



November 25, 2024

To,
BSE Limited
Phiroze Jeejeebhoy Towers
Dalal Street
Mumbai 400001

Scrip Code – 543597

Subject – Disclosure under Regulation 30 of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 – Transcript for H1 Post Earnings Conference Call held on November 21, 2024.

Dear Sirs,

With respect to above captioned subject, please find attached herewith transcript of the Conference Call for Analyst and Investors held for H1 on November 21, 2024 at 11.30 A.M. IST

Kindly take the same on your records.

Thanking You,

Yours Faithfully,

For Virtuoso Optoelectronics Limited

Vibhuti Kulkarni
Company Secretary & Compliance Officer
Mem. No. ACS 68263



VIRTUOSO Optoelectronics Limited

Register Address : 7 MIDC Area, Satpur, Trimbak Road, Nashik - 422007

Email : info@voepl.com Website : www.voepl.com

Telephone Number: +91253 2309019

CIN No: L74999MH2015PLC268355



VIRTUOSO OPTOELECTRONICS LIMITED

H1 FY25

POST EARNINGS CONFERENCE CALL

November 21, 2024 11:30 AM IST

Management Team

Mr. Sukrit Bharati - Managing Director
Mr. Sajid Shaikh - Chief Financial Officer

Call Coordinator



Strategy & Investor Relations Consulting

Presentation

Vinay Pandit:

Ladies and gentlemen, I welcome you all to the H1 FY25 Post Earnings Conference Call of Virtuoso Optoelectronics Limited. Today on the call from the management team, we have with us Mr. Sukrit Bharati, Managing Director; and Mr. Sajid Shaikh, Chief Financial Officer.

As a disclaimer, we would like to inform all of you that this call may contain forward-looking statements, which may involve risk and uncertainties, also a reminder that this call is being recorded.

I would now request the management to brief us about the business and performance highlights for the half year that went by, the plans and growth plans and vision for the coming year, post which we will open the floor for Q&A.

Over to the management team.

Sajid Shaikh:

Yes, good morning everyone. So this is Sajid here. I think the presentation has already been shared. I'd just like to take you all through the highlights. So as a company, the plan, the path that we had chosen for ourselves for this year, I think, we are well on that path. We have been able to clock a number of ₹310 crores as far as top-line is concerned in the first six months. Originally, as per our plan, we were supposed to hit a number of ₹280 crores to ₹300 crores. So we are well on course and a little above that number.

The other developments are also on track. The freezer plant is already operational. Now we are only waiting for the certification. So that process is going on and we are hoping that all the certifications should be in place by December, mid-December to end December. And once we have that in place, commercial billing for that unit will also start. The ramping up of ODU is also underway and I think by the end of this year we should be able to hit the number of 5 to 6 lakh in terms of the capacity for outdoor units. Apart from that, we are also venturing into compressor manufacturing, so that we hope to start by Q1 next year, but the investments have started. And so, as already mentioned in the presentation, we are starting with a 2.5 million kind of capacity to start with, which will one take care of our captive consumption, and at the same time we'll also look out for customers within the country.

So these are some of the highlights and so the floor is open. We are open to answer any questions that you have.

Question-and-Answer Session

Moderator: Sure. All those who wish to ask a question may use the option of raise hand. Alternatively, if you can't raise hand, just drop a message on chat and we'll call you to ask the question. We will take the first question from Garvit Goel. Garvit, please go ahead.

Garvit Goel: Good morning, sir. Congrats for a good set of numbers.

Sajid Shaikh: Thank you.

Garvit Goel: My first question is, like, I want to get addressed on the delay in the listing of the preferential shares that were allotted in the month of March. So as per regulatory norms, preferential shares should typically be listed within 20 days of allotment. However, despite that significant time having passed, this year remains unlisted, which has led to our funds being tied up for an extended period of time. So, could you please provide a clear explanation for this delay, like, the current status of the listing process and the definitive timeline for when we can expect these shares to be listed on the exchange?

Sajid Shaikh: All right. So, I think, this is a question which has come from almost all the people that have invested with us. And so just to put things straight on the record, we had scouted for investments and once we got a confirmation from BSE, in terms of getting their in principle approval, that is the time that we had actually called for the money. So the money was called for, the shares were issued from our side as far as we are concerned and we had filed for PAS 3 also.

So, all the compliances that need to be done from our side have been done. The only challenge that arose was when we applied for listing of the shares. That is the time that BSE came back to us and said that since our paid up capital is going beyond the threshold of ₹25 crores, we will have to migrate necessarily to the main board.

Now, at this point in time, there were two conflicting or contradictory regulations that we kind of got squeezed between. One of them, as I said, is that we were crossing the threshold of ₹25 crores, so we could not stay on the SME board. The other is that, because we had not completed the mandatory period of three years on the SME board, we could not migrate. And that is where this unforeseen kind of a delay has come into the picture.

Now to handle this, we took suggestions, we had various advises that were taken from law firms et cetera, and two other people that we thought that they'll be able to give the advice to us. And eventually what we have done is on 24th of October, we have filed for a waiver under regulation 300 that will give us a relaxation for this mandatory three year period. So we have asked SEBI to give us a waiver on that front, so that we can migrate early.

Now that application, if we get a positive response on that and we get a result in our favour, then we should be able to migrate to the Main Board, which will, I mean, automatically ensure that the listing happens. That is one. Now in case that doesn't happen, the last, so to say the last limit for this entire issue would be that next year, September 15th, we are due to migrate organically. We will be completing the three year period for which is required and hence that will happen. But we are trying our level best to see that we should be able to kind of get it resolved earlier because we also appreciate the fact that investors have their monies locked in and the shares are not tradable as of yet.

Sukrit Bharati:

Just to add to that point, see there are two processes that run in parallel being a listed company. One is the process, which happens as per Companies Act and one process which is run under the guidelines of SEBI by the stock markets. So in our case, like Sajid was mentioning, it is we are somewhere in between. So as far as Companies Act is concerned, all the compliances have been completed. As far as listing compliances are concerned, we took -- without approval from exchange we cannot go ahead with ROC compliances.

So, we took permission, we went ahead with ROC compliances and then they realised that we are in a spot which is in between their regulations. So the contradictory regulation that currently BSE has is that, if your paid up capital becomes more than ₹25 crores, you have to mandatorily migrate to Main Board. The other regulation that they have is that which was earlier two years that you have to stay on the SME board for two years, now it's become three years. So we have completed two years, but they extended it to three years, a few months back. So, we are in that place where we have permission, but we've not completed three years and our paid up capital is crossing ₹25 crores.

