26th July, 2023

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 first quarter ended 30th June, 2023

Dear Sir,

This is with reference to the Company intimation dated 17th July, 2023 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 first quarter ended 30th June, 2023 scheduled for 20th July, 2023.

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

The same has also been uploaded on the website of the Company under Financials in the Investor Relations 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: 2023.07.26 10:07:55 +05'30'

(Sanjay Kumar Gupta)
Company Secretary

Encl: As above

"Havells India Limited
Q1 FY '24 Earnings Conference Call"
July 20, 2023

MANAGEMENT:	**MR. ANIL RAI GUPTA – CHAIRMAN AND MANAGING DIRECTOR – HAVELLS INDIA LIMITED** **MR. RAJESH KUMAR GUPTA – WHOLE-TIME DIRECTOR (FINANCE) 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**

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Moderator: Ladies and gentlemen, good day and welcome to the Q1 FY '24 Earnings Conference Call of Havells India Limited, 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 a touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to Ms. Bhoomika Nair from DAM Capital Advisors Limited. Thank you and over to you, ma'am.

Bhoomika Nair: Thanks, Michelle. Good evening, everyone, and welcome to the Q1 FY '24 Earnings Call of Havells India. We have the management today being represented by Mr. Anil Rai Gupta, Chairman and Managing Director; Mr. Rajesh Kumar Gupta, Whole-Time Director, Finance and Group CFO; Mr. Ameet Kumar Gupta, Whole-Time Director; and Mr. Rajiv Goel, Executive Director.

I now hand over the floor to Mr. Anil Rai Gupta: for his initial remarks, post which, we'll open the floor for Q&A. Over to you, sir.

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

Overall, I would say consumer demand has been muted, partly due to unseasonal weather, which impacted the B2C business. Demand lately seems to be improving. B2B and Lloyd have grown well. Deflationary trend in LED business has impacted the consumer lighting revenues. However, there is healthy growth in professional lighting.

Lloyd performance has been encouraging, and the brand is building upon the positive momentum. Commodities have relatively softened, while the impact has not been fully reflected in the margin. Working capital levels improved during the quarter with normalization of inventory.

We can now move to Q&A.

Moderator: Thank you very much sir. We will now begin the question-and-answer session. The first question is from the line of Rahul Agarwal from InCred Capital.

Rahul Agarwal: Just quick three questions. Firstly, could you give us a sense on volume growth for Cable and Wire, Light, Switchgears and Lloyd, please?

Anil Rai Gupta: Volume growth of Cables and Wires has been more than 30%. And in case of Lighting, its around mid-single digits, about 6% to 8%.

Rahul Agarwal: Anything on Lloyd and Switchgear?

Anil Rai Gupta: Lloyd has been, I think, pretty much the same as that of the value growth. And Switchgears volume is same as the value growth.

Rahul Agarwal: Okay. Secondly, sir, during the quarter, there was this news media article which talked about Lloyd getting into white label manufacturing. Could you please clarify if that's true? And if yes, what is the intention here? And when can we expect any sales booking in the P&L, please?

Anil Rai Gupta: Well, we've been looking at expanding our international business for not only Lloyd but for other product categories. And yes, there is an opportunity available in manufacturing, not only other products but also air conditioners for white labelling. Just like the same way we have been doing Switchgears in the past for known international brands.

So we are looking at that opportunity, and we have already started some very small quantities to be exported. But this is something which we'll be open to look at in the future. It will be very difficult to give an estimate of what is the kind of revenue that we are looking at, at this point of time. It will develop over the next few years.

Rahul Agarwal: And is it very clear that this will only be for exports and nothing for a domestic brand?

Anil Rai Gupta: Yes, we don't see that as a part of our strategy as of now.

Rahul Agarwal: Get it. And does it help for a faster EBIT breakeven for Lloyd because you will utilize more capacity? So naturally, it should, but any comments?

Anil Rai Gupta: Yes. That's also one of the reasons that we have developed the highest capacity in terms of manufacturing in air conditioners with the second plant coming in. So it will definitely give operating leverage.

Rahul Agarwal: And lastly, sir, on Fans, what should we expect ahead? And I understand what has happened earlier. But would you see fiscal '24 volume growth for the industry and Havells?

Anil Rai Gupta: I think Fan has undergone tough periods in the last year of the rating change. So I can't say much for the industry. Obviously, industry will follow regular growth for all electrical products. But Havells has been putting in lot of investments in distribution enhancement and especially R&D on developing newer and newer fans. So we expect a good growth for Fans in the coming year.

Rahul Agarwal: Like anything upwards of 15% on volume?

Anil Rai Gupta: Unfortunately, one of the large periods of growth for Fans has been muted because of the first quarter. So we'll put in all our efforts in the third quarter and fourth quarter. But difficult to give a number right now, and we don't give numbers.

