22nd October, 2024

The National Stock Exchange of India Limited Exchange Plaza, 5th Floor Plot No. C/1, G Block Bandra Kurla Complex Bandra (E) **Mumbai- 400 051** **NSE Symbol : HAVELLS**	BSE Limited Phiroze Jeejeebhoy Towers Dalal Street **Mumbai- 400 001** **Scrip Code : 517354**

Sub: Transcript of Earnings Call with respect to Financial Results for the second quarter and half-year ended 30th September, 2024

Dear Sir,

This is with reference to the Company intimation dated 13th October, 2024 filed with the stock exchanges in terms of Regulation 30 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 regarding the conference call to discuss the financial results for the second quarter and half-year ended 30th September, 2024 scheduled for 17th October, 2024.

Further to the audio recording filed with the stock exchanges already, we are enclosing the Transcript of the Earnings Call.

The same is also available on the website of the Company under Financials in the Investors section.

This is for your information and records.

Thanking you.

Yours faithfully,
for **Havells India Limited**

SANJAY KUMAR GUPTA
Digitally signed by SANJAY KUMAR GUPTA
Date: 2024.10.22 09:53:54 +05'30'

(Sanjay Kumar Gupta)
Company Secretary

Encl: As above

Havells India Limited

Q2FY25 Earnings Conference Call

October 17, 2024

MANAGEMENT:	**MR. ANIL RAI GUPTA – CHAIRMAN AND MANAGING DIRECTOR – HAVELLS INDIA LIMITED** **MR. RAJESH KUMAR GUPTA – WHOLE-TIME DIRECTOR AND GROUP CFO – HAVELLS INDIA LIMITED** **MR. AMEET KUMAR GUPTA – WHOLE-TIME DIRECTOR – HAVELLS INDIA LIMITED** **MR. RAJIV GOEL – EXECUTIVE DIRECTOR – HAVELLS INDIA LIMITED**
MODERATOR:	**MS. BHOOMIKA NAIR – DAM CAPITAL ADVISORS LIMITED**

Moderator: Ladies and gentlemen, good day, and welcome to Havells India Limited Q2 FY '25 Earnings Conference Call hosted by DAM Capital Advisors Limited. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing star then zero on your touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to Ms. Bhoomika Nair. Thank you, and over to you, ma'am.

Bhoomika Nair: Good evening, everyone, and a warm welcome on behalf of DAM Capital to the Q2 FY '25 Earnings Call of Havells India Limited. We have the Management today being represented by Mr. Anil Rai Gupta, Chairman and Managing Director; Mr. Rajesh Kumar Gupta, Whole-Time Director and Group CFO; Mr. Ameet Kumar Gupta, Whole-Time Director; and Mr. Rajiv Goel, Executive Director.

At this point, I'll hand over the floor to Mr. Gupta for his initial remarks, post which we'll open up the floor for Q&A. Thank you and over to you, sir.

Anil Rai Gupta: Thank you, Bhoomika. Good evening, and thank you, everyone, for attending the call. Hope you would have reviewed the results by now.

We delivered overall healthy performance across categories, driven by improvement in consumer demand, and pick up for ongoing festive season.

Lloyd also delivered a decent growth and continued benefits from cost efficiency initiatives. A steep volatility in commodity prices impacted Cables' margin as we saw absorption of high-cost inventory against the falling raw material and sales prices during May to August 2024.

As the festival season is slightly earlier this year, we witnessed advancement of advertising spend, thus moderating margins across categories. We expect normalization over subsequent quarters.

Last month, we commissioned our new Cables plant in Tumkur, which will scale up over the next few months. Considering the long-term potential demand for higher size cable, we have committed additional capex of around INR450 crores for expansion in the Tumkur facility.

We can now move to Q&A.

Moderator: The first question is from the line of Rahul Agarwal from IKIGAI Asset Management.

Rahul Agarwal: Anil ji, first question was on switchgears. What could be like a sustainable growth rate we should assume for this segment?

Anil Rai Gupta: So I think for this particular quarter, there was a de-growth in the industrial switchgear business, which is part of the switchgear business. With first 6 months of government spend, we did experience decent growth in our residential switchgear and switches and socket segment. So going forward, once the industrial demand also starts coming in, we expect a lower double-digit growth numbers.

Rahul Agarwal: And second and last question was on emerging category. It looks like that's gaining traction. Within this, which product actually is gaining meaningful scale and could be separated out eventually to track it separately? Any color, sir?