So as far as shares are concerned, the shares have been issued in our books and, of course, they are not listed yet because of this spot, but procedurally everything from our end has been completed. And the regulation of 20 days that you are mentioning is that within 20 days of allotment of shares we need to file for listing approval with the stock

market, which we did. The only problem is there is no deadline to how long will it take for them to actually list the shares. So there is no TAT defined on that side as far as the law is concerned. So, procedurally, we have done everything we could up till date.

Of course, we understand your challenges and we want to resolve it as early as possible because I think it is our responsibility. For that we are pushing as much as we can, but, like we mentioned, I mean, we are trying with SEBI to give us the exemption. And, of course, we are continuously following up with BSE also. But it is BSE saying that until unless SEBI gives them an approval, they cannot do it. So that is where we are currently seeing what we can do to resolve. We understand the challenges, but please understand this was beyond our control and we will always keep trying to do whatever we can to resolve it at the earliest.

Garvit Goel: Understood sir. And sir, like you mentioned, we have made an application to SEBI. So by then do we expect the result of this application from their end?

Sukrit Bharati: So, again, there is no -- I mean, so their normal TAT is that for every activity they have three to four weeks. So the first three to four weeks they call data from whatever we understand is they first call from data from BSE to understand what has happened in their end. Then they will call us for probably a physical meeting if required. And then they will decide on what course. So normally, I mean, conservatively I think it is about a two, three month process, but there is no defined timeline for it.

Garvit Goel: And when we made this application in the month of October, right?

Sajid Shaikh: 24th of October.

Sukrit Bharati: In the month of October, correct, yes.

Sajid Shaikh: 24th of October.

Garvit Goel: And if we got a denial from their end then there is no solution, it is like, you mentioned, there will be the organic migration that will happen in September 25th, right?

Sukrit Bharati: We can go to SAT, but yes, the other option is September.

Garvit Goel: Okay, you can go to SAT as well. But again that will also take your three to four months, right?

- Sukrit Bharati:** Correct.
- Sajid Shaikh:** Correct.
- Sukrit Bharati:** By the time September will anyways be there. So going to SAT will not really save a lot of time, but we will see based on how things work best.
- Garvit Goel:** Got it, sir. Secondly, sir, like if you see your margins, EBITDA margin specifically, I was looking at it, in 2020 we were at the levels of 12% and over the years these margins came down to 9% currently. So despite we are at 10 times the level of sales that we were having in 2020, margins are getting depleted. So can you comment upon the reason for the same why the operating leverage did not kick in? And then how do you see the margin shaping up from here onwards?
- Sukrit Bharati:** So please understand in 2019 we were only majorly in lighting products and we have, of course, since then added a lot of appliance products to our portfolio. So lighting is a lower value product, but has higher margins. And in appliances, the EBITDA margins are, of course, lower because we are an OEM, ODM as far as that segment is concerned. So further, the product mix dictates the EBITDA margin. So, for example, ODU has a lower EBITDA margin than IDU in AC, the indoor unit and outdoor unit, because the value addition varies from product to product.
- The new categories that we are entering will have better EBITDA margins. So EBITDA margins that we believe we'll be in is between 8% to 10% is the range of most of our products, blended EBITDA margin that we normally sit in. And we are, I think, on the upper end of that spectrum. So this is higher than what we had initially projected. So, I think, we are on the right track.
- Garvit Goel:** Got it. So that means you are saying 8% to 10% is what you are targeting for, right?
- Sukrit Bharati:** Yes, what effectively is possible in this segment.
- Garvit Goel:** Understood. And like in your opening remarks you also mentioned about entering into compressors. And a few days back I was reading an article over like some shortage of the ACs and the components are expected due to BIS refusal of the Chinese suppliers in the calendar year 2025. So how do you see this as an opportunity for us?

Sukrit Bharati: So we were evaluating compressors for almost a year. Initially the investments that we had envisaged were much higher and we were trying to figure out how we can do it at an investment range, which is viable for us. And we've been able to figure out a solution, which is how we are getting into reciprocatory compressors at the first stage. And this will be a large category for us going forward because, like you mentioned, BIS for different Chinese manufacturers is expiring during next year and early 2026. So India, the compressors category that we are getting into initially, India requires about 20 million, which is 2 crore compressors of this type.

We are setting up a capacity, which can make 28 lakh compressors per annum at peak capacity. So almost about 15% of the market, 15% to 20% of the market we'll be able to cater of this segment. And if we get good traction, of course, we can expand. But this is also a good opportunity that has come both because of the government push and because of the investment viability that we've been able to put together. So, hopefully, this will add a lot of value in the coming years.

Garvit Goel: Understood, sir. And sir, one last question on Voltas. Voltas is taking back some of the capacity in-house manufacturing. So what kind of risk that we are exposed to because of the dissection from Voltas?

Sukrit Bharati: Like we've been mentioning in most of our calls and discussions, so we believe that, I mean, our projection for the next couple of years are clear. And so we see growth in AC segment coming steadily. Of course, how much growth will vary depending on demand and supply in the market. But we don't see a challenge in the next couple of years as far as AC market is concerned.

Garvit Goel: So how much Voltas contribute right now in first half to our total revenues?

Sukrit Bharati: I don't have that number on top of the hand, but almost 70%, 75%. 70% I think would be it.

Garvit Goel: So are we looking on adding on the new customers or what is the current scenario? Like Voltas is taking up the capacity. So obviously after two years it will be a big risk for us, right? 70% to 75% is a big number.

Sukrit Bharati: Right. So right now, as you said, capacity is already booked by Voltas. Once we have spare capacity and once we get a feeler, okay, we are also increasing our capacity. And if we feel that there is a gap that's getting

created, we will, of course, look to add more customers. But as of now our full capacity is booked by Voltas.

Garvit Goel: Got it, sir.

Sajid Shaikh: Thank you very much.

Garvit Goel: That's it from my side. I will join back in the queue, sir. Thank you.

Moderator: Yes, thank you, Garvit. Since lot of participants have raised hand, we'll restrict ourselves to two questions per participant. So we'll take the next question from Amit Agicha. Amit, you can go ahead please.