Moderator: The next question is from the line of Renu Baid: from IIFL Securities.

Renu Baid: My first question is if you look at the robust volume growth, which has been seen in the Cables and Wires portfolio for some time now, how should we look at the demand supportive of these numbers?

And somewhere, when you see Switchgears and Cable and Wire both being driven by the B2B or infra capex-led demand, where do we see the divergence where Switchgears continues to be a bit soft and Cables and Wires volume are remaining pretty robust and at high double-digit levels?

Anil Rai Gupta: Renu, I think if you look at the last 6 months rather than this last quarter, Switchgears, in the last quarter, had grown by almost about 30%. So we have to look at a little bit of a longer period rather than just one quarter. One quarter can be different because of certain base effects also.

For example, last year, I remember there was a little bit of base effect in Cables and Wires, which actually gave much higher growth in the first quarter in this year. There was a base effect in the fourth quarter of last year for Switchgears. So I think it will be better to actually have a little bit of a longer-term view rather than this quarter.

Renu Baid: But in both these categories together because of the strong underlying drivers should sustain double-digit growth in the next 12-18 months, the way we're looking at the end markets?

Anil Rai Gupta: So 2 parts to the business, the industrial and infrastructure demand continues to remain strong, which will affect the underground Cables business and the industrial switchgears.

In both cases, our business in domestic switchgears as well as in domestic wires, the proportion is higher if you look at the entire business. So there we see that the construction cycle has also seen some revival. So in the next 12 to 18 months, we should see good growth in both the segments, both Cables and Switchgears.

Renu Baid: Sure. The second question is on the profitability front. While we have known that at least in ECD fans and air conditioners, there have been cost under recovery on the new energy efficient-rated products. But where do we see this divergence getting knocked out and margins also starting to improve back along with volume growth that you're seeing in some of these categories? Or what would be your strategy to bridge this gap in gross margins and overall operating margin profile while overall top line growth for Havells has remained pretty healthy?

Anil Rai Gupta: So if I understand the question correctly, I think Fans, for example, we have seen unprecedented cost of raw material increases in the last 1.5 years. That has been softening to some extent. We would have seen better margins in Fans in the first quarter, had it not been for the unseasonal rains leading to some under absorption on manufacturing overheads.

So we definitely see that the ECD business margins, especially the Fans, will improve in the coming times. Lloyd is definitely a journey, and we will continue to keep pushing for market share, but we also see margin expansion given the raw materials prices now abating to some extent. So we will see, over a period of time, margins also expanding in Lloyd.

Renu Baid: Sure. And lastly if I can ask one more question. One of the broad belief is that FMEG categories and market has become overcrowded with multiple players and competitive advantages edging out. You think there are any sub-segments, categories where you want to accelerate, focus, or enter those segments in the coming time to ensure that the business profitability and positioning remains fairly robust?

Anil Rai Gupta: I think Havells is in a very unique position of being a very diversified electrical play. And we are present and not only present but also a good amount of market shares in each business segment. So that actually gives us the confidence of the kind of product categories that we have. Other than the last 1.5 years, whenever there was too much of volatility of raw material, our margins have been quite stable. And I don't see an increased intensity in the competition or anything really affecting the margins to some extent. But on the other hand, our growth has been healthy. And that clearly indicates that we want to and we will continue to strive to increase our market share in each product category that we are in.

So I've been hearing this for the last 10-20 years, where the competition intensity has been increasing. But the fact is that there are only two things to look at the business, whether the growth is coming and the margins are being maintained or expanding or not. So there will be some periods where the margins can come under pressure and this could be due to many reasons, other than just increased intensity of competition.

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

Natasha Jain: My first question is on the Lloyd's portfolio. Firstly, there has been a healthy growth, despite an unseasonal quarter for RACs. So basically, I have a couple of questions. Firstly, have we gained market share? And how is the non-RAC portfolio done there? And thirdly, now that EMS thing has come in, so keeping that in mind, where do you see this segment breaking even in terms of margin?

Anil Rai Gupta: Yes. So EMS portion is very very small for us. And as I said, it will develop over the next few years. So let's focus only on the India business as well as the branded business for the present moment. To your question, we do believe, we have gained market share in air conditioners, and we continue to remain amongst the top 3, even in the first quarter. So we believe that we probably have been able to achieve better than market growth, and hence, increasing market share in air conditioners in the first quarter as well.

And as far as the other products are concerned, we've always said that our market shares are extremely low. And that is growing at a decent pace, though there is market competition as well as the established brands that are very strong. So it will be a slow increase slow burn but it is continuing to grow at a healthy pace.

Natasha Jain: All right. And sir, my next question is on the ECD portfolio. So there, we've seen a muted growth. However, since you've mentioned that the demand has started picking up lately, so how do you see this segment over the next few unseasonal quarters that will be there?