Anil Rai Gupta: Yes. I think within a year or so, there will be more product categories who will gaining enough sales. We are witnessing good growth in personal grooming segment, air cooler segment, water purifiers. Solar is also delivering decent growth. So, I think we'll look at it for some more time. These categories are still in the investment phase. By around next year, we should be looking at moving 1 or 2 out.

Moderator: The next question is from the line of Fatema from Mahindra Manulife.

Fatema: What's your read through of how the festive is looking like? Because obviously, we've heard a 2-wheeler saying that it's not that good. So for durables as a category for our individual segments, like what is our thought process on how the demand is shaping up?

Anil Rai Gupta: We've seen the quarter start at a very positive note. Some of it could also be because of the fact that Diwali is early this year. So hence, the spend and sales, both have started on a good note. Let's see how it pans out. But I think, generally speaking, we are experiencing better growth this year.

Fatema: Versus last year like-to-like, Navratri or -- is that a fair assumption? Or just you...

Anil Rai Gupta: We see better positivity on the consumer side this time.

Fatema: Okay. Fair enough. And then secondly, the kind of employee cost that we are running, obviously, we've had a lot of expansion. Is this a new run rate? Or it could be even potentially higher because you've commissioned a new factory because INR460 crores salary in quarter, thus annualized you are running at nearly a INR1,700 crores to INR1,800 crores kind of number. So in a way, the fixed cost structure is moving up and that revenue growth flow through will finally get your margins, right?

Anil Rai Gupta: You're talking about employment?

Fatema: Employee cost, yes.

Anil Rai Gupta: So most of the people costs related to factories is not a part of this. But there is increased investment in fortifying the newer channels, especially the modern format retail (MFR) and rural areas. So we are looking at more expansions in these areas. And hence, I would say these are a little bit investments for the future. Over a period of time, it will come to normalized growth levels as the sales are increasing.

Fatema: Can I ask one more question?

Anil Rai Gupta: Yes.

Fatema: Just wanted to understand, like we have been margin leaders, right? Last 10 years, we've always shown industry-leading margins. Do you think that we are very much going to get back to that because, say, last 2-3 years, you could yet say demand has not been core and Lloyd was having its challenges. Do you see we are going to be back to that industry-leading margin because basically, every successive quarter, we've seen a lot of earnings cuts more led by margin than by revenues?

Anil Rai Gupta: I think, if you look at business to business as against competition, we always strive to remain margin leading businesses. And I think whether it's consumer durables or lighting or switchgear, we're definitely leading in the margins. I think where one could say is Lloyd, we are still in the investment phase. And cables and wires, wires sometimes there is a little bit of fluctuation. But we definitely see that we will be coming back to normalized margin levels very soon.

Moderator: The next question is from the line of Saumil Mehta from Kotak Mutual Funds.

Saumil Mehta: Yes. So when I look at the lighting and the ECD division now, obviously, we have held up contribution margins quite well. But when I look at the EBIT margins, there has been very sharp moderation while I believe A&P spend and employee cost are up. But going into FY '26, slightly on the medium term, how should we look at both the divisions? Is the pricing deflation in lighting behind us? And any color on the ECD portfolio given that the summer portfolio, what we also hear from channel checks has been fairly muted in recent times.

Anil Rai Gupta: I think in both these businesses, lighting and ECD, I believe that the company is doing a very good job of premiumizing the portfolio. And hence, we can see, again, industry-leading contribution margins in the businesses. Here, if you don't look at quarter-to-quarter, but generally speaking, lighting, even on EBIT margins, we are leading industry by quite a good margin.

Electrical consumer durables (ECD) also, as I said earlier, in terms of manpower costs, there is some investment baked in, but we will be seeing efficiencies coming in because of this and higher growth. So, FY '26, we'll definitely be back to our margins as you have said.

Saumil Mehta: And my second and last question, while you alluded to a better near-term festive demand, but is it got to do with more of restocking? Because at least from counter sales perspective, at least, again, what we're hearing is things have been fairly muted. While you believe that festive upcoming is going to be strong. So is it got to do with more that the channel inventory was low and to that extent...

Anil Rai Gupta: Sorry. Can you -- your voice is not very clear. Can you repeat your question a bit slowly, please?