Amit Agicha: Good morning. Thank you for the opportunity and congratulations for good set of numbers and I'm impressed with the presentation and most of things are explained. And my EBITDA question has already been answered. So my one question was connected to the strategy to penetrate international markets and competition from China. And is any government incentive helping in expansion plans for exports?

Sukrit Bharati: I mean there are small government incentives for export, but, I mean, there is no specific advantage as of now that at least we have or we are aware of that will help us in developing exports. But also you need to understand that developing product for a new market is a long process. So we have already started that process last year. We have also started doing some exports, but to get the right product market fit will take some time. That is one. Second is the product variety also that we had till last year was relatively restrictive, which is now opening up. So we have more avenues to reach out and export. So I think that is also looking positive in the coming years.

Amit Agicha: Any percentage terms like what is the revenue in exports?

Sukrit Bharati: I mean as of last year, I think, it was a very small percentage, hardly 1%, 1.5%. This year also it will be a similar percentage. So what we are first trying to do is trying to understand which is the right product and right market because if we misfire then it becomes a -- I mean, it's like taking two steps or three steps back. So instead of that we want to tread carefully. Plus expansion in the local market is happening very aggressively. So we need to balance both. So export is a long-term strategy that we are working on, but domestic is the immediate opportunity.

Amit Agicha: Thank you. That was helpful and all the best for the future. Thank you.

- Sajid Shaikh:** Thank you so much.
- Moderator:** Thank you, Amit. We'll take the next question from Ron S in line from chat. Ron, you can unmute and ask your question, please.
- Ron S:** Sure. Thank you and congratulations on a great set of numbers. Sukrit, any update on washing machines? I think we were in the phase of finalising few marquee clients, didn't see anything in the presentation.
- Sukrit Bharati:** So washing machine is on track, but we will be able to confirm it only by, I mean, in the fourth quarter presentation.
- Ron S:** Sure, sure.
- Sukrit Bharati:** It's still on cards, but we'll be able to give you a better picture by the fourth quarter.
- Ron S:** Sure, sure. And going back to the compressor diversification that we are doing now. So a recent report mentions that 85% of the compressors are still imported for ACs and 70% to 75% of the compressors are still imported for refrigerators.
- Sukrit Bharati:** Yes.
- Ron S:** So, the refractory reciprocatory compressors that we are getting in, so how large is the market? You mentioned 2 crore. These are specifically for the ACs or refrigerators or both...
- Sukrit Bharati:** For domestic and commercial refrigerators. So in compressors, there are two prominent technologies as of now, one is the reciprocatory and one is rotary. So AC has migrated to rotary over the last few years. Reciprocatory is still very prominently used in refrigeration in domestic and commercial. So that is why we decided to first get into reciprocatory. Also reciprocatory, the investments are lower than rotary to set up the facility. And because it was a new venture for us, we wanted to take calculated risk and we wanted to maintain our ROI, ROCE. So we decided to then go ahead with reciprocatory further because we have a captive requirement by next year of about 5 lakhs to 7 lakhs of reciprocatory compressors. We'll be able to cater to it even if the government does not extend BIS.
- Ron S:** Okay, okay. So which also means that we will be looking at clients beyond Voltas for this sector, right?

- Sukrit Bharati:** Of course, yes.
- Ron S:** Okay. So have we made any inroads in that space like any new additions to the clients for the compressors?
- Sukrit Bharati:** I mean, it's still a new development. We look at compressor commercialisation in H1 next year. So till we have confirmed POS, of course, we'll not be able to share those details with you.
- Ron S:** Sure, sure, sure. My next question, Sukrit, in the pecking order, if I recall which were kind of eluded sometime back, we are the number fourth player after Amber, PG and EPACK in terms of production of AC. I understand by now you would have started getting a sense for next year. So do you see this being upgraded? I mean, is there an aspiration to get into the number three spot by next year?
- Sukrit Bharati:** So aspirations, of course. But strategically what we are trying to do is a couple of things. One is like we've been doing, we are adding products to our portfolio because we don't want to just bank on one product for the entire growth to come from. So that is point number one. So growth is also expected from commercial refrigeration now, water dispensers, compressors. So we are looking at multiple segments that need to grow because if you want to have long-term sustained growth, you need to have multiple engines that keep firing. That is point number one.
- Because AC, even if you increase capacity and then you suddenly realise that the year or the summer was not favourable, then suddenly there is a big vacuum. So that was strategy number one, which we have implemented and we are going strong on. Coming to AC, specifically, we are, of course, increasing our capacity every year and next year also we plan to increase our capacity for both IDU and ODU. Now with this capacity increase, we will, of course, look at existing customers and see if they want a bigger share. If not, if there is a capacity gap, then we will look at other options and also export. But the idea is that we want to organically keep going AC. We don't want to make a big investment and then try to fill it up. We will take a more organic approach for the next one or two years in AC as far as growth is concerned.
- Ron S:** Appreciate that. One last question. I think sometime back you had mentioned about aspirational conservative target of ₹1,000 crore by FY26. So with this compressor business coming in, do we see a revision in the guidance?

- Sukrit Bharati:** We do, but give us some time we'll come back to you.
- Ron S:** Sure. Appreciate all your responses and wishing you all the best. Thank you so much, Sukrit.
- Sukrit Bharati:** Thank you so much.
- Sajid Shaikh:** Thank you.
- Moderator:** Thank you, Ron. We'll take the question from chat. It's from Ayush Sabu. He's asking could you please give us an insight into our expansion in remote manufacturing. What would be potential revenue contribution from it and margin profile?
- Sukrit Bharati:** Right. So remotes, also the EBITDA levels are similar as AC. It's not a very high EBITDA product, but it is a strong backward integration because remote also in India is limited to two or three players and a lot of remote is still being imported. So, government has increased duty also on remote and it is expected to come under QCO, which is under controlled quality objectives of the government. So import is going to become more and more challenging of that product. So having an in-house capability makes logical sense, one. And second is it is an expansion in the electronic EMS space for us. So it is growing our EMS segment further. So, remote, we are going to manufacture for captive requirement and also, we are going to start supplying to our existing customers. So that is what we are doing. As far as revenue is concerned, we are looking at a revenue of maybe ₹15 crores to ₹20 crores coming from remotes in the next year.
- Ayush Sabu:** Okay, sir. Thank you. That was helpful. Also is it possible to get the like quarter wise volumes for like revenue for each of our product verticals like for IDU, ODU and even the commercial operation going forward?
- Sukrit Bharati:** So, I mean, as a percentage we are looking at an AC. I mean, if we are targeting a revenue of ₹1,000 crores, ₹1,200 crores, maybe next year, next financial year, anywhere between ₹1,000 crores and ₹1,200 crores. So the revenue breakup that we are looking at is about 50% coming from ACs, about 25% coming from commercial refrigeration and water dispensers, about 15% coming from lighting and the remaining 10% will start coming from components, which includes compressors. And this number will further lean towards components because of compressors. So, compressors percentage will go up to almost 20%, 25% in 2027.