And secondly, on the Fans segment, I understand that label is mostly in the premium fans. So could you just share how the demand for BLDC Fans had been? And what's your share of premium fans in the overall Fan category?

Anil Rai Gupta: So many questions. I may not have all the answers at this moment with all the numbers. But on a general basis, I think if the seasonal impact of the second quarter we take away, we do believe that the ECD business should have good growth numbers in the second half of the year.

Yet our market shares are very high in the premium side of the business, and that's where our focus is. That is where most of our R&D investments continue to go in. And most of our business comes from the premium segment. It's also not just in the premium segment, even in the less decorative or base fans also, we've always been at the higher end of the market.

For example, even if it's not a INR10,000 fan, but a INR2,000 fan, and our focus has been to give a better quality and feature rich product to the consumer. So, we are at a premium even in the base fan category. So, our market shares are extremely strong in the premium segment and where we believe we have been gaining market shares.

Natasha Jain: All right. And sir, just last one housekeeping question, other income, and other expenses both have increased sharply. So can you just throw some light on that?

Anil Rai Gupta: So other income has a non-recurring part of the income from sale of a property worth about INR10 crores. And the other SG&A is a little bit of an increase on increased warehousing space because of unseasonal rains, so a large amount of air conditioners were there. So rentals have also increased, but also, to some extent, more normalized expenses of travel and all have come back, which was muted for a couple of years.

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

Siddhartha Bera: Sir, my first question is on the margin side, first, for Lloyd. So we have seen even the contribution margin dropping slightly quarter-on-quarter. So has there been any discounts, price cuts which has led to this?

And second is, I mean, over a medium term, will it be possible to indicate we will be going back to that double-digit contribution margins maybe in the next couple of years? Or do you think that is still some time away?

Anil Rai Gupta: I think if you're comparing specifically in the fourth quarter, yes, in fourth quarter you had full production, all plants running full steam. But in the first quarter, there were manufacturing overheads which were under absorbed. So that led to some contraction in the margin in the first quarter.

But going forward, as I said, as the raw materials are now stabilizing, so we do believe that the margins will increase, especially in the second half of the year, where there will be sales coming back for the room air conditioners.

Siddhartha Bera: And sir, on the longer-term margin outlook?

Anil Rai Gupta: As I said, we don't give numbers, but it will continue to improve from here. Our first focus is to continue to expand into this very large business segment. It's more than INR100,000 crores right now after we did INR3,500 crores. So the first focus is to be become an established player. And also, margins will continue to improve with our better positioning in the market as well as better volumes.

Siddhartha Bera: Got it. The second point, I think on the commodity side, you've mentioned that there is some softening, but it's not fully reflected. Will it be possible to quantify how much benefit we may see, given the current commodity prices which you are looking at?

Anil Rai Gupta: No, I will not be able to quantify that.

Siddhartha Bera: Okay. So overall, sir, I think in the past, we have also indicated that EBITDA margins will try to achieve in the range of 12% to 14%, so that still stays? Or do you think given the current market environment, it will be difficult to comment?

Anil Rai Gupta: I think overall, 13% to 15% is the range for Havells stand-alone business, depending upon the quarter or the season or the product mix. And then, of course, Lloyd is separate. But overall, 13% to 14.5%-15% is for the Havells stand-alone (ex-Lloyd).

Moderator: The next question is from the line of Charanjit Singh from DSP Mutual Fund.

Charanjit Singh: Sir, my first question is on the overall inventory levels in the channel for specifically room ACs and also for the fans as a category. How is that across the channel?

Anil Rai Gupta: I think channel inventory is not at a high level because we did see summer coming back in the month of June, where the primary sales did not happen from the company, but the secondary channel inventories were flushed out. So I think the channel inventories are at a normalized level.

Charanjit Singh: Okay. And sir, if you have to look at from rural versus urban, any specific demand trends? If you can highlight how those markets are shaping up? Do you see that rural markets picking up for some of our products? And the specific brands which we have catering to the Tier 2, Tier 3 markets, how are they shaping up?

Anil Rai Gupta: So right now, the rural demand has still to come up at the pace which it is required to. Right now, we are actually seeing more traction in the Tier 1 to Tier 3 cities because of the construction activity as well as increased professional or infrastructure demand. But as I said earlier that during the second half of the year, that year, we see more consumer demand coming up, and that's where the hope is that the rural sector should also start doing much better.

Charanjit Singh: Okay, sir. And sir, lastly from my side, on the Lighting segment, if you can just help us understand the growth has also been impacted during the quarter. If you look at profitability, it's also under pressure. So if you can just help us with the dynamics of both B2C, B2B. And how do we see this profitability profile for the Lighting improving, going forward?