Saumil Mehta: In terms of the opening remarks, you mentioned about the upcoming festive demand is panning out quite well. Now this is a bit contrary to when we do our channel checks in the market, where from a consumer point of view, things seem to be muted. So for players like us, is it more of a destocking demand, which probably from a near-term perspective bodes well, but the on-ground demand is weak, something on that sort? Any color here will be very helpful.

Anil Rai Gupta: Maybe it's a bit early to say. I would not, first of all, say restocking or anything. It's a bit early to say. Maybe there is a little bit of anticipation of the Diwali festival coming in. But I think, as I said, it's early. We're just in the middle of October. We'll have to see how it really pans out.

Moderator: The next question is from the line of Natasha Jain from Nirmal Bang.

Natasha Jain: Sir, my first question is on Lloyd. Can you just help break the growth in terms of how RAC did versus washing machine and REF? And a little bit more color on RAC in terms of how the channel inventory now stands and what is the pricing scenario? Is it still highly competitive and no price hikes? That’s the first question.

Anil Rai Gupta: First of all, RAC in this particular quarter is generally a very low quarter. And especially because there was a good demand for air conditioners in the first quarter, the consumer pickup in the second quarter has been low. And hence, the growth in non-AC segment for Lloyd has been better than the growth in air conditioner segment. So, which also is a positive thing because our focus on building other product categories like washing machines and refrigerators, that's also panning out well.

And so I would say it's becoming a little bit more balanced. But this particular quarter, there's not much to read on air conditioners because, one, generally, this quarter is a very low quarter; and secondly, it's coming after a very heavy first quarter.

Natasha Jain: Sir, my question was more on how probably non-RAC did because our channel checks suggest that washing machine as a category has not picked up despite this particular seasonal quarter, the second quarter?

Anil Rai Gupta: Yes. For us, it's a bit small category. And hence, we are definitely experiencing growth, but it is lower than the other 2 categories like LED panels and refrigerators.

Natasha Jain: And sir, my second and last question is on kitchen appliances. So, what we've understood is, from October onwards the demand has started picking up on the ground. So can you tell us how kitchen appliances is the category for you is looking like? And in terms of competition, what we've understood is there are a lot of these premium players who started rolling out mid-premium products. So now even a Bosch has a product category, which is equivalent to a Havells' pricing. So what's your sense on that in terms of that competition and cannibalization?

Anil Rai Gupta: I think we are very positive about our domestic appliances category, and it is, again, as I was saying earlier, it is also one of those products, which has started off on a very positive note in the festival time. So, we'll continue to see that. Look, as far as competition is concerned, there is always a push towards trying to cater to different kinds of consumers. When there is a company which is catering to, let's say, lower set of consumers, they want to go premium. Some companies who are only catering to premium, they also want to go elsewhere. So this competition can keep varying. The whole idea is how we can refresh our product range, make meaning to the consumer and expand the reach to the consumer. As far as ECD is concerned, we're making decent strides in most of the product categories.

Moderator: The next question is from the line of Siddhartha Bera from Nomura.

Siddhartha Bera: On the wire side, you mentioned that we have seen a good improvement. So just wanted to understand how sustainable is it if you look at the traction in the second half and our cable plant is also -- you mentioned that it has got commissioned. So if you look at the cable and wire category as such, I mean, a strong double digit or current momentum sustaining is something can we expect? Or do you see any challenges here?

Anil Rai Gupta: No, I think as far as wires is concerned, we experienced a bit lower growth in the first quarter because of the fluctuating raw materials. And because of this destocking, the second quarter had a good pickup and restocking of the product as well. Unfortunately, the volatility in the raw materials during the quarter affected the margins. But I think given the fact that we have been adding capacities at Tumkur, now should augur well for a decent growth in both underground cables and the rest of the wires in the coming months.

Siddhartha Bera: And sir, on the profitability, you mentioned that this volatility has impacted current quarter margin. So has the commodity price increases being taken and from next quarter onwards, we should come back to that normalized EBIT margin level?

Anil Rai Gupta: The third quarter pretty much towards normal because, let's say, maybe October is a bit affected, but November, December, we anticipate unless there's further volatility. Otherwise, we expect very close to normalized margins in the third quarter and fourth quarter should be absolutely normal.

Siddhartha Bera: And sir, on the ECD side, also, you mentioned that there has been some enhanced investments which have been going into emerging channels. So any color here, how much is that impacting our margins? And how should we expect that to normalize going ahead?