- Ayush Sabu:** Okay, got it. Thank you. That was very helpful. But is it possible like in our quarterly results, in our quarterly updates to get a revenue breakup for these segments like going forward?
- Sukrit Bharati:** We will consider. We'll try to share that with you.
- Ayush Sabu:** Okay, that will be really helpful for analysing the volume sales.
- Sukrit Bharati:** Sure.
- Moderator:** Thanks, Ayush. We'll take the next question from the line of Kunal Tokas. Kunal, you can unmute and go ahead please.
- Kunal Tokas:** So just two quick questions. First is on the interest cost, debt has stayed flat despite both short-term and long-term debt either decreasing or staying flat. So what was the reason for that and what is the full year outlook?
- Sukrit Bharati:** So if you see debt has remained similar and that is why interest cost is also similar over last year. There is not too much change in numbers. And interest cost, of course, I mean, so this year with expansions coming in for long-term debt will keep varying. But I mean the other offset that we had this year was there was some other income coming in from interest that we earned because of the preferential money that came in, which was sitting for some time till it got deployed. So that interest has also come in. So if you set off that interest, then the interest this year was much lower. But apart from that, interest costs will slightly increase over the next year, year and a half. But as a percentage it will come down next year because the revenue growth will be higher than the increase in interest cost.
- Moderator:** All right, sir. Thank you. We'll take one question from chat from Nishan Joshi. He's asking which market, that is domestic or export, are you seeing for compressor as well as what expectation do the company have regarding its capacity utilisation for compressor facility in FY26? It would be great if you can share the margins on sector.
- Sukrit Bharati:** So compressor EBITDA margins are also 7%, 8% as a product category, point number one. Point number two, first year we are not looking at very high capacity utilisation. We are looking at maybe a 15%, 20% capacity utilisation in the first year and the second year onwards, I think, that number should jump that because the validation

time for compressors is longer. So second year, we can look at a number of anywhere between 50% and 70%.

Moderator: Okay. Thank you, sir. We'll take the next question from the line of Manan Madlani. Manan, you can go ahead please.

Manan Madlani: Yeah. Hi, sir. So my question was regarding the gross margin. So if I look at last three years, our gross margin in the first half, it's been lowest since last three years at 12.1%. It is excluding the other income. So could you provide me reasons for this? Is it because of the product mix change? Or is it something to do with the lower realisation?

Sukrit Bharati: A couple of things. One is, of course, the ODU is increasing, so the product mix has an impact on it. So the ODU has a lower EBITDA product and that is why gross margins are lower or lower gross margin product, point number one. Point number two our expenses in terms of team have also gone up because we are -- I mean, the team addition at senior management level has also happened for us to be ready to be able to venture into these multiple categories. So that also till these products come in as a percentage for slightly higher this half, which will regularise by H1 next year.

And third reason, of course, is the second quarter is a slower quarter for us because it is not a season for us, which also has an impact on overall percentage of expenditure. But these three factors effectively dictated the change in gross margin. But at the product level there was no specific impact and the margins are intact.

Manan Madlani: Okay. So should we assume that the margin will improve from here onwards?

Sukrit Bharati: We should, yes. For this quarter it will be better. For this half it will be better.

Manan Madlani: Okay. And what was the utilisation rate for IDUs and ODUs separately?

Sukrit Bharati: So during season we were almost at 70%, 80%. I mean we were at peak capacity. I mean for both IDU and ODU because ODU ramp up of capacity is happening continuously almost because we see a larger demand coming from ODUs. So but the second quarter, of course, everybody starts reducing inventory. So, second quarter in utilisation was almost 30%, but first quarter we were almost at full utilisation, 80% plus.

- Manan Madlani:** Okay. And last question, in the PPT you mentioned that there is some production going for the electronics and controllers, which will be used for EV chargers. Can you throw some light on that?
- Sukrit Bharati:** We have. So there's a company. There's a customer that we have who's making EV chargers for which controller boards we are manufacturing for them. And so that is going on as they ramp up, our volumes will also ramp up.
- Manan Madlani:** Okay. And what margins are we getting for this product?
- Sukrit Bharati:** EBITDA margins are between 13% to 15%.
- Manan Madlani:** Okay. And revenue potential for this?
- Sukrit Bharati:** I mean, it heavily depends on how the customer does, but, I mean, not a very big percentage of the overall sales.
- Manan Madlani:** Okay, thank you. That's it from my side. I'll join back in the queue.
- Sukrit Bharati:** Thank you.
- Moderator:** Thank you, Manan. We'll take a question from the chat that's from Vedant Bagry. He wanted to understand on the new plant in Chennai by Voltas and us. Also what percent of value add is being outsourced by Voltas and what will be our share in the same?
- Sukrit Bharati:** Right. So as of now percentage wise, of course, small. We plan to increase this. But we set up a small facility in Chennai for components to sort of understand that market and get a foothold into that segment. So, right now, the value addition per unit is about ₹150 to ₹200 that we are looking at from that facility. But if things go well, then that will increase over the next year or so.
- Moderator:** Thank you, sir. We'll take the next question from the line of Balamuralikrishna. Bala, you can go ahead, please.
- Balamuralikrishna:** Yeah. Good morning. So I think that in ₹50 crores the PLI benefits are there. Could you please give some breakup of that so when we can get that benefits yearly breakup?
- Sukrit Bharati:** So the first year benefit was ₹3 crores, which we have received. The second year benefit was ₹6 crores, which we are expecting this year. This year's benefit is ₹7.5 crores and the next two years are ₹10 crores,

₹10 crores. But in PLI we've also applied for enhancement of PLI sanction from ₹50 crores to ₹100 crores and that application is in process.

