 morning, everyone. On behalf of Axis Capital, I welcome you all to PG Electroplast Q3 FY '25 Earnings Call. Today, we have with us senior management represented by Mr. Vishal Gupta, Managing Director of Finance; and Mr. Pramod Gupta, Chief Financial Officer.

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

**Vishal Gupta:**

Thank you, Deepak, and good morning, everyone. Thank you for joining this call today, and hope all of you are doing well. I'm joined in this call by Mr. Pramod Gupta, our Chief Financial Officer. And we have already shared our presentation yesterday evening, and hope you have gone through that.

The third quarter of FY '25 has marked a significant milestone in the growth trajectory of PG. The company experienced substantial momentum in its product business, while other segments also demonstrated considerable improvement.

PG has reported impressive quarterly profits alongside notable sales growth for the third quarter of this financial year. The company's operating revenues increased by around 82% to

surpass INR967 crores with the products business accounting for around 69% of these revenues.

Additionally, EBITDA increased by around 97% to INR92 crores, while net profit surged by around 110% to INR40.14 crores. In the first 9 months of this financial year, the company achieved exceptional growth in its product division. The revenues generated from this division reached INR2,017 crores, reflecting a remarkable growth rate of 126%.

The room air conditioner segment alone contributed INR1,636 crores, marking a Y-o-Y increase of 154%. Additionally, the washing machine segment also experienced a growth of 49% on a Y-o-Y basis, while revenues from coolers surged by 127% as compared to last year.

The order book and overall visibility for the product division remains very strong, positioning this company towards significantly enhancing its growth trajectory in the product business throughout this financial year.

Our latest product launches in washing machines and room air conditions have garnered a very positive reception from our clients. The company is concentrating on creating products that enable it to maintain cost leadership while also pursuing product leadership. Interest from both new and existing clients has risen noticeably, and we maintain a strong confidence in the business, and future growth potential for this business.

For FY '25, we have updated our guidance for operating revenues to a minimum of INR4,550 crores for PG Electroplast and an additional INR550 crores from our joint venture, Goodworth Electronics, employing a total group revenue of around INR5,100 crores, which reflects an impressive growth rate of around 86% compared to FY '24 numbers.

Furthermore, we are also adjusting our net profit guidance for PG Electroplast to at least INR280 crores, which represents a substantial increase of around 105% over FY '24 net profit of INR137 crores. The anticipated growth in our product segment, which includes washing machines, room air conditioners, and air coolers is expected to grow by 98%, rising from INR1,668 crores in FY '24 to INR3,300 crores.

Capital expenditure guidance is set between INR370 crores and INR380 crores with satisfactory progress observed in all infrastructure and capacity expansion initiatives. The company is on course to achieve its expansion targets within this year.

The company wishes to emphasize its dedication to enhancing capital efficiency by increasing asset turnover through the growth of its product business. Our objective is to achieve industry-leading growth while also maintaining best-in-class return ratios in the coming years.

With this, now I will hand over the call to my colleague, Mr. Pramod Gupta, who is our CFO. He will elaborate on the financials.

**Pramod Gupta:**

Hi. Good morning, everyone. I'm sure you have gone through the financials already. We have experienced significant growth during the first 9 months of financial year '25 from an operational perspective. This is despite we navigating a highly challenging supply chain

environment. Also, during this period, the average selling price for most of our products is slightly reduced in comparison to last year, largely due to reduced commodity prices during this period.

Also, I want to highlight that the availability of imported raw materials has posed significant challenges during the first 9 months. And despite that, the company has been able to show significant growth.

In the third quarter of financial year '25, the company achieved remarkable growth in room AC revenues, recording an impressive 180% growth, washing machine grew almost 65% during the same period.

For the 9 months, the company's operating revenue reached INR2,960 crores, reflecting a Y-o-Y growth of 77%. EBITDA surged by 85.5% to INR287 crores, while net profit has seen a significant improvement to INR144 crores and growing 121%. In this period of 9 months, we have seen a slight improvement in the margin largely because of cost management, reduced commodity price, and benefits of operating leverage.

Coming to the balance sheet. At the conclusion of the 9 months, the balance sheet reflects a net cash position of INR793 crores. Additionally, inventory levels are elevated, exceeding INR1,025 crores. This is actually as a result of preparation for the forthcoming air conditioning season, which we anticipate to be very robust.

As stated by Vishal G, we have guided for INR370 crores to INR380 crores of capex that stays, and we are on track to achieve this. I want to again highlight the company will be prioritizing enhancing capital efficiency by maximizing the potential of both existing and new assets in the upcoming years.

We maintain a strong optimism regarding the growth prospects within our targeted sector, and we are confident that after the recent fundraising and with a strengthened balance sheet, the company is positioned to further increase its market presence in the coming years ahead.