Anil Rai Gupta: So I think if you see the profitability, if you look at the contribution margins, they are not that much affected as it is the segment results. And segment results were also impacted by the fact that there has been lesser growth for the consumer side of the business in the first quarter.

It's also because we saw deflationary trend in the first quarter for LED lighting. And hence, when it happens, the inventory levels in the channel also starts going down.

So we do believe that in the second half of the year, especially during the season time, this demand should come back for consumer lighting. The professional lighting business has been growing at a much healthier pace as compared to consumer lighting. But I believe that the margin level is not so much of a concern. We will be around 30%-31% of the contribution margin in Lighting.

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

Sonali Salgaonkar: Sir, my first question is again with respect to the margins but from a Q-o-Q or sequential basis. Have you taken any downward price revisions in any of the key categories that have warranted a sequential dip in our contribution margins?

Anil Rai Gupta: That has not reflected in the drop in margins. The margin drop if we compare sequentially, has been due to many reasons, which we have already enumerated. As far as downward price trends are concerned, yes, we have taken in Cables and Wires as well as in certain cases in LED lighting as well.

Sonali Salgaonkar: I understand. Sir, secondly, you are seeing under absorption of capacity because of the weaker demand impacted by unseasonal rains in Q1. But then in Q4, also see unseasonal rains across many of the regions, which would have impacted Lloyd or Fans category?

Anil Rai Gupta: Most of it was in the end of March. Yes, it affected the demand, but it didn’t affect the manufacturing. Usually, the inventory levels are the highest for seasonal products at the end of March.

Sonali Salgaonkar: I understand. Sir, thirdly, could you quantify how much has the AC industry declined in Q1? Because our financials too suggest that they have seen a decline. Of course, Lloyd is grown by 20% revenue, but any comments on the industry decline?

Anil Rai Gupta: We haven't seen the figure as of now for market share. So it's difficult to comment on the industry figures right now.

Sonali Salgaonkar: Understand. And lastly, capex. Do we still rule the guidance of INR6 billion for FY '24?

Anil Rai Gupta: Yes, we do.

Moderator: The next question is from the line of Achal Lohade from JM Financial.

Achal Lohade: Sorry, I couldn't follow the volume growth number for Cables and Wires. Was that 20% or 30% you said?

Anil Rai Gupta: Upwards of 30%.

Achal Lohade: More than 30%. And is there a differential in terms of growth number for Cable and Wires now?

Anil Rai Gupta: Pretty much the same. We actually don't give the breakup.

Achal Lohade: Okay. And can you help us understand, sir, if in terms of the capacity utilization for the Cable's capacities, are we at full utilization? Is there further scope, apart from the greenfield that we are expanding?

Anil Rai Gupta: Yes. I think as far as underground cables are concerned, we are pretty much operating at very high levels of capacity utilization. So hence, the new facility in Tumkur is coming up.

Achal Lohade: Right. What I'm curious to also understand from you, sir, with respect to the industry, is there a shortage of capacity scenario and -- which is kind of driving the higher pricing and hence, better margins? Is there a case made for that?

Anil Rai Gupta: I think overall margins do get better if there is higher demand. I would not say there's shortage of capacity, but margins are better when the demand is higher. So in all infrastructure-related products, industrial Switchgear, professional Luminaire, there is a higher demand in the last 6 months to one year.

Achal Lohade: Understood. And just one data-keeping question, sir. With respect to unallocated expense, we see that it has jumped actually from INR65 crores INR67 crores and then to INR89 crores. Is there any one-off there? Or is this a new normal?

Anil Rai Gupta: There is no one-off at this point in time. It's mainly related to rent and travel.

Achal Lohade: That's a substantial jump Q-o-Q, Y-o-Y, almost INR25-odd crores jump, that's why I was curious, yes. So that's a INR100 crores annual increase. That's why I was curious.

Anil Rai Gupta: Sure.

Achal Lohade: So you're saying there is no abnormality out there?

Anil Rai Gupta: No.

Achal Lohade: Got it. And just one more question, if I may. If I see the difference between the contribution margin and the EBIT margin, I see a very large number for Lloyd, getting at INR120-odd crores; on the ECD business, INR100 crores. Can you clarify what are these unallocated expense for these 2 segments, which are the difference between the EBIT and the contribution margin?

Anil Rai Gupta: Can you repeat the question, please?

Achal Lohade: So I'm just simply looking at the difference in terms of value between the contribution and the EBIT values for each of the segments. And I see the number is very large for ECD and the Lloyd business at INR100 crores plus, and there is a substantial increase. I wanted to understand, what are these expenses? Are these corporate costs?

Anil Rai Gupta: These are expenses that are directly attributable to those businesses, for example, salaries, advertising and promotion. There are more consumer-oriented products. Hence the advertising and promotion expenses are also higher in these products.