Balamuralikrishna: Okay. And in the past presentation I see that cross flow fans are we are going to explain expand by 2025 end by 800k and a dispenser 250k. But in the recent presentation I see that by FY26 cross flow fans will be 600k and dispenser will be 200k. So I think have you diminished our plans of expansion?

Sukrit Bharati: So what we were doing earlier was dispenser capacity was earlier fungible with ODU. We have created a separate capacity for it now, which is exclusive to dispenser because we see a larger number coming from dispensers. That is point number one. Point number two for cross flow fan we are matching our IDU capacity. So I think there is a gap. Cross flow fan is 800 000. I think there is a miss type. So whatever is the IDU capacity, we are matching that capacity for cross flow fan. So IDU is going up to 800,000 next year. So we'll take cross flow fan also to 800. We'll do 100% of our captive required.

Balamuralikrishna: Okay. And as of now we have 800k IDUs.

Sukrit Bharati: We have 600. We are ramping it up to 800 next year.

Balamuralikrishna: Okay, understood. And regarding these toy components and the EV charger components, what could be the potential of these components, revenue potential? So how much we are doing as of now?

Sukrit Bharati: So toy components we continue to do. Revenue, I believe in our component business the revenue -- within the component business the revenue is 4%, 5% right now of toys and 2% -- 3%, 4% of the EV business. So they're still small segments. We are not expecting large numbers to come from there. But these are some segments that we want to be part of and we're getting the opportunity, so we are doing. But there is no specific expenditure that we are doing toward these segments as of now.

Balamuralikrishna: Okay, understood. So regarding this customer base, so as of now I think we have only two customers for our AC business. I think we are fully occupied with them. As we are doing capacity addition so any further new customers we are acquiring and they are in pipeline under discussion? Just throw some light on that.

- Sukrit Bharati:** Yeah. So we are talking to two or three large customers for commercial ref. We are also in discussion with a large customer for water dispenser. We have also started supplying to Vijay Sales under Vise brand for dispensers and other products. So in lighting also we've added more customers. So, overall, wherever we have capacity we have started adding customers so that we can fulfil their requirements also. But yes, as we go forward this product mix and customer mix both will keep getting better in terms of diversification.
- Balamuralikrishna:** Okay. So the revenue projections for this FY26 is I understood that it is ₹1,000 crores to ₹1,200 crores. So FY25 how much we can expect? And do you have any further projections beyond FY26 as you are ramp up in capacity? And any plan for the further capacity addition on AC units, ODI or IDU, beyond FY26?
- Sukrit Bharati:** So this year's projection of ₹700 crores to ₹750 crores stand, hopefully we'll be able to better it slightly, but this year's projection stand and we are on track for that. Next year's projection of ₹1,000 crores to ₹1,200 crores is what we are saying as of now. But we'll be able to further clarify on it once these capacities come online and once we have customer commitments. So we'll probably be able to tell you better in after Q4 this year.
- Balamuralikrishna:** So any further capacity addition plans beyond this 800k IDU?
- Sukrit Bharati:** In AC, this is the plan. Of course, I mean, as said right now we have added capacity in commercial refrigeration, which is a completely new capacity. We're looking at compressor, which is a completely new capacity. So, yeah, these are the major capacity additions happening. And we've added new manufacturing units. So now we have eight units including the Chennai unit. So, of course, there is expansion happening almost everywhere. But in large expansions freezers and compressors are the two that we have.
- Balamuralikrishna:** So for as this new products are getting on board, so can you expect any 1% or 2% increment in the margins, maybe 11%, 12% we can expect in FY25 or '26?
- Sukrit Bharati:** We are expecting improvement in margins. But like I said we'll have to give it some time. Let these products start maturing. We'll be able to give better guidelines then.
- Balamuralikrishna:** Okay, sir. That's all. Thanks a lot. All the best.

Sukrit Bharati: Thank you.

Moderator: Thank you, Bala. We just restrict ourselves to two questions per participant since there are many participants in queue. We'll take next question from chat from participants asking, what is the reason for moderate growth in top-line during half year of H1 FY25 versus our peers.

Sukrit Bharati: The growth that we have done is more than what we had projected, point number one. Point number two, like I mentioned, we were already at peak capacity in Q1, so there is not too much scope that we had to grow. If there was more capacity probably in Q1, we would have grown more. But I mean like I mentioned before in the call that is more of an opportunistic growth that happened and it is not something that you can attribute to planning, which is why there was -- I mean so our peers where there was more available capacity growth, they got a bigger boost of the growth because of the season being extremely hot, but plan wise we have bettered our original plan. So I think we are on track. But capacity constraint is not something that we can solve overnight, which takes time.

Moderator: Thank you, sir. We'll take the next question from the line of Sharan Nandikur. Sharan, you can unmute and go ahead please.

Sharan Nandikur: Thanks for the opportunity. Most of my questions are answered, so still I have a couple of questions. So one is do you have any exposure to U.S. market? And are you exporting any products to U.S.?

Sukrit Bharati: Right. So we had taken U.S. registration for LED and we had tied up for LED lighting in the U.S. market pre-COVID. But unfortunately the company that we tied up with did not do so well in COVID there and we were not able to ramp it up. So apart from that we have not sort of explored the U.S. market so much as far as appliances are concerned because their entire electrical system is on 110 volts and we are on 220 volts or 230 volts. So it requires a complete redesign of product and components. So we've not explored it so much yet, but we are open to it.

Sharan Nandikur: Why I asked that question is because Trump coming in and there are a lot of talks about tariff war. So if there is an exposure already with your company, then wanted to check how that tariff war is going to affect.