With this, I will like to open the floor for Q&A.

**Moderator:** The first question comes from the line of Dhananjai Bagrodia from ASK Investment Managers.

**Dhananjai Bagrodia:** Congratulations on a fantastic set of results. I wanted to ask you, sir, how are we looking now for the compressor assembly, and which are the next few growth drivers we're looking at? Because the current businesses obviously have done really well. Any new areas we're looking at?

**Pramod Gupta:** We have been actually disclosing whatever growth opportunities we have finalized and we will continue to do so. So we don't have right now any new updates on any other new opportunities. As and when they finalize, we will be updating you.

But we are pursuing several opportunities, and there are interesting opportunities which are coming our way, and we are hopeful that we should be able to maintain a robust sales and profit growth momentum in the coming years as well.

**Vishal Gupta:**

In fact, I will further add to that. We are trying to further deepen our backward integration in some products, and we are looking at those opportunities. We are in an advanced level of discussions for compressors, but those things will be declared once we formalize the agreement, and those things will be disclosed to everyone.

**Dhananjai Bagrodia:**

And sir, secondly, in terms of now market share in all these products, do you have any idea of how much market share we would have gained because our numbers are coming way stronger and comparatively? So this quarter or maybe for the year? Or how are you looking at market share now going ahead also? Would it continue growing like this?

**Pramod Gupta:**

So the market share numbers are actually a little difficult to fathom because the volume numbers are not disclosed by most of people. And in fact, some of the other companies do not actually also give the numbers by finished goods and basically the component sales.

So it becomes a little difficult to actually gather that how much exactly is the market share. But we think that we are gaining market share because our growth rates are much faster than the industry as well as some of our peers. But I don't have the figures or any ballpark numbers also on the market share.

**Dhananjai Bagrodia:**

And lastly, how much capex are we looking for '25, '26?

**Pramod Gupta:**

We will be finalizing our business plan in the coming months, and then we will disclose those numbers in the fourth quarter results.

**Moderator:**

The next question comes from the line of Natasha Jain from PhillipCapital.

**Natasha Jain:**

First of all, congratulations on a fantastic set of numbers. Sir, my first question is on the challenges that you mentioned on the supply side. We understand that there is a shortage of compressors. So just wanting to understand how are you placed for the season till June?

**Vishal Gupta:**

As Pramodji has earlier disclosed in the call that we have elevated levels of inventory. This has been done in anticipation of the shortage of compressors. So as far as we are concerned, we don't see major -- see, there is a challenge for the industry. That is there. Definitely, it is there.

But we believe that we are a little better prepared and we are amply covered till the end of June to take care of the season. And in fact, whatever additional businesses are being allocated by our clients, if we are giving them a positive response on that also.

**Natasha Jain:**

Sir, you just mentioned to the previous participant that you are in advanced-level discussion for compressors. When I see the latest PLI outroll, your company has got PLI, but for non-compressors. So are we in discussion outside of the PLI for compressor setups?

**Pramod Gupta:**

In compressors, given the fact that we were already in the INR300 crores category earlier in PGTL to get into the compressor manufacturing, we had only 2 choices, either to actually up

our existing PLI to INR600 crores, which would not have made sense because we are already through for 3 years in that, and we would not have been able to meet the sales and basically asset creation or the investment targets in that. Or we could have applied for a new PLI with at least INR250 crores only for compressors, which is also very onerous because, in the second year of operations, we were required to reach INR1,000 crores of sales for compressors only.

So it was not making sense for us to go for a PLI for a compressor. And that's why we have not actually included it in the PLI application for compressors. So, we will be doing compressors if we do outside of it.

**Natasha Jain:** And sir, lastly, if I may, I've seen your top-line growth, obviously, is very, very strong. But on a Q-o-Q, there's a gross margin decline. So just want to understand, has our product mix changed? Or is it mainly because of the cost escalation on raw mat?

**Pramod Gupta:** No, it is actually the product mix change because Q2 typically is slightly better for the washing machines and the proportion of washing machine sales is higher there. And in the Q3 and in the rest of the other quarters, the AC washing sales are as a proportion are typically higher. And gross contribution in the AC business is slightly lower than the gross contribution in washing machines. So, therefore, the mix change actually leads to the gross contribution being lower in the third quarter versus the second.

**Moderator:** The next question comes from the line of Bala Murali Krishna from Oman Investment Advisors. Since there is no response, we will move on to our next question, which is from the line of CA Garvit Goyal from Nvest Analytics Advisory.

**CA Garvit Goyal:** Congrats on a decent set of numbers. I just want to know like in the first 9 months, Goodworth Electronics is contributing losses to our bottom line. So I just want to understand when this JV business will get profitable. And how much revenue it did in the first 9 months? So that's my first question.