Moderator: The next question is from the line of Bhavin Vithlani from SBI Mutual Fund.

Bhavin Vithlani: A follow-up to the capex questions asked twice earlier. And if I go back in the 5 years, of the INR2,000-odd crores you have incurred towards the capital expenditure, INR1,000 crores equally is towards Havells and Lloyd. And especially when I look at the last year, 70% of the INR570 crores or INR400 crores was towards that.

So could you give us a little longer-term picture in terms of that it seems to us that you are under-indexed on the capex in the Havells ex of Lloyd. And specifically, when I look at some of these segments like Cables and Wires, where you have spent only INR250 crores over the last 5 years, where the top line increases very significantly. So more color on slightly longer-term basis in terms of is it that Lloyd is taking precedence over the Havells?

Anil Rai Gupta: I think that's a very good question, but that's not the way that we look at it. As I said, we have a very diversified portfolio of products. And any time when we discuss the businesses, we discuss the businesses independent of the capital allocation into other businesses. And that's also one of the strengths that we have as a strong balance sheet that we have.

So it's all independent. IWe believe that when we acquired the Lloyd business, it needed more investment in terms of manufacturing and R&D, and that investment has happened, and it will continue to happen.

And as far as Havells other businesses are concerned, capex requirements do come up at a stage when capacity utilizations are higher in any product business, and then new capacities are added. It's never either/or. It's always look at the business requirements for that particular business.

Bhavin Vithlani: Great. And so maybe it looks like last year was an anomaly, where 70% was towards Lloyd. But on a INR600-odd crores capex, how should one look at the mix going forward?

Anil Rai Gupta: Sure. I think the mix this year will be more skewed towards Havells because the new facility for Cables and Wires is coming up in Karnataka. So I think it varies upon the timing and the requirements for the business.

Bhavin Vithlani: Okay. The second question is when we've seen a very strong growth in Lloyd over the last 3-4 years. And usually, we see when the growth is very strong, there is always some of these expenditures which are overlooked. So could you talk about the cost that could be taken out and where there have been kind of opportunity there?

And second, there is an observation that we are now seeing that from a 3%-4% discount to Voltas, it looks like Lloyd is now at par or 1-odd-percent premium to Voltas, especially on the air conditioner prices.

So could you give us a slightly longer glide path that when we had acquired and we had raised prices and then we had to go back, is that journey now heading towards where eventually we target LG and consequently, we head towards a more like 6%-7% EBIT margin on a 3-year basis? Is that something the reading or are we interpreting it incorrectly?

Anil Rai Gupta: No, I think these are very intelligent questions. I do believe that we've actually seen the journey of Lloyd over the past and also looking into the future. You are absolutely right that the journey has been when we acquired the company, it had been a discounted play as a brand. And over the last 5 years, what we have invested in is - brand, distribution, manufacturing, and R&D. And that will continue to improve the positioning of the brand in the consumer mindset over the longer period of time.

That has been the journey of Havells over the last 20 years. I think Lloyd is on that journey for the next few years. And as far as the major investment is going on.

You asked about any one-off expenses, inefficiencies in Lloyd. I would say, most of it is actually investments that are happening in brand, distribution enhancement, placement of products in new channels - modern format, and ecommerce. I think that's a lot of investment which is going on.

So I do believe, in the next few years, Lloyd is on that path where it would be competing against the best in industry in terms of consumer perception as well as premiumness of the product.

Moderator: The next question is from the line of Girish from Morgan Stanley.

Girish: I just wanted to understand refrigerator capex, if you have already thought through whether it will be FY '25 and if you could quantify that? And secondly, I wanted to understand, if you've already covered it, sorry about that, but I missed it, B2B versus B2C. What is the revenue split? Or if you could help us with the growth for the quarter?

Anil Rai Gupta: So no, we haven't formalized our plans for refrigerator capex at this moment. So it will be difficult to give a quantum as well as the timing for that. And secondly, as far as B2B to B2C, is almost 70% is B2C. And the growth is also about 12% on both sides.

Moderator: The next question is from the line of Aakash Samir Javeri from Perpetual Investment Advisors.

Aakash Samir Javeri: My first question is that what is the percentage of BLDC model fans in our overall Fans portfolio?

Anil Rai Gupta: It's around 15%.

Aakash Samir Javeri: 15%. And how is the current demand for BLDC fans versus the lower-rated fans? How is the consumer perception around it now within 6 months into the new norms?

Anil Rai Gupta: At this point of time, it will be difficult for me to get into the details of the answer, but IR can come back to you on this.

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

Aniruddha Joshi: Sir, two questions. Can you indicate the brand-wise revenue growth rates, REO, Standard, and Crabtree and Havells? That is question one. And secondly, can you also indicate about the new brand Havells Studio? So what are the products that we are targeting, price points, other strategy over a period of next 3-odd years? Yes, that's it.