- Sukrit Bharati:** Interestingly only today I was thinking that compressors why can we not export from here rather than going from the U.S. But I don't know the market enough to be able to commend on.
- Sharan Nandikur:** Sure. And sir, like apart from in the EMS business, apart from existing verticals related to AC and remote and other components, there are a lot of talks going on about semiconductor and electronic manufacturing in India in all major sectors like defence and marine and many other sectors, even IoT, right. So what are some of the new areas which you are exploring and when are you thinking that those will come into picture or you start working on those?
- Sukrit Bharati:** Sir, opportunity wise, of course, we are open to multiple opportunities in the EMS space, but to commit a timeline is very difficult or which category exactly will click is very difficult to commit as of now. But whatever happens, any development, we'll keep you posted.
- Sharan Nandikur:** Yeah. But currently where are we like are we having discussion with some of the big players in those sectors or...
- Sukrit Bharati:** We are discussing, but nothing to -- I mean nothing -- tell you or nothing that we are sure we'll convert because there's still early discussions.
- Sharan Nandikur:** Okay. And can you throw some light on the BLDC motor? Like is it for which product and how big is that market?
- Sukrit Bharati:** So we are not making the full motor. We are only making the controllers, components for BLDC motors. So BLDC components also that we are making is mainly for the AC market as of now. We are also looking to start the controller board, which are used in BLDC fans. That is also one segment that you were discussing about in EMS. So that is also something that is under development, but better numbers we'll be able to give you in due course.
- Sharan Nandikur:** And one last question, sir. Since there is a talk going on about Voltas reducing your capacity, they are doing their own in-house. At that time can there be a discussion about you making AC for another vendor as well? Is it going to be possible?
- Sukrit Bharati:** Of course, of course. If Voltas believes that they will not be able to book our capacity, then we will, of course, look at other customers.
- Sharan Nandikur:** And you can have Voltas with whatever capacity they approve and new customer in AC both as well together, right.

- Sukrit Bharati:** Correct, correct.
- Sharan Nandikur:** Okay, sir. Thanks for answering questions and wish you all the best.
- Sukrit Bharati:** Thank you so much.
- Moderator:** Thank you, Sharan. We'll take the next question from chat from Sahil Jain. He's asking, as the company is growing at a fast pace and we are very aggressive for further growth, which is a good sign, are we looking forward to optimise our working capital days?
- Sukrit Bharati:** We are. But with the addition of new products initially till they stabilise, it's difficult to. So one problem that is there is our products are seasonal and the inventory goes up and comes down based on season requirements. That is one challenge. The second challenge is that with the addition of new products and categories initially the inventory level is higher till the production regularises. So because we are in multiple phases of expansion, there are slight variations. But overall if you see the inventory days are improving and we want to continue doing that. So the trend will be downward trend, which means that the number of days will keep reducing. But there will be small spikes here and there because of product.
- Moderator:** Thank you, sir. We'll take the next question from the line of Sidharth Jain. Sidharth, you can go ahead please. Sidharth, you can unmute and ask your question. Okay, I think we'll go to the next question. We'll take the question from Prashil Gandhi. Prashil, you can go ahead please.
- Prashil Gandhi:** Yeah. Hi, sir. Just one question. You highlighted that Voltas had booked your factory. So is it for FY25 or subsequent years as well?
- Sukrit Bharati:** Sorry?
- Prashil Gandhi:** You highlighted that Voltas...
- Sukrit Bharati:** For the next couple of years from whatever our discussion with them is over the next couple of years we don't see a challenge.
- Prashil Gandhi:** So that would be till FY26, '27, safe to assume that?
- Sukrit Bharati:** Yes, yes, correct.
- Prashil Gandhi:** Sure, sir. Thank you very much.

- Sukrit Bharati:** Thank you.
- Moderator:** Thanks, Prashil. We'll take the next question from chat. This is from Akash. He's asking would the AC expansion come in time for peak demand for coming summers?
- Sukrit Bharati:** AC expansion that we're doing now is more for the next season and not for the current season because the current season we are all -- by next month onwards we will start peaking our capacity because the season for us starts effectively in November, December and -- because the market manufacturing is three months in advance to sales. So for us the season is already starting next month or this month.
- Moderator:** Thank you, sir. And another question is given the issue of listing of preference share, is there challenge we see in warrants money coming in.
- Sukrit Bharati:** We will be call for warrant money on schedule. There'll be no change there.
- Moderator:** All right, sir. We'll take next question from Sid K. Sid, you can go ahead please.
- Sid K:** Yeah. Hi. Thanks for the opportunity. My first question is regarding the full year guidance. Are we sticking to 700 plus?
- Sukrit Bharati:** Yes.
- Sid K:** And what will be the margins? Can we assume more than 8%?
- Sukrit Bharati:** Yes.
- Sid K:** Okay. And just one basic question. Like how does the industry actually work like because the capacity of indoor and outdoor there's a mismatch like 4 lakh and 6 lakhs, right, for us? Are these units sold together?
- Sukrit Bharati:** So they are. But initially when we started, we started only with IDUs. And that time our customer was making ODU's in their own factory. They were not making IDUs. IDUs were imported at that time. So over the years, of course, the capacity has balanced and now the demand for sets is increasing, which is why our ODU capacity increased or ramp up is faster. So we need to match and make the full sets.

- Sid K:** Okay. So is it safe to assume that no vendor is actually picking up a single unit?
- Sukrit Bharati:** No customer.
- Sid K:** Yes.
- Sukrit Bharati:** So the customers still are. It is not that they are not, but that will keep reducing over the next couple of years.
- Sid K:** Okay. So like once we match the outdoor unit, you'll be fine.
- Sukrit Bharati:** Correct. So the challenge that happens is every time the design of our indoor unit and outdoor unit based on balancing and tooling varies. So there is always a possibility that for a large company they might want to get IDU made of a specific design, ODU made of a specific configuration. If all that configuration is available in one place, which capability we are creating, then that is ideal. Till that capability is not there in a specific location you can always mismatch.
- Sid K:** Okay. So is it safe to say that this capability will be there in FY26?
- Sukrit Bharati:** Yes, yes. It's already there and we are further tuning it. So we'll have a -- it will be fully there in '26.
- Sid K:** And this will help our margins as well.
- Sukrit Bharati:** So blended margin of -- I mean so AC -- like I said, IDU had better EBITDA, ODU had lower EBITDA, but blended margins will be similar. I don't see a major change going forward also.
- Sid K:** Okay. And full year, what is the revenue we are expecting this year from refrigeration?
- Sukrit Bharati:** Refrigeration this year, I mean, we'll effectively get only one quarter of sales, but we are looking at anywhere between ₹50 crores and ₹80 crores to come in from ref.
- Sid K:** ₹50 crores and ₹80 crores. Okay. And margins will be similar like 9%, 10%.
- Sukrit Bharati:** Hopefully better, slightly better, 10% to 12%.
- Sid K:** Okay. And the PLI ₹6 crore also we are expecting in Q4.