Rajiv Goel: I think the channel investments, Siddhartha, I think will be compensated either increase, we will be sort of expecting on this channel in the ECD side. So, I think these investments, to some extent, you should see for slightly medium term. And I think this is something will continue to reflect. We do not expect them to normalize. But they will be sort of offset by the higher growth we are expecting in this category.

Moderator: The next question is from the line of Aniruddha Joshi from ICICI Securities.

Aniruddha Joshi: Yes. Sir, in terms of Lloyd, we had indicated that we will also get into certain exports to Middle East as well as USA markets. Now that was done almost 7-8 months ago, the announcements. So any update on that? And when should we see the products rollout happening in both these regions? That is question number one. And secondly, if you can indicate the price hikes during the quarter as well as the growth in 2 verticals, B2B as well as B2C.

Rajiv Goel: On the international side, we have started with the Middle East, but it's early days. And for the U.S., the product is under development. This is something most probably the next year you will see some more traction. As the things develop, we will keep you updated on the same.

Aniruddha Joshi: Sir, B2B & B2C growth rates and price hike?

Anil Rai Gupta: This quarter, growth rate B2B growth was about 9% and B2C was 20%. And price hikes, look, if we keep away cables and wires, most of the price hikes have already been taken. Cables and wires is very related to the fluctuation in raw material prices.

Aniruddha Joshi: Sure, sir. Understood. Last question. B2C growth has been really pretty strong. So if you can indicate any region-wise color East-West, North-South where it is doing well or, let's say, urban versus rural, any cuts or color on that? That's last question.

Anil Rai Gupta: I think regional-wise, it's pretty much, I would say, fairly distributed. And as far as urban versus rural. Rural, we saw some slowdown in the last year, but now started picking up. So urban has been doing well, but rural is also started picking up.

Moderator: The next question is from the line of Aditya Bhartia from Investec.

Aditya Bhartia: Sir, you spoke about advancement of A&P. But if you look at the overall A&P spends, they have ranged around 3% of revenues, which historically has been at the usual run rate. So while I understand that there is an year-on-year increase, but how should we look at A&P since going forward? Are they going to moderate once the season is over and from a slightly longer term perspective?

Rajiv Goel: 2.5% is normally what we have. And I think that's something we expect that by the end of the year, you will see pretty much in that range only. We see 2.5% to 3%, so I think that's something would remain in that same range.

Aditya Bhartia: And sir, if we look at the contribution margin across segments, on the contribution margins, margins look pretty okay with some moderation in the wires and cables. But when we look at EBIT margins, the difference is a lot higher. So, which are those expenses which would have gone up? I understand that there could be that INR28-odd crores of impairment that we have taken. But besides that, is there any other expense that won't be forming part of contribution margins, but of EBIT margins, which is impacting the margin?

Anil Rai Gupta: I think primarily it's coming out of advertisement increase, which is almost about 50% in this quarter year over year. But also, as I mentioned earlier, some investments on manpower, so some salary expenses also. So these are the 2 major areas.

Moderator: The next question is from the line of Ravi Swaminathan from Avendus Spark.

Ravi Swaminathan: If you can give the breakup of cables and wires within the Cables segment? And the new facility, which has come up, what could be the incremental revenue at peak capacity utilization that can be added to the overall top line of that segment?

Anil Rai Gupta: So we generally are between 35% to 40% for underground cables and the rest for wires. Second question was, sorry?

Ravi Swaminathan: The incremental revenue at full capacity utilization that can be coming from the cable facility has just come up.

Anil Rai Gupta: Until Tumkur facility came up, we were almost operating at 100% or 85%-90% capacity utilization for cable, which actually now with the new facility will be at better levels. We are also further expanding, as I mentioned, that we have committed another INR450 crores of expansion in Tumkur facility. So that should bring the capacity utilizations to a normalized level.

Ravi Swaminathan: And with respect to the lighting business, the pricing bottoming out, that has been under discussion for the past 3-4 quarters or even more than that, especially in the lamps business. Any sense on whether it has already bottomed out in the market? Or it's is yet to occur?

Anil Rai Gupta: Hopefully, I think this third, fourth quarter, we'll see the bottoming out. And next year, we should start seeing -- FY '26, we should start seeing real growth in our lighting.

Ravi Swaminathan: And how would be the breakup between lamps and fixtures for us as of now? And what would have been the growth in the lamps business in volume terms this quarter or this year, first half?