Anil Rai Gupta: So we actually don't give brand-wise numbers and hence, the growth rate. So all these are housed in different SBU. So for example, all 3 brands of Wire will come into wire revenue. So that's not how we look at it. We look at brand positioning and brand distribution. And hence, at certain points of time, certain brands in rural markets will grow faster. So we don't give numbers for that.

As far as Havells Studio is concerned, because we have a very strong investment in R&D going on at this present moment, so we come up with development of certain products which are very high end and more like breakthrough products, and that will be housed under the Havells Studio brand. The first product of that is an air purifier.

Moderator: The next question is from the line of Rahul Agarwal from InCred Capital.

Rahul Agarwal: Anilji, one question was on LED, like the price has been declining for Consumer lighting. What is the reason for this? And I'm asking this early to understand what's the outlook.

Anil Rai Gupta: Yes. I think LED prices had stabilized for a couple of years. Now over the last few months, it has further come down, and it's also because of the global situation. And then if it goes up, it's passed on into the market. And if it comes down, it's passed onto the market.

So, it's difficult to give you an outlook of where the LED prices will go. All we know is that as a company, our focus has been to maintain margins and again, pass on the increase or decrease in the raw material prices, especially products like LEDs or copper and aluminum.

Rahul Agarwal: Right. So there is no -- like there has not been a material reason for like significantly high imports in the country, which is driving the decline?

Anil Rai Gupta: No. This is due to the global situation, not necessarily just because of glut in India.

Rahul Agarwal: Okay. Got it. And secondly, on Cables, obviously, one of our peer brand reported numbers 2 days back. The cable demand looks like extraordinarily high in the country. And you also highlighted that infra and industrial demand is pretty high.

Just to understand, we're getting into elections next year, would you foresee or -- based on your past experience for election, does this like momentum continue the way it's happening right now? Or do you think it could be rebasing? As you said, last year, same quarter, the base was low. This obviously will normalize, going forward in the year. Would you foresee this growth continuing at 20% - 25% volumes? Or would you foresee a 10% - 15% sustainable long-term average should come back?

Anil Rai Gupta: It's difficult to comment about elections, but I think it's a good sign that the infrastructure demand and the industrial demand is continuing at a good pace, especially after a very long lull period for many years. In the last 1.5 years, we have seen good growth. Let's hope for the very best.

Rahul Agarwal: Okay. Perfect. And one last question for Rajesh-ji. In the balance sheet, I can see -- if I look at current liabilities and provisions, the number is essentially a bit higher than normal. If you could help me understand that. Is that the way you also read it? Or maybe I'm looking at something else.

Anil Rai Gupta: I think this also includes almost about INR300 crores of dividend, which was paid in the month of July.

Moderator: The next question is from the line of Aviral Jain from Siguler Guff.

Aviral Jain: Sir, this question was on Lloyd. What the glide path is for the next 5 years? What sort of numbers would you be targeting? I'm not looking for any guidance, but as we knew you meet your market share target and the positioning, what sort of steady-state margins you would get to?

And also, what would be the drivers of those margin achievements? Would it be pricing improvement or there are certain cost efficiencies that would come in because of better scale or better pricing?

Anil Rai Gupta: So as I explained about 5 minutes back, there is a long-term vision for Lloyd. It's a very large market of over INR 100,000 crores. We want to be a meaningful player not only in the air conditioning business but all the other product categories, which will take a longer period of time.

The margin expansion will be based on many factors, including brand positioning, distribution placement in the high-premium counters, product efficiencies and pricing because of brand positioning. So it will all become a reflection of all these factors in the coming time, so we should improve the margins to industry levels at least, if not better.

Aviral Jain: And so as a corollary, where do you peg the best in the industry in terms of EBITDA margins, what you would try to aspire for, given your research and understanding of the space across players?

Anil Rai Gupta: I think right now, the aspiration is not just some certain number of EBITDA, but the aspiration is very clearly that we want to be a meaningful player in INR 100,000-or-above crores market. That's what the aspiration is. And as I said, manufacturing, expansion, R&D, brand positioning, A&P spend of more than INR140-150 crores on brand is all being done while keeping the future in mind. So EBITDA levels will definitely follow with all these factors.

Aviral Jain: Sorry, one last question. So would it be fair to say that if you kind of segment the market between economy, mass premium and premium, there is a big margin or a profitability differential because what we hear is there is intense competition with 25-30-odd brands in the economy, where probably Lloyd does not play at all, but as you move higher up the curve and gain decent scale, then there is the ability to charge premium and hence, pricing power comes in, which kind of includes profitability, which is, even today, true?