**Pramod Gupta:** Can you please just repeat? I just missed your question.

**CA Garvit Goyal:** I just want to understand when we can expect the JV business to be profitable. And in the first 9 months, how much revenue we got from that particular segment?

**Pramod Gupta:** Basically, I think INR436 crores was the revenue in the in the first 9 months. We have actually on the EBITDA done decently, but it's just that the profit or the net is low because of interest and depreciation costs. We are working towards it. And we think that next year, we should be profitable in that business.

**CA Garvit Goyal:** And what kind of PAT margins do we expect on this JV?

**Pramod Gupta:** In the range of about 1% to 2% is going to be the PAT margin in that business.

**CA Garvit Goyal:** And what is the outlook for next year as a whole and as well as the segment?

**Pramod Gupta:** We will actually give a guidance for the whole business and for this segment probably after the fourth quarter. The business plan is getting formalized, and we will have a much exact and

better understanding post this quarter. Basically, in the fourth quarter, we will finalize then we will share with you.

**CA Garvit Goyal:**

No, sir, I'm not asking the numbers. Actually, I just want to understand on the demand outlook, like can we expect FY '26 to be more in line with FY '25 because this year was very much exceptional to us. So do you see this kind of growth coming in the FY '26 as well? Like I don't want the exact number. I just want to get a glimpse of the demand outlook.

**Pramod Gupta:**

The company historically has been maintaining a growth CAGR for the last 8, or 9 years at about 30%, 35%. We think that we right now have enough opportunities to continue to see that kind of growth, and we will be making all the efforts to probably achieve those kinds of numbers in the coming years as well. And we are doing the planning for infra and capacities accordingly.

Obviously, how the business season pans out depends on many factors which are not in our control. So that I cannot guide you right now. But as whatever the outlook or the business we have right now, it looks like next year should also be a good year for us. And the momentum seems to be continuing at our end with the good client addition and also market share gains in the existing clients.

**Vishal Gupta:**

See, I will further add to what Pramod is saying. We are always striving to have industry-leading growth and at the same time, to protect our margin profile and have one of the best-in-class return ratios. So that will be always the focus of the company. Whatever is the industry growth rate, we'll be trying to grow much better than that. That is what we have been doing for the last 9 years.

**Moderator:**

The next question comes from the line of Achal Lohade from Nuvama Institutional Equities.

**Achal Lohade:**

Congratulations for fantastic earnings. Sir, a couple of questions. First, of the AC growth, if you could, is it possible to get a sense of how much is driven by the new client addition? And how much is on account of the wallet share gain with the existing clients? Any ballpark sense on that on a 9-month basis?

**Pramod Gupta:**

Yes. That number, we don't have right now. That analysis we have not done at our end. But this year, it's actually more of a market share gain in the existing customers, which we have seen new client addition because we had already a very large client base last year.

So mining those existing businesses, and existing clients was a major focus area rather than actually adding the new names. So I can say probably on a ballpark, almost 90% plus revenue growth is coming from mining the existing clients only.

**Achal Lohade:**

And in terms of the electronics business, if you could give more sense of where are we, and what our plans are over the next 3, 4, 5 years? What kind of adjacencies we can look at in this particular sub-segment?

**Pramod Gupta:**

As I have been telling most of people the electronics business at our end is a relatively large operation, which we manage. We actually do all the controllers in-house. We do the



motherboards for all the TVs in-house. And now we have started offering these services outside also, and we are seeing good traction in them.

Also, we have started doing certain other products in the electronics side like security camera as well as some sound boxes, etcetera, and where we're seeing good traction. So that business has seen acts of TV, the electronic business in the first 9 months has seen a very good traction.

We think we can scale up significantly for outside sales also in that business. And we are very hopeful that in coming years, that business will become very sizable for us. We will guide on specific numbers at the time of the fourth quarter results.

**Achal Lohade:** Sir, any sense with respect to margins in each of these categories like electronics, would it be 7%, 8%, machine, would it be 3%, 4%?

**Pramod Gupta:** Yes. So the margins on the electronics side are relatively very low, close to 2% to 4%, depending upon the products. Right now, it is more of an EMS business only, and we are not even a design house. So we do not have our own design. So we are actually just assembling these electronic components onto a motherboard and then we supply to the customers. So the margins are relatively low, but asset turns are very high here. So that way the business works. And as of now, the margins are going to be in that range only.

**Achal Lohade:** And just last question, if I may, sir, with respect to the EBITDA margin improvement on a Y-o-Y basis, so I presume there is no seasonality in that sense it will be the same what it was in 3Q FY '24. Of the 90 basis points -- sorry, yes.

**Pramod Gupta:** There was a seasonality. This year, the AC season actually has started a little early for us. Last year, if you remember, the third quarter was a little painful quarter for us. We had actually Y-o-Y decline actually in the third quarter last year because the season started late and it started only in January.