Anil Rai Gupta: So pretty much what has happened is with the advent of LED, now even consumer luminaries, how we differentiate it is pretty much a fixture. So, actually, we now don't differentiate between lamps and fixtures. It's basically consumer luminaries versus professional luminaries, where consumer luminaries is about 60% of our business and about 40% is professional luminaries. And volume growth in lighting has been 15% this quarter.

Moderator: The next question is from the line of Keyur Pandya from ICICI Prudential Life Insurance Limited.

Keyur Pandya: Sir, first question on switches and switchgears, I think I couldn't hear it properly. But if I look at switch, switchgear segment's revenue growth 2-year, 3-year or 5-year, whichever period we take, it is probably a mid-single-digit kind of growth. So, have we lost share? Or if you can just throw some light what has happened in the past? And in near future, what kind of growth do you expect? Are you seeing any pickup led by real estate or even otherwise? That is first question.

Rajiv Goel: I think last few years, if you recall, we, the construction activity also has been slow. I think which gradually started picking up. Since there are 3 categories within this where there's a bit of an offset. There have been quarters where we have grown double digit. Potential wise, clearly, the switchgear, we're all aware that this is a consolidated industry. So I think the potential there is sort of high-single digit and low-double digit. And I think if you combine the 3, we believe the potential is pretty much high-single digit and low-double digit. So we see reason why, frankly, we should be sort of moving away from that. And that's what sort of we are holding out as well.

Keyur Pandya: Okay. Sir, second, switchgears and ECD, most of these segments probably -- if I look at longer periods of switchgears, we have seen contribution margin and you're in the range of 38% to 40% and ECD 23% to 25%. And we are either at the lower range or below that number. So where do we see contribution margin and in turn EBIT margin for both of these categories? Or is it a new normal?

Anil Rai Gupta: No, I think generally speaking, our averaging has been between 38% to 40% for switchgear. And again, as you have said, between 22% to 25% EBIT margin, sometimes we do take a call to invest for the long term, which comes in a particular quarter for advertising because this is not a product category where you advertise continuously. This is when you make a burst and then you come back again. So sometimes it can vary, but generally speaking, between 22% to 25% is the EBIT.

Moderator: The next question is from the line of Sonali from Jefferies.

Sonali: Firstly, may we have the guidance of capex for FY '25, please?

Anil Rai Gupta: So right now, the committed capex from the company in next coming years is already about INR1,900 crores. Out of which, we believe that about INR1,000 crores will happen in this year, about INR350 crores has already been done in the first half.

Sonali: Sir, my second question is, how is the B2B demand doing in terms of the capex cycle and the housing cycle? And also, I missed the number that you would have given for the breakup of volume versus value of your cables and wires division?

Anil Rai Gupta: The B2B business on the industrial side is slow right now, which generally has been good in the last year. First 6 months has been low. Hopefully, with the government spending now coming back, hopefully, we should start reflecting some growth as well. Residential demand from a builder's point of view, is regular, is not very good and not very low also. So that's why we see some decent growth coming in residential switchgear and switches and sockets.

And, 15% is our volume growth in cables and wires and value growth is about overall 22%.

Moderator: The next question is from the line of Dhaval Somaiya from Axis Mutual Fund.

Dhaval Somaiya: Sir, in the previous quarter, you had highlighted that in switches and switchgear segment, the domestic growth was pretty healthy, which was -- if I recollect correctly, it was 12% on a Y-o-Y basis, but there was some export orders that you had highlighted in the previous quarter, which was supposed to be shifted in this quarter. So sir, if I were to take that into account, the growth in this quarter in switches and switchgears seems to have actually de-grown on a Y-o-Y basis. If you can just clarify that?

Secondly, I would also like to understand that if these orders were shifted to Q2, I would believe that the expense for those orders would have been booked in Q1. And hence, the margins would have -- should have ideally improved because the cost for those orders were booked in the previous quarter. So if you can just help me understand this better. And secondly, on Lloyd, how should one structurally look at the margins going forward?

Anil Rai Gupta: So as far as switchgears is concerned, on the domestic side, if you look at the residential and consumer switchgear segment, we have seen decent double-digit growth. And as I said earlier, that industrial switchgear, there was a significant de-growth which actually made overall growth look much lesser for the entire switchgear segment. This was not really impacted a whole lot by exports.