Anil Rai Gupta: It's not very different than the electrical industry, right? So there are hundreds of brands in the electrical industry - regional, city-wise brands. The ability to charge a premium or get the right perception or positioning from the consumer mindset is to be amongst the top peers.

And we also see that in the Consumer Durable segment. If your product quality, if your positioning is right, then there will be, you're saying 25, but there will be just a few players. And that's already panning out. If you see in the air conditioning segment, there are only 4 or 5 who contribute to more than 60% of the business. The rest, there might be a long tail. And that will always continue to be here. And within that, if somebody is a mass player, that's different. But Lloyd's journey is to become a mass premium player just as Havells is.

Moderator: The next question is from the line of Amit Mahawar from UBS.

Amit Mahawar: I just have two broad-level questions. First is on the capital allocation and our manufacturing setup. Havells has always been a north-centric manufacturing entity and the market is pan-India. We seem to be moving more towards south. We're coming out with wires plant. We're coming up with the second plant in ACs, a significant one.

How will, in the long run, this help us going south, you're moving more closer to customers, distributors? And more importantly, since the manufacturing setup in 4-5 years time, will it more move towards a very balanced supply chain for Havells in North India and South India, if you can throw some color? That's my first question.

Anil Rai Gupta: I think the 2 plants that are coming up in South are the second plants for one product category, just like air conditioners and cables and wires. So it always makes sense to actually be in a different location than in the north. For many strategic reasons, the market shares are strong in those areas. And these are, anyway, products which are bulky in nature and hence, takes more freight component.

So it made a lot of sense to go south. And hence, any expansion of an existing product category might be a bit away from where we already are. But many of the product categories like Switchgear and all, the freight costs are less as compared to other product categories.

So it is always to be a balance of all the other parameters, including freight, when we decide on a manufacturing location. It made more sense to be in south with these two product categories.

Amit Mahawar: Okay. Fair. And second question is -- I'm sorry to harp too much on Lloyd -- a lot of questions on Lloyd. But this is a segment where room ACs is still going to be the largest business for us over the next 4-5 years. And there, I really come to the brand. Getting the cost drive is, by far, the most critical part of your competition like Voltas, LG, Daikin have achieved.

Do you think FY '25-'26, when you start procuring motors, compressors to the tune of what your competition is procuring in terms of scale, coupled with -- right now we're shipping ACs from north to south, you've started manufacturing from South or south market. Do you think '25-'26 will be the year where you'll logically breakeven, even assuming the AC prices stay at the current levels?

Anil Rai Gupta: Yes. I mean a lot of the efficiency will definitely come from product costs as well as logistics cost. So yes, given that, we definitely seem to be moving in the right direction towards profitability.

Moderator: The next question is from the line of Gopal Nawandhar from SBI Life Insurance.

Gopal Nawandhar: My question is, again, on the margin side only. Earlier you used to do margins of 11% to 12%. And for last couple of quarters, there has been a bit of volatility in every quarter. Maybe in some segments, we recoup. And again, in the other segment, generally this kind of volatility, we have not seen in the past for Havells.

So is it largely just because of the raw material it is or the capability in terms of passing on these prices or market absorbing these price increases is not there, that is the reason the margins are impacted?

Anil Rai Gupta: Yes. I think last few quarters, as I said, the kind of volatility which happened in the raw material prices, yes, there was not only an inability, but also a conscious decision to not pass on the entire cost to the market. And hence, the margins were affected.

Going forward, we do believe that when the raw materials do come back to normal levels, we should be coming back to normalized levels of margins.

Gopal Nawandhar: Okay. Just the second question is on the Lloyd on the -- in terms of capital employed, the day we acquired and on the last financial year I see, there is almost -- in the last 4-5 years, the capital employed has gone up by INR1,000 crores. And whereas I see that on the contribution margin side, actually, there is an absolute dip in the profit and profitability.

So basically, in terms of earning a decent equity IRR on these businesses, which is the year you think we should be able to go back to the 10%-12%, at least in terms of returns on these capital employed?

Anil Rai Gupta: Well, I think as I've already explained some time back that the there is a journey for Lloyd, which we are very positive about. But definitely, it's on the positive side, moving in the positive direction. We are getting increased market share, a good amount of growth. Our costs are now stabilizing, which will help improve the margins.

So going forward, you will find not only the capex requirements will become lower, but also with profitability coming in, the return on capital employed will be better.

Moderator: The next question is from the line of Shrinidhi from HSBC.

Shrinidhi: Sir, when do you expect your new greenfield Cable and Wire plant getting commissioned and supply starting from that plant?

Anil Rai Gupta: Around end of this financial year.

Shrinidhi: Right. And is the capacity constraint already holding back some of the growth that is available for you because of constraints?

Anil Rai Gupta: Yes. I will not say to a great extent. But yes, if you would have more capacity, we would have better ability to introduce certain markets closer to the plant.