- Sukrit Bharati:** Correct. We are, yes.
- Sid K:** Thank you. Thank you and all the best.
- Sukrit Bharati:** Thank you, Sid.
- Moderator:** Thank you, Sid. We'll take the next question from chat from Kunal Tokas. He is asking Virtuoso is looking to manufacture deep freezers. Are you looking at making Visi coolers as well? What can be the opportunity size that you can target?
- Sukrit Bharati:** So opportunity wise the deep freezer market or the commercial refrigeration market is effectively growing at 24%, 25% CAGR. So the growth rate there is very aggressive. And in India today about freezer specific, about 17 to 18 lakh freezers are sold every year or sold last year and this number is growing by 25%. So average cost of a freezer would be about 12,000 x factory. So that is the opportunity size. And for us we have started with a capacity and by next year we'll have a capacity of 400,000 pieces. So even if we are at a 60%, 70% utilisation, we are looking at a number of anywhere between ₹300 crores and ₹500 crores to come from freezers in the next couple of years. And the second part of the question, yes, we are looking at expanding into other segments of commercial refrigeration including Visi coolers, but we'll be able to share timelines with you in due course.
- Moderator:** Thank you, sir. We'll take the next question from the line of Sidharth Jain. Sidharth, you can go ahead please.
- Sidharth Jain:** So, first, how much are we investing into this compressor business?
- Sukrit Bharati:** We are, as of now, investing about ₹35 crores to ₹40 crores in compressors. And based on that we'll evaluate how it goes. And if things are well, then we look to invest more.
- Sidharth Jain:** So this ₹35 crores to ₹40 crores will suffice for this 2.5 million capacity that we are coming up with.
- Sukrit Bharati:** Correct, correct. Not fully backward integrated, but yes to at least start product service.
- Sidharth Jain:** Excellent. And what can be the asset turns in this business?

- Sukrit Bharati:** So 28 million effectively means ₹300 crore to ₹350 crore top-line for us.
- Sidharth Jain:** Okay. Understood. So also in the call somebody had asked about remote. So like you said that remote is more like a backward integration for us, for the ACs. But do we plan to get into adjacencies also like other product remotes as well?
- Sukrit Bharati:** Yes, we are talking. But first we want to start with AC, stabilise it and then we'll probably add more customers.
- Sidharth Jain:** Understood.
- Sukrit Bharati:** But we're looking at starting for BLDC fan remotes also.
- Sidharth Jain:** Got it. Got it. Just one update like in the previous call once we had mentioned that from the commercial ref, we'll be doing a revenue of around ₹30 crores to ₹50 crores this year, around ₹150 crores next year. So are we on track for that?
- Sukrit Bharati:** Yes, yes, we are.
- Sidharth Jain:** Understood. And just one data point. How much was the bill discounting that we did in the first half?
- Sukrit Bharati:** I don't have that trigger off hand. I'll have to get back to you.
- Sidharth Jain:** Got it. Last thing from my side. We have changed the depreciation method from this year onwards. So if we would have continued with the older method that is the WDV, what would have been the depreciation amount if you have the calculation?
- Sukrit Bharati:** About ₹3 crores more than what it is today roughly.
- Sidharth Jain:** Got it. Fair enough. That's it. I mean, that's it from my side. Thank you, guys. All the best.
- Sukrit Bharati:** Thank you.
- Sajid Shaikh:** Thank you.
- Moderator:** Thank you. Sidharth. We'll take the follow up question from Amit Agicha. Amit, you can go ahead please.

- Amit Agicha:** Thank you for the opportunity again. Actually, I missed the figures of the PLI, ₹3 crore was for the first year, ₹6 crore for the second year. And you were saying something I missed out. Can you please repeat?
- Sukrit Bharati:** ₹3 crore, ₹6 crore, ₹7.5 crore, ₹10 crore, ₹10 crore.
- Amit Agicha:** Okay. And how much is yet to be received?
- Sukrit Bharati:** So we've only received three so far.
- Amit Agicha:** Thank you. That was helpful. Thank you.
- Moderator:** Thanks, Amit. We'll take the next follow up question from Manan Madlani. Manan, you can go ahead please.
- Manan Madlani:** Yeah. Thanks for the opportunity, sir. Sir, you mentioned something about Vijay Sales about water dispenser. Can you repeat that?
- Sukrit Bharati:** We've started supplying water dispensers in Vijay Sales brand. We're going to them.
- Manan Madlani:** Okay. Any quantifiable number?
- Sukrit Bharati:** I mean we started shipping 1, 2 containers every month to them, but still, I mean, they are also establishing the market. We are also proving the product. So it is ongoing. The real numbers in dispensers are expected next year for which we like I mentioned created separate -- we have effectively created separate capacity now. So dispensers should scale accordingly.
- Manan Madlani:** Okay. And last question. Say, hypothetically, two to three years down the line given we have achieved the scale that we are targeting. And if number one player or number two player wants to acquire us and if there is a correct number for us, would we consider that?
- Sukrit Bharati:** As of now I'm not considering it, but we'll see how things progress.
- Manan Madlani:** Okay. That's it from my side. I wish you all the best.
- Sukrit Bharati:** Thank you.
- Moderator:** Thank you, Manan. We'll take the next follow up question from Balamuralikrishna. Bala, you can go ahead please.

- Balamuralikrishna:** Yeah, thanks for the follow up. Could you please repeat current capacities? I just want to see whether it's match with the presentation or not. So IDU 800k, what do you for...
- Sukrit Bharati:** IDU, last year we had 600. We are ramping it up to 800. ODU, we ramped it up to 400 in HQ1 and we are going to 600k and effectively 800k by end of next year is the plan for ODU to match IDU. And yeah, I mean, those are the two main categories. Freezers, we have to go up to 400,000 next year.
- Balamuralikrishna:** So can we expect any additions by the end of this year from the current capacity?
- Sukrit Bharati:** In which capacity? Sorry? Hello.
- Balamuralikrishna:** Sorry, sorry. Yeah. Can we expect any additions by the end of this year from the current capacity?
- Sukrit Bharati:** I don't understand by addition what do you mean? I mean what?
- Balamuralikrishna:** So, I think, as of now we have IDU of 600k. So for FY26 end we are targeting 800k.
- Sukrit Bharati:** No, no, no. Like I mentioned earlier, this year that capacity will not be put to use effectively. It will come into use only in the next season.
- Balamuralikrishna:** Okay, understood. Okay, that's all from my side. Thank you.
- Sukrit Bharati:** Thank you, Bala.
- Moderator:** Thank you, Bala. We'll take the next question from chat from Ayush Sabu. He's asking what could be the potential revenue contribution from BLDC fan remotes and any timeline for it.
- Sukrit Bharati:** No, BLDC fan remote is a very low cost product. Even if you make 50 lakh remotes you do a ₹25 crore top-line. So at top-line wise it is a very small product.
- Moderator:** All right sir, thank you. We'll take the next follow up question from Ron S. Ron, you can go ahead please.
- Ron S:** Thank you for the opportunity again. So did I hear it correctly? You mentioned for the compressor ₹35 crores to ₹40 crores investment and

we are looking at a turnover of ₹300 crores to ₹350 crores. That equates to an asset turn of almost 8.