So this year, the season was a little early, and it was a healthy quarter for us. In fact, last year, third quarter, the utilization levels in the AC business was relatively low. This quarter, at least for the months of November and December, we were seeing good ramp-ups. So utilization levels were satisfactory.

**Achal Lohade:** So is it fair to say that in the fourth quarter, we could see a similar margin improvement? Is that a fair way of looking at it?

**Pramod Gupta:** Operational margin should be in the similar range as the third quarter, but there will be an additional bump up coming into the margin because, in the fourth quarter, we will be recognizing the PLI, we will receive the money from the government, and that is actually built into the guidance.

We have built in about INR30 crores of money, which we will be getting from PLI for our last year's performance, which is FY '24 year performance. So the way we account is that we account PLI only when we receive it. So that we will be getting in the fourth quarter, and that will bump up the margins.

- Moderator:** The next question comes from the line of Farokh Pandole from Avestha Fund Management.
- Farokh Pandole:** Congratulations on the stellar numbers. Good to see the progress that we are making. My question was on what was described earlier as new opportunities in the backward integration and the components, etcetera, including, I think compressor was mentioned a few times.
- So my question is around that, that typically, what sort of payback timing are we looking at for these if we have to enter into this space, including for compressor? And the capex between our cash and between the internal generation, would that be suitable to take care of our aspirations in this space? And also, will margins be at the company level or better or worse for this as and when these plans sort of see the light of day?
- Pramod Gupta:** In case of ACs and washing machines, we have already achieved a very decent backward integration. In case of AC, we see a major opportunity coming out in compressors and motors also. Right now, we are at a very advanced level of finalizing a tie-up for compressors.
- For compressors, we look at, at least 17% to 16% or 18% around 17% of ROC for this number. And at a company level, it will be actually margin accretive because largely it will be for our own in-house only. As far as capex is concerned, we don't see a major challenge, the kind of funds we have internally available with us, and the internal cash generation also in the recent QIP, we don't see a major challenge as far as the funds is concerned.
- We are very well placed. Our balance sheet is liquid, and we will be generating significant cash in this year and next year and all the capex requirements will be taken care of from the balance sheet and the cash we gate.
- Farokh Pandole:** In terms of timing, if, say, you had to greenlight any initiative, typically, how long would it take you to sort of get up to a reasonable level of output, which can sort of service the in-house requirement?
- Pramod Gupta:** Sorry, can you just repeat your question, please?
- Farokh Pandole:** So my question is if, say, for instance, compressors, for example, if we had to greenlight that, how long would it take for us to sort of be in a position to actually start rolling out compressors in a meaningful quantity to be able to sort of positively impact our operations? How long would it take to set up the capacity?
- Vishal Gupta:** See, the building is already under construction. We expect to start initial production in next 9 months once we finalize from the moment we finalize, 9 months is, I think, is a good period that we'll be able to start the initial production and another 3 months to fully ramp up that production.
- Moderator:** The next question comes from the line of Ayush from Shravas Capital.
- Ayush:** Congratulations on a great set of numbers. I just have a few bookkeeping questions. In general, I just wanted to know what is the segment-wise revenue for plastic molding and electronics and molds? Can you just give me that number for this quarter alone?

- Pramod Gupta:** This quarter, the plastic business, plastic and other components was about INR233 crores. And which is the other segment you wanted?
- Ayush:** Electronics and molds.
- Pramod Gupta:** Yes, electronics is about INR68.5 crores.
- Moderator:** The next question comes from the line of Onkar Ghugardare from Shree Investments.
- Onkar Ghugardare:** My question was regarding this kind of growth you have sustained for a couple of years. So what would be the next figure of growth? That would be the existing RAC business or like you are looking at some other categories to propel the growth in the coming years, of say, 30%, 35%, which you have mentioned? That's the first one.
- Pramod Gupta:** See, I think we think still we have some headway and continue to see good growth in both room AC as well as washing machine. Apart from that, we are contemplating some of the new products as well. We will be sharing with you as and when we start some of those product lines. We are working on certain other initiatives. And we think that those, along with these existing product lines will help us to achieve these aspirations which we have.
- Onkar Ghugardare:** So for, let's say, a year or so, this existing business would be the growth triggers for you, right?
- Pramod Gupta:** Yes.
- Onkar Ghugardare:** And the other sectors which you mentioned, those would be driving along with the existing ones in the next 2, 3 years, you would say?
- Pramod Gupta:** Yes, yes.
- Onkar Ghugardare:** Is it safe to assume that you would be looking at categories like laptops, notebooks, or, say, mobiles as a category?
- Pramod Gupta:** No, no. That is a different segment. That is actually not a part of the main company. It is actually a part of the JV. So laptops, tablets, etcetera, will be coming in good work electronics. There, we have not had any major breakthrough yet.
- Here, we are talking of the other consumer durable businesses as well as some components, critical components where we are looking at backward integration and also some of the other new initiatives which we have already announced and some more are in the pipeline, which we are working towards to basically enhance the growth rate.
- Onkar Ghugardare:** When can we hear about this in the last quarter or say, in the next financial year?
- Pramod Gupta:** In the fourth quarter and when any new initiative starts to mature, we'll share with you. We have been proactive in sharing everything as and when we have any breakthrough in any new businesses, we typically share, and we will continue to be proactive.