Shrinidhi: Right. And sir, second one is, it seems like channel inventory impacted primary sales in Switchgear segment. So would you say in general that the secondary or the tertiary sales in the Switchgear category is probably significantly higher than the 5% primary you reported?

Anil Rai Gupta: As I said, in April and May, we did see some muted demand. So I do believe it's not the second quarter, you'll see better quarters in the third and fourth. But hopefully, it should come back very soon.

Shrinidhi: Right. And last one, sir, on the Fans category. When you look at this category, do you see this category as a beneficiary of housing construction cycle, which seems to be on the positive side because it's largely a penetration or...

Anil Rai Gupta: Installation products and all once we see an uptick in the consumer construction cycle, they also get impacted and benefited over a secondary. The demand for these products come over a longer period of time, but it does come.

Moderator: The next question is from the line of Latika Chopra from JP Morgan.

Latika Chopra: Sorry if this question was addressed earlier. I wanted to check, are you going to comment on the consumer demand recovering in the later part of the quarter? Could you specify which B2C categories you saw an improvement? And does that in any way point to your comfort about ECD segment, which is largely B2C, could revert to double-digit revenue growth rate?

Anil Rai Gupta: Can you repeat the first half of the question? Sorry, I couldn't hear. Could you repeat the question?

Latika Chopra: I was checking, in your questioning, you talked about recovery in some of the consumer-facing segments off late. I just wanted to check which product -- specific product categories did you see this trend playing out?

Anil Rai Gupta: As I said, April and May were a bit muted. June saw some amount of decent growth coming in, in all product categories, including Switchgears and Wires. But again, it has to be seen how it pans out.

But I am more hopeful about the second half of the year because the way things are going, it was not expected at the first quarter, and first couple of months will be a bit muted. So we're definitely seeing that these product segments like Switchgear, Wires and hopefully, in the Consumer Durable segment also, things should start coming back soon.

Latika Chopra: And you're saying this more from a CAGR basis because the base also starts becoming a little bit softer, right, as you move towards the second half?

Anil Rai Gupta: Well, I didn't say it from that point of view, but yes, that also could be an opportunity.

Latika Chopra: All right. And the second question was with respect to ECD segment margins. The contribution margins in this quarter fell Q-o-Q. The revenues were higher in an absolute term Q-o-Q. I understand you talked about under absorption of overhead. But what really led to this particular segment? Ideally, wouldn't raw material prices be already moderating for ECD segment, and that should be partly reflected in June quarter? And any advance mix effect which has led to this softness in margins sequentially?

Anil Rai Gupta: I think I would attribute it to a bit more of the manufacturing overhead under absorption because fourth quarter, the sales were lower than the first quarter. But actually, the production levels were at peak levels in the fourth quarter and not in the first quarter. So the raw materials have stabilized, but also the prices have stabilized. So there's no reason why margins would have dipped for any other reason.

Latika Chopra: Okay. And you would anticipate these margins to improve sequentially because there's some part of lower commodity prices will get to get reflected?

Anil Rai Gupta: Yes. It also depends a little bit on the product mix within the ECD portfolio. But yes, individually, product wise, yes, they should be improving.

Latika Chopra: And last question and maybe a little broader question, for the ECD segment, you used to see 26% - 27% contribution margin or mid- to high teens EBIT margin prior to COVID. And now I understand there's a volatility on raw materials.

But that segment itself is becoming more competitive. And of course, you are also making a lot more investment in advertising, new launches, etc. Do you think it's feasible for the segment to reverts back to a margin that were seen pre-COVID, more on contribution and EBIT level?

Anil Rai Gupta: Yes, it may be difficult in a short period of time. But over a long period of time, that would be an aspiration. Because more brands have been added, more product categories have been added. There has been fast growth in the appliances segment as well. So as the product mix is concerned, it may not reach the same levels at which was pre-COVID levels.

Moderator: Ladies and gentlemen, this would be the last question for today, which is from the line of Udit Dhekale from Bank of America Securities.

Udit Dhekale: Sir, I have only one question on margins. So on Wire and Cable segment, we see the margins have dipped sequentially. And you mentioned that there have been some price cuts. So did raw material prices have more than offset by the product cuts that you have taken?

Anil Rai Gupta: I think pretty much it's in the range. So I would not like to comment upon that.

Moderator: As that was the last question for today, I would now like to hand the conference over to Ms. Bhoomika Nair for closing comments. Over to you, ma'am.

Bhoomika Nair: Yes. I would like to thank the entire management to give us an opportunity to host the call and all the participants for being online. Thank you very much, and wish you all the very best, sir.

Anil Rai Gupta: Thank you. Thank you, everyone. Thank you for joining.

Moderator: Thank you. Ladies and gentlemen, 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.