Rajiv Goel: On the second question, the cost will be matched with the revenue, so it's not that the cost has been booked in the first quarter and the revenue will come in the second quarter. So, this is not very clear. There is nothing like that. As per the matching concept, the cost will always accompany the revenues.

Anil Rai Gupta: And as far as Lloyd is concerned, I think structurally, we've been saying since last year, there is improvement on the cost efficiencies. And overall, the brand acceptance is getting better and better. So, we should see stronger margins coming in the next 1 or 2 years.

Moderator: The next question is from the line of Deepak Gupta from SBI Pension Funds.

Deepak Gupta: My first question is on Lloyd. We've been talking about derisking the portfolio from a long-term perspective and increasing the share of non-air conditioner products in that portfolio? Where are you standing in that journey? And how do you see refrigerator and washing machine going forward over the next 2 to 3 years?

Anil Rai Gupta: Look, I think as far as Lloyd is concerned, while our strive is to keep changing the product mix, but the fact is that we are not slowing down on our growth aspirations for air conditioners as well. Having said that, we are quite comforted by the fact that our acceptance of other products, which is washing machines, refrigerators and including LED panels is now at a good level. Most of the top A-class counters are keeping these products.

And hence, the growth expectation in the coming years will be quite decent in these product categories also. While we have maintained that we need a certain threshold level, we believe that our investments over the last 2 or 3 years in these non-AC product categories is now really coming to giving fruit.

Deepak Gupta: And sir, my second question is on Consumer Durables segment. For the last 2.5 years, we have seen flattish numbers from the company. How do you see that segment shaping up over the next couple of years? And do you think that there is a need of launching newer products and reducing dependence on fans, which still contribute, I believe, 60% to 65% of that segment for Havells?

Anil Rai Gupta: So what did you say about 2.5 years, what?

Deepak Gupta: The numbers have been quite flattish on -- whichever way you cut it, it's like in terms of top line, the numbers have not really seen much growth.

Anil Rai Gupta: I think I mentioned earlier that we are now seeing good growth coming both in fans because our acceptance is getting better in regions. Even appliances and water heaters, we are experiencing good growth. We are quite bullish about ECD segment as a whole. And I don't think that we really need to add more product categories because we are quite strong in terms of appliances, which is a growth category, water heaters, and air coolers. These are all categories which can give decent growth to ECD segment.

Moderator: The next question is from the line of Achal Lohade from Nuvama Institutional Equities.

Achal Lohade: Yes. Sir, my first question is within ECD, is it possible to get some color in terms of fans' growth? Would it be similar to what the segment growth or higher or lower?

Anil Rai Gupta: It's not very different than the other product categories.

Achal Lohade: The second question I had, if I look at the employee cost, it's up about 20%-25% for the first half. And it has been seeing that kind of growth increase actually for the last couple of years. Is it fair to say that, that is a new normal, like in terms of penetrating deeper the investment in terms of number of employees, the seniority, et cetera, will keep these costs going up at the same pace? Or you think it can quickly get normalized?

Anil Rai Gupta: No, I think it will get normalized over next year. But when I say normalized means the growth will be slower. But having said that, we have been investing not only in terms of just reach of people, but also we're investing heavily in expanding our base in R&D. There are investments that we are making for the future. We will take a prudent view on balance between present and the future. We'll look at manpower in a very long-term way, not just for short-term results.

Moderator: The next question is from the line of Yash from Stallion Asset.

Yash: Just wanted to know the volume growth in your Lloyd's Consumer division, if you can split between AC and non-AC?

Rajiv Goel: The non-AC is higher than the overall Lloyd growth. I think this is that much what we disclosed in this.

Yash: Okay, sure. And within the AC division, how are we seeing the channel inventory in the industry? Do you think now it's sort of a more normalized because the demand is more stable? Or you think still there's enough inventory already?

Anil Rai Gupta: No, inventory had been low at the end of the first quarter as well. And so I would say it's not high at all.

Moderator: The next question is from the line of Nirransh Jain from BNP Paribas.

Nirransh Jain: Sir, my first question is again on the switchgear. I just wanted to better understand what led to the decline in the contribution margin around 130 bps decline that we saw in the switchgears on a Y-on-Y basis. Is this because of the Industrial Switchgear segment has a higher margin? Or is there anything else to it?