- Onkar Ghugardare:** Just the last thing, you mentioned that INR280 crores is the new guidance, but that includes the PLI benefits, right? Otherwise, the older guidance stays, right? I mean.
- Pramod Gupta:** No, no. The older guidance also had INR30 crores of PLI. So we have actually increased the sales guidance, and we have also improved the profit guidance. So in earlier INR250 crores also, there was an INR30 crores of PLI, which we had budgeted. And in this INR280 crores also, we have budgeted INR30 crores.
- Moderator:** The next question comes from the line of Koushik Mohan from Ashika Group.
- Koushik Mohan:** Sir, I just wanted to understand this. I have 3 questions basically. One is this, currently, we are telling that we are doing INR280 crores. Last time we guided for INR250 crores. I understand from the previous question that we have INR30 crores in the PLI benefits from here. What exactly made us to improve our margins? When we look at from the last year, FY '24 and this year's full year, if I calculate with INR280 crores, we are moving around 0.6centage on the PAT margin. So, what is the major contributor for this?
- Pramod Gupta:** There are a couple of contribution items. First is, obviously, as I have been highlighting, that commodity prices, at least in the first 9 months were lower. So because of that, optically, the percentage margin looks better because raw material cost and that is a pass-through. So on a similar or slightly lower top line, you made the same amount of gross contribution in absolute amount. So percentages look better. That is one.
- The second thing is we'll be having some gain as a percentage of sales in terms of probably all the 3, which is basically depreciation, other income, and finance cost. And then finally, tax rate also, we hope that in the fourth quarter, we should be having some gain. So all those things will actually help us to show better net margins.
- Koushik Mohan:** So is this considerable for the future also? Can we sustainably, we can do around 5.4% PAT margin? Is it sustainable?
- Pramod Gupta:** I cannot actually guide you for the future. But, yes, we hope that a 5% kind of range should be possible.
- Koushik Mohan:** And sir, the second question is on, sir, the recent QIP what we did, like where are we utilizing those funds? And inclusive of the same thing, this year, I think so there will be BSL star ratings for all our ACs, right? So the older ACs will be becoming 5 star will become 4 star and 4 star will become 3 star. So by that, I think the price of wallet share price will be increased by INR1,000 or INR2,000. So, am I right with what I'm understanding?
- Vishal Gupta:** As far as these upgraded products are there for the next star rating. As per our internal estimates, for 3-star models, there will not be any major price increase. In the case of 5-star models, there will be an increase of maybe INR700 to INR800. Let me tell you very clearly, these are very initial numbers. I cannot give you any definite numbers. The models are under finalization and approval with the clients. Once we have those models' approval, then only we will have a very clear picture at the bond level.

And as far as QIP funds are there, so the QIP, the way money has been raised is that the objects are very clear the way we have raised this money. Partly, this money is being used for working capital because the working capital intensity has gone up. Partially is being for these new growth opportunities, what we are looking at, and this money will be used for those capex only.

**Pramod Gupta:** Capex, working capital, and some money for creating the infrastructure for growth for the coming years. We have run out of land and are building for new growth and new growth initiatives. So we will be constructing those also in the coming years. So for those things, we will be utilizing part of the money.

**Moderator:** The next question comes from the line of Bala Murali Krishna from Oman Investment Advisors.

**Bala Murali Krishna:** Sir, regarding this new plant commissioning. So what is the timeline for that could you please repeat if you already shared that one?

**Pramod Gupta:** Which plant are you talking about? We are commissioning a plant in Bhiwadi for making AC, which has actually been almost commissioned, and we are right now doing trial production and also we are waiting for BIS certification. So that will go into final production from next month, or probably most likely towards the end of this month.

Apart from that, we are also constructing a plant in Greater Noida for expanding the capacity of washing machines, which we think we should be able to start production probably from the end April or early May. Apart from that, we have an ongoing kind of a plant expansion, which we did in Supa, which has already got into production.

**Vishal Gupta:** I think in AC category, so whatever the capacity enhancement we are taking, it's already on stream. So there is no --

**Pramod Gupta:** Yes. So right now, the total capacity that we have is close to about 3.5 lakh ACs that we can do in both the places put together on a monthly basis.