Sukrit Bharati:

So I'll clarify that. That is correct. Numbers are correct. You heard correct. The only challenge is that in compressors we are right now not doing the full backward integration in-house. Once you do the full backward integration in-house then this asset turn will come down to 3 times or 2.5 times. So the challenge with compressors is that -- so the earlier challenge that we were facing is that with an asset turn of 2.5 times we did not want to enter that category. But so now what we have done is we've broken it down into multiple phases. And if the phases start clicking and we are able to get good EBITDAs and especially with there being a vacuum which we are anticipating which can get created or which is getting created as of now. So if that vacuum helps us in covering our cost properly, then we can look at investing in backward integration and be a fully backward integrated compressor manufacturer.

Ron S:

Sure, sure. My one last question, I was listening to the MD of Blue Star and he was mentioning that the aspirational middle class, they are the 90% of them are the first time buyers of ACs. Now is there a request from Voltas to kind of cater to this pool basically at a lower price point? Any such requests that you've got for the next season?

Sukrit Bharati:

There are certain plans that I think -- I mean, there are certain products probably, which are under development where cost is being optimised. Of course, it is a regular process to keep optimising the product cost. But the idea is that AC should be price competitive. And if the entry barrier is lower, then more customers can jump onto the bandwagon. So that is the idea and that is the roadmap for us also.

Ron S:

Okay, appreciate that. Thank you. Thank you so much.

Moderator:

Thank you, Ron. We'll take the next question from Bala from Aryan Capital. Bala, you can unmute and go ahead please.

Bala:

Good afternoon, sir. Thank you so much for taking my questions. Sir, regarding like then you have mentioned industry has moved from reciprocating compressors to rotary compressors, but we are doing reciprocating compressors. I just want to understand the price difference between those compressors and what are the energy level difference and what kind of IRR we are expecting in those reciprocating investment side?

- Sukrit Bharati:** So with the current investment and probably with the vacuum, we are looking at a 25% IRR in our investment. That is point number one. Point number two is that rotary compressors are almost 2.5 times the price of reciprocating compressors. And the complexity level in terms of tolerance accuracy is equally complicated. So rotary compressor is a larger investment also, 2.5, 3 times investment also as far as the initial investment is concerned. So COP wise, COP for reciprocating compressor, which is the coefficient of performance for reciprocating compressor is between 1.2 to 1.9 as of now in the fixed category inverter is slightly higher. For rotary compressor, it's much higher. It is 3 plus. So AC being a product which is demanding higher efficiency move to rotary larger capacity air conditioners, which are being exported to Middle East still use a lot of reciprocity compressors, but domestic split ACs have moved to rotary. But the entire refrigeration market and freezer market is on reciprocating and we don't see a significant change happening there in the next few years.
- Bala:** Got it, sir. Thank you.
- Moderator:** Thank you, Bala. We'll take the next follow up question from Sidharth Jain. Sidharth, you can go ahead please.
- Sidharth Jain:** Hi. Thank you once again. So one, so if you could just give us some more colour on this compressor first because I believe our refrigeration that we plan to and get into is largely for the clients, who are for export oriented. So is this compressor also will be for the domestic clients or we'll be looking to target export clients only?
- Sukrit Bharati:** Freezer, of course, primary customer base is domestic and some part is geared towards export. Compressor majorly domestic until less like we were discussing an opportunity for some country comes up because of sanctions or anything of that sort, but as of now primarily domestic.
- Sidharth Jain:** Understood. And where will this capacity be put up?
- Sukrit Bharati:** In Nasik itself.
- Sidharth Jain:** In Nasik itself. Understood. All right, that's it from my side. Thank you.
- Sukrit Bharati:** Thank you.
- Moderator:** Thank you, Sidharth. We'll take the next follow up question from Sharan Nandikur. Sharan, you can go ahead please.

- Sharan Nandikur:** Yeah, not a question. So I just would like to know the process for retail investors like me and many of us, how we can visit your factory in Nasik and meet management, especially Sukrit, sir. So I'm a big fan of you and also, I have been following you for many now years and because not like retailers won't get that opportunity to visit, right. So just wanted to check what is the process and do we get an opportunity?
- Sukrit Bharati:** Yeah, sir, appreciate your words. I think Kaptify can coordinate a visit because they keep having investor visits where we'll tell them to reach out to you and whenever the next visit is scheduled if you can spare time then you're most welcome to visit us.
- Sharan Nandikur:** Okay. And it will be done with group of investors, is it?
- Sukrit Bharati:** Mostly yes.
- Sharan Nandikur:** Okay. Sure, sir. Thank you and appreciate, sir.
- Sukrit Bharati:** Thank you so much.
- Moderator:** Thank you. So this was the last question for the day. I now hand over the call back to Vinay sir. Over to you, sir.
- Vinay Pandit:** Thanks, thanks. Sukrit, Sajid, would you like to give any closing comments before we end the call?
- Sukrit Bharati:** All right. Thank you so much for everybody for taking the time and joining us. We hope to have your continued support and we hope to continue delivering on the commitments that we are making. With the opportunity at hand in India as a country and the pace at which things are moving, we hope that we can build a robust and fast growing company and we are excited about the product categories that we are entering and we see a lot of potential. Let's hope with support of all of you and our team and our customers, we are able to achieve those targets. Thank you so much for taking the time. Thank you.
- Vinay Pandit:** Thank you. Thank you to all the participants for joining on the call and thank you to the management team.
- Sajid Shaikh:** Thank you.
- Vinay Pandit:** That brings us to the end of today's conference call. Thank you.