Anil Rai Gupta: I think, again, as I said, for us, it's not really a decline because 38% to 40% is something that we strive for. It depends upon the product mix as well. Sometimes switches' sales may grow faster or slower as compared to the residential switchgear, where there could be differing contribution margins. So generally speaking, we are between 38% to 40%.

Nirransh Jain: Right. And sir, I remember that in the previous calls, you have mentioned that the -- especially in the telecom OEMs, we can continue to expect to see some de-growth in this financial year. So has anything changed there? Because like as you said previously that we might expect double-digit growth in the second half for this segment.

Anil Rai Gupta: Yes, I think same, it's the same. We are seeing actually de-growth in that segment, which is affecting the growth of residential switchgear, though it has increased double digits. But still we are seeing de-growth in this particular sub-segment.

Moderator: The next follow-up question is from the line of Fatema from Mahindra Manulife.

Fatema: Cable and wires, the new factory -- so last year, we did around, the cable and wires, which is around INR1,600 crores of revenue. Is there any way one can say that the capacity that we are currently adding is potentially double our revenue? Or like what is the kind of asset-to-sales ratio that one can say?

Rajiv Goel: I think this is what we said 25% on cable. So I don't think that it will double from this. And that's why, you would have noticed that we also announced other expansion in Tumkur after this commissioning. So I think in 2 to 3 years, you will see at least 50%-60% capacity addition for the medium-voltage underground cables.

Fatema: Sir, what is the kind of demand, if I could also ask?

Rajiv Goel: As of now, the demand environment remains robust on the cable side.

Moderator: The next follow-up question is from the line of Keyur Pandya from ICICI Prudential Life Insurance Limited.

Keyur Pandya: I just want to understand in the Lloyd is washing machine, refrigerators contribution margin, would they be higher than AC or contribution or EBIT just as a starting point. Earlier, as you mentioned that the work that you have done to establish brand Lloyd, the efforts would be relatively lower versus AC. So in that backdrop, I mean just you can just talk about the hierarchy of contribution margin.

Rajiv Goel: The contribution of margin in non-AC actually right now will be slightly lower than the AC because there's a lot of outsourced items as well. As you bring them in-house, I think those margins will improve. But I think, let's agree that most of the margins are driven by the AC because still the 78% of the business is air conditioner. But it's not something which is really dragging too much. So I think there will be expectation of improvement in non-AC as well. But while they are not sort of at the same level because there is good improvement in the AC margins. You see they're not at the same level as the ACs.

Moderator: The next question is from the line of Hardik Rawat from IIFL Securities.

Hardik Rawat: Sir, could you please explain how price transmission actually takes place in cables and wires segment? Is it with a month lag? How are the increase or decrease in the metal prices passed on under both our cables businesses and wire businesses?

Anil Rai Gupta: Yes, generally speaking, it takes a little bit of time because industry sees the short to medium-term fluctuation and first 15-20 days it actually decide whether these fluctuations are normal. And then if it is prevalent, then prices are passed on to the market. Usually speaking, if the commodity prices start going down, it is passed on to the market very quickly because that's the expectation and the trade starts holding back. But if the prices go up, then there is a general lag in terms of being able to pass on the entire thing because the competition also starts delaying the price increase. So, when there is a high level of fluctuation, it generally affects the margins in that particular month or quarter.

Hardik Rawat: Okay. And this will be the same in case of both cables and wires, so no difference between the 2 categories?

Anil Rai Gupta: That is true. Generally when there is higher fluctuation in copper, which is mostly used in domestic wires, it impacts us more because 65% of our business is domestic wire in cable & wire segment.

Hardik Rawat: And with the wire sales picking up, do you foresee the margin should going forward be better as...

Anil Rai Gupta: Should be better because this was, again, as I said, in a particular quarter where fluctuation happened. Otherwise, margins will be better.

Hardik Rawat: And lastly, if you can, if you could provide a breakup of your ECD sales within fans and other categories.

Anil Rai Gupta: We don't do that. We report on ECD segment level only.

Moderator: Ladies and gentlemen, we'll take this as a last question. I would now like to hand over the conference to Ms. Bhoomika Nair for closing comments.

Bhoomika Nair: Yes. I would just like to thank all the participants for being on the call and especially the management for giving us an opportunity to host and answering all the queries quite a bit. Thank you very much, sir, and wish you all the very best.

Anil Rai Gupta: Well, thank you very much everyone, for joining the call. Happy Diwali to everyone. Thank you.

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