**Bala Murali Krishna:** And this hardware PLI, sir, I think still the policy is not favorable to us and we are not moving forward in that one. Is that right? Or any plans for that?

**Pramod Gupta:** Basically, in IT hardware PLI, we have not had any major success yet. So we are still scouting for clients and we're still looking for a business there. We have not yet been able to make any big breakthroughs there.

**Bala Murali Krishna:** Lastly, on new products, sir, which we are talking a few quarters before, which you have some big RFQs coming from the customer. So that product is still on or whether we are discussing about any other new products, which we can start making in a few, maybe next 1 or 2 years, sir?

**Pramod Gupta:** So there are some opportunities which are always coming. We are evaluating some of the other opportunities all the time. But as I have been saying earlier we are a little conscious about capital allocation and making the right kind of margins in those products.

So based on those only, we take up the opportunities. So there are opportunities in the pipeline, which we are evaluating even right now. So as and when any of those will materialize, we will be talking about them, and we will be giving more details.

**Bala Murali Krishna:** But just a follow-up on that to continue this growth, maybe we should need some new products like you were talking about the compressor, which may come on stream maybe in the next 1 year. In addition to maybe some white goods we should --

**Pramod Gupta:** Yes, we are looking at those opportunities, and we are in the final stages of finalizing some of those things. And we will make an announcement as and when those things are finalized.

**Moderator:** The next question comes from the line of Pranay Roop Chatterjee from Burman Capital Management.

**Pranay Roop Chatterjee:** Sir, my question is on the new segment that you announced recently, which is the electric vehicle assembly business. Broadly, can you provide some color on the total opportunity size you are seeing here with this client and beyond? And what sort of economics we can expect from this business?

**Pramod Gupta:** So, right now we are yet to commit any significant capex to it. We are still waiting for some approvals on the client side. And we hope that by the second year, we should be reaching about INR500 crores kind of sales in that business with this client only. Right now, we do not have any other client in mind. We are going to be working with them only. This business will have both the assembly of the electric vehicle as well as the battery.

We hope to start this business probably in the next 2, 3 months or 4 months, we should start the assembly part of the vehicle and battery and then we can actually share more details. Right now, it's still in the final stages of ordering, etcetera. And once we commission the plant and we ramp up that time we'll share the results or more details on this.

**Pranay Roop Chatterjee:** Sir, my last question is on, you had mentioned PLI, that is fine. Somehow I mentioned in some previous call, there was some INR6 crores of state incentive as well. That's why I thought INR36 crores was the total number.

**Pramod Gupta:** That continues to get kind of accrued every quarter, about INR1.5 crores every quarter. That is there as a part of the state benefit, which we continue to accrue every quarter.

**Moderator:** The next question comes from the line of Jalaj from Svan Investments.

**Jalaj Manocha:** Congrats on a great set of numbers. So I had a few questions. So first, could you talk a little about the unit economics of compressors and the minimum scale which is required project to be viable or profitable because I've read a few reports which talk about that the minimum

quantum should be around 10 million, 15 million pieces is what it says. So could you talk a little about it?

**Pramod Gupta:** I think once we finalize the agreement, we will have more details to share, that is the right time we will actually talk about this. But I can tell you the numbers you're telling are probably not right. Whatever math we have done, we think the numbers are much lower to get the right return, etcetera, on that. But we will be able to kind of share the details with you once we have the final agreement.

**Jalaj Manocha:** And sir, in the recent budget, there was a talk about the custom duty on open cells, which has been cut to nil from 2.5. And I guess since we are in the PV manufacturing part, so does it have a sizable impact on us? Or per se, are we seeing anything there or not?

**Pramod Gupta:** No, it doesn't actually change the unit dynamics at all for us because bill of material is a pass-through for us. And even if the duty is there or not, it is actually passed on to the respective client for whom we are doing the manufacturing.

**Jalaj Manocha:** And one last quick question. So could you talk a little about the industry, what structure is there in terms of the RAC as in, let's assume of the 100 units that are being sold, what is right now outsourced, and what is being manufactured by OEMs? Because there were a lot of concerns around that. Could you talk a little about the landscape there?

**Pramod Gupta:** This is just our internal estimates that till 2020, almost close to 40% to 45% of the RACs were getting outsourced. And a large part of it, almost 35% was actually getting outsourced from the foreign imports.

Basically, the companies were directly importing from foreign players. And after that, when the PLI came and the subsequent ban on gas-charged ACs came, that market started shifting. But also what happened was because a lot of companies and the clients put up their own capacities that 45% actually started reducing and probably came down to something like 38%, 37% as of last year.

And this is the year when this has started rebounding and then I am making assertion because on the basis of the fact that in the first 9 months, all the 3 large outsourcing companies in the AC have shown much higher growth than the industry growth. Therefore, this year, probably that number is probably inching back above 40% in our estimate.

**Jalaj Manocha:** And what would be driving that thing basically that shift as per you or your understanding?

**Pramod Gupta:** There are many reasons, but supply chain challenge this year is one. The second thing is basically also the economic rationale because I think the in-house cost of manufacturing typically is Higher than the pricing at which the product is available to the brands from the outsourcing companies.

So there are several of those reasons. And then obviously, some of the other things also, which is basically the changes which are happening in the marketplace where the end consumer is

actually switching to the brands or those market share gains are happening for the brands which are doing more outsourcing.

So those kinds of things are also leading to slightly higher outsourcing versus the in-sourcing, which is there. And that debate, I think, probably has been put to rest if this trend continues next year also. So it's a single data point, but let's hope to see if this trend of outsourcing continues, then we will probably be over with that in-sourcing versus outsourcing debate.

**Moderator:** The next question comes from the line of Natasha Jain from PhillipCapital.

**Natasha Jain:** I wanted to understand on the components for RAC side. Now we've again got PLI for expanding on our component side. Sir, firstly, I wanted to understand how does the margin move here in terms of -- do you get more margin when you supply components versus a fully assembled unit? And in continuation to that, how has your component scale up been for RAC?

**Pramod Gupta:** So actually, component business is not a focus area for us. We are actually more keen to give the full solution to our clients, and that is what we continue to do. In fact, the component business has actually seen a much lesser scale up for us in comparison to the finished good product business, which is what we say product business actually in our case. So that is going to remain the focus.

The PLI we have taken is for components, no doubt, but those components, you can actually also use captively for your own consumption or your own products and sell the final product. And still, you can get the PLI. So that is what we are going to do in the next-generation manufacturing also for which we have got the PLI right now.

**Natasha Jain:** And sir, one last question. I know that you've mentioned in your opening remarks that the season looks very strong. But just wanted to understand, we're sitting at very high basis compared to last year for both quarter 4 and quarter 1. So are there any kind of challenges or any kind of caution that you are building in your numbers?

**Pramod Gupta:** Basically, I said it's looking great for us because this year, at least the industry, again, seems to be facing some kind of supply chain challenges on some critical components. And we are slightly better placed in the industry than some of our peers and even some of our clients. So from that point of view, we think that our positioning right now is very strong, and we continue to see very strong demand at our end for the coming season.

**Natasha Jain:** So just a follow-up on that. So given that there is a shortage of compressors, sir, any new clients that you may have onboarded, particularly for the upcoming season as a result of this?

**Pramod Gupta:** No. We have onboarded many clients. But typically, in the very first year, you don't see a very large scale-up from any of the new clients. It is only in the second and the third season, typically the scale-up happens.

But this year, yes, we are seeing a very huge scale-up from the clients, which we added in the last 2 years, and we are gaining market share in most of them vis-a-vis the competition.



- Moderator:** The next question comes from the line of Uttam Purohit from Monarch Network Capital.
- Uttam Purohit:** So my question was on the client side. If you could provide the concentration figures of Top 1, Top 5 and Top 10 clients of us.
- Pramod Gupta:** That number we don't share, but I can tell you that the Top 5 clients in both AC and washing machine will be probably contributing close to 50% to 60% of the revenue.
- Uttam Purohit:** So is it fair to assume no client exceeds 15%?
- Pramod Gupta:** In AC, yes. In washing machine, no. washing machine, there is a client which is more than 15%.
- Uttam Purohit:** And going forward, are we aiming for more granularity or more concentration?
- Pramod Gupta:** We are going to prefer more granularity. We would like to have as diverse a client base as possible and not a large dependence on a single client. But then that is not in our hands only. Actually, it also depends on the market structure finally and how the market behaves.
- So we don't say no to business it is even from a single client. But yes, we, at our end, try all the time to manage the risk and have a client concentration risk in control so that we do not suffer unduly because of anything happening to the client.
- Moderator:** The next question comes from the line of Koushik Mohan from Ashika Group.
- Koushik Mohan:** Just a follow-up question, one thing I have. Sir, I just wanted to understand which of our product is actually seeing fabulous growth.
- Pramod Gupta:** I mean, obviously, we have been telling every quarter, room AC has seen a very big growth. Even the washing machine has started inching up, but AC has actually seen a very, very high growth this year for us.
- Koushik Mohan:** But sir, this year, so I think it is because of our Q1 numbers and that Q1, it was a very heat wave that was happening and South India was majorly picking it up. But I just wanted to understand, is it the same kind of a scenario that you're feeling for the Q4 also?
- Pramod Gupta:** See Q4 ordering remains very strong, and we have given actually explicit guidance for Q4. Now we are talking of at least 48% growth in the overall sales. And that will largely be driven by actually AC because in this season now we are entering an off-season for washing machine.
- But nonetheless, washing machine, we also should see a very strong growth in the fourth quarter because of the last year's base. So overall, we are expecting a very significant growth on a full-year basis of almost close to more than 100% probably in AC this year.
- Vishal Gupta:** See, if you see in addition to what Pramod is saying, if we can say that the industry has grown around 30%, 35%. And in 9 months, our RAC business growth has been around 150%. Quarter 4 is also looking very robust and the guidance has been already given.

I think you can decipher those numbers and you can calculate yourself what will be the Q4 numbers for all product categories. And see, business is looking good. And again, the only thing which we'd like to reiterate is one thing that we are trying to do in the last 4, 5 years, you have seen that there has been a narrative of that in-sourcing happening.

There is a narrative of that bad season happening, component business growing, but we have been very consistent with our narrative, with our commentary on this business, and we have been able to deliver on those numbers whatever we have been promising. We are very hopeful to continue this growth journey for another 2, or 3 years. We don't see the major challenge in this.

**Moderator:** The next question comes from the line of Kalash from AlfAccurate Advisors.

**Kalash:** So sir, my first question is, I just wanted to know the IDU-ODU mix.

**Pramod Gupta:** We actually have stopped providing those numbers, the IDU-ODU. But now actually, in absolute terms, the differential between the 2 has come down much less, like the differential between the volumes of IDU-ODU is much less than it used to be. We are selling CBUs now -- largely, we are selling CBUs and we are giving the full solution to most of the clients.

**Kalash:** And sir, what is the kind of capacity that is coming up in ACs and the capex that we are going to do?

**Pramod Gupta:** That we will share in the fourth quarter. Right now, our capacity is about 3.5 lakh per month of CBU. And from both the places put together, we are actually going to take stock of what kind of capacity expansion we need to do for the next year. So that we will share with you in the fourth quarter.

**Kalash:** And last question. So sir, what would be the margin differential? In AC, so if you just supply the components or you make the assembly as a whole. So what would the margins look like?

**Pramod Gupta:** We do largely plastic components for most of the consumer durable industry and some sanitaryware and maybe auto components also. So the margins are about 0.5% differential is there between the AC and those components. So components are slightly higher, maybe about 8%, 8.5% is the component margin business, while AC is about 7%, 7.5%.

**Moderator:** We take the next question from the line of Bala Murali Krishna from Oman Investment Advisors.

**Bala Murali Krishna:** Regarding PLI, I think this year, we are getting INR30 crores. But going forward, I think next 2, 3 years from PLI, we may get INR60 crores. And state consistently, we may get INR20 crores to INR25 crores for the next maybe 5, 10 years. Is it right, sir?

**Pramod Gupta:** Yes. So the way it will work is the second year for us for PLI, which we are going to get for the last year, which was the second year of execution of sales for us. Now there are 3 more years, which will be this year's INR37.5 crores, which we will book in the next year. And after

that, there will be INR52 crores and INR60 crores, which we will book in actually financial year '27 and the financial year '28.

This is on the PLI. On the state government benefits, we hope to get about INR25 crores each year for the next 12 years once we make an application and our application is accepted, so which we intend to do maybe next year.

**Moderator:** The next question comes from the line of Koushik Mohan from Ashika Group.

**Koushik Mohan:** Sir, for every 10 ACs that we sold in the market, how many ACs are being sold?

**Pramod Gupta:** Right now, that figure should be, in our opinion, close to about 1.2 ACs being manufactured by PG for the 10 ACs getting sold in India.

**Koushik Mohan:** And we are targeting that to go to 2 or 3 in the future?

**Pramod Gupta:** That is difficult to say, but it depends on how the outsourcing market plans and what brands actually see what kind of growth. But we will be preparing ourselves for good growth and high market share in the outsourcing segment.

**Koushik Mohan:** And in washing machines for every 10 washing machines, how many do we sell?

**Pramod Gupta:** It will be about 1 washing machine this year is getting made by PG.

**Koushik Mohan:** For every 10 months?

**Pramod Gupta:** Yes.

**Moderator:** Ladies and gentlemen, we take that as the last question. I now hand the conference over to the management for their closing comments.

**Vishal Gupta:** Business has been doing very well for us. We will reiterate only one thing that as an organization, the way we have structured our business at all product segments and at all locations also is such a way that we are able to maintain cost leadership also and focus on product leadership also and at the same time, give such value propositions to our clients that we are able to increase our wallet share with them and again, keep on growing at an industry-leading growth rate and at the same time, maybe improve on our margins also.

**Pramod Gupta:** And I'd like to thank all of you for attending this conference, and please feel free if you have any more questions to call me or ask me or send a mail to us. Thank you.

**Moderator:** Thank you. On behalf of Axis Capital Limited, that concludes this conference. Thank you for joining us, and you may now disconnect your lines.