

24th July, 2024

The National Stock Exchange of India Limited
Exchange Plaza, 5th Floor
Plot No. C/1, G Block
Bandra Kurla Complex
Bandra (E)
Mumbai- 400 051

NSE Symbol : HAVELLS

BSE Limited
Phiroze Jeejeebhoy Towers
Dalal Street
Mumbai- 400 001

Scrip Code : 517354

Sub: Transcript of Earnings Call with respect to Financial Results for the first quarter ended 30th June, 2024

Dear Sir,

This is with reference to the Company intimation dated 12th July, 2024 filed with the stock exchanges in terms of Regulation 30 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 regarding the conference call to discuss the financial results for the first quarter ended 30th June, 2024 scheduled for 18th July, 2024.

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

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

This is for your information and records.

Thanking you.

Yours faithfully,
for **Havells India Limited**

(Sanjay Kumar Gupta)
Company Secretary

Encl: As above

HAVELLS INDIA LTD.

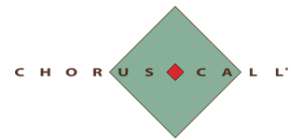
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Havells India Limited
Q1FY25 Earnings Conference Call
July 18, 2024



MANAGEMENT: **MR. ANIL RAI GUPTA – CHAIRMAN AND MANAGING DIRECTOR – HAVELLS INDIA LIMITED**
MR. RAJESH KUMAR GUPTA – WHOLE-TIME DIRECTOR AND GROUP CFO – HAVELLS INDIA LIMITED
MR. AMEET KUMAR GUPTA – WHOLE-TIME DIRECTOR – HAVELLS INDIA LIMITED
MR. RAJIV GOEL – EXECUTIVE DIRECTOR – HAVELLS INDIA LIMITED

MODERATOR: **MR. DEEPAK AGARWAL – JM FINANCIAL**

Moderator: Ladies and gentlemen, good day, and welcome to Havells India Limited Q1 FY'25 Earnings Conference Call hosted by JM Financial. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing star then zero on your touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Deepak Agarwal. Thank you, and over to you, Mr. Deepak.

Deepak Agarwal: Thanks. Good afternoon, all. On behalf of JM Financial Institutional Securities, I welcome you all to Havells India Q1 FY'25 Conference Call. Today, we have with us management represented by Mr. Anil Rai Gupta, Chairman and Managing Director; Mr. Rajesh Kumar Gupta, Whole-Time Director and Group CFO; Mr. Ameet Kumar Gupta, Whole-Time Director; and Mr. Rajiv Goel, Executive Director. I would like to thank management for giving us the opportunity to host this call.

And now I'd like to hand over the floor to management, post which we will open the floor for Q&A. Thank you. Over to you, sir.

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

Q1 posted good growth as cooling products capitalized on a favourable summer. Categories like air conditioners, fans and air coolers performed well as we leveraged our manufacturing capacities, brand strength and omni-channel presence to tap into the market opportunity.

As we witnessed many first-time buyers of air conditioners, we feel that this may trigger an inflection point for the under-penetrated AC industry. Industrial and infrastructure continue to perform well, albeit some impact due to elections. Cables registered double-digit growth, but wires revenue was impacted by channel destocking with sharp commodity price decline in June 2024.

As cost efficiency initiatives yielding results in the form of improved profitability of Lloyd, we continue to strengthen our market position with investments into brand building, differentiated offerings and talent pool.

We can now move to Q&A.

Moderator: Thank you very much. We will now begin the question-and-answer session. The first question is from the line of Natasha Jain from Nirmal Bang Equities. Please go ahead.

Natasha Jain: Yes. Sir, my question is on the ECD segment, while I see that there is a revenue growth of 20% the margins have been flattish. As trends, now the channel has been restocking and also the premium fans have moved. So that means there has been an ASP expansion on that front. So can you just call out what really led to a flattish margin growth here? Was it mainly advertising

spend or is there a significant ASP compression in other segments or other product categories in ECD? Also, if you could call out the growth for fans, particularly.

Anil Rai Gupta:

Sorry. Your voice broke in between. Can you just repeat quickly the question?

Natasha Jain:

Yes. Sir, my question is on the ECD. In ECD, while the growth has been 20%, the margin expansion has been pretty much flat. Now on the ground level, we understand that premium fans have done well. So that would ideally lead to expansion on ASP front. So I just want to understand why are we at flattish margins? Is it mainly because of higher advertising spend or is there a significant degrowth in some other categories?

Anil Rai Gupta:

So actually, if you look at the contribution margin, the contribution margins have improved both due to premiumization as well as the cost-saving initiatives over the last one or two years. Quarter-on-quarter, there could be differentiated segment results because sometimes the advertising spends are higher, sometimes lower. So I think we believe we should track the contribution margin stability or expansion there.

Natasha Jain:

Sir, my next question is on switches and switchgears. Now we've seen domination by local or unlisted players like Gold Medal or probably your exact competitors would be Norisys, Schneider or Legrand. Now most of these bands are getting credit period days as high as 100 to 150 days with product SKUs probably minimum 2x of what Havells has and therefore a strong push by dealers and distributors on the ground. While our revenue contribution is approximately 10%, margin contribution is still close to one-third. So going forward, do you feel that this increased competitive intensity can further compress our margins in this segment?

Anil Rai Gupta:

Well, I think the increased competitive intensity or similar competitive intensity has been there for quite some time. And when you say local players, I don't know how you calculate, how you're taking national players like even Gold Medal or Norisys or Schneider and Legrand as regional players. They're not regional players. They are national players. And I believe that they are also premium priced players. Despite all that, I think over a period of time, over a longer period time, we have ranged in our switchgear contribution margins in a very close bound range between 38% to 40%, 41%. So that's been there. Quarter-on-quarter, it can vary. But otherwise, generally, we have been range bound and I think we'll continue to strive to be there.

Moderator:

Thank you. The next question is from the line of Venkatesh Balasubramaniam from Axis Capital. Please go ahead.

Venkatesh B.:

Mr. Gupta, I just had questions all on the Lloyd's part of the business. Now what we are observing is for two quarters now, you have delivered, you're broken even. I think fourth quarter, you did almost 2.8% margins. In this quarter, you did around 3.5% margins. Now what exactly has contributed for this whole business going from a loss to a profit? Is it just that now you hit a scale where you can consistently deliver positive EBIT margin or there has been some price action you have taken? Or is it because there are cost savings, you're manufacturing in-house, if you could throw a little more light on what has caused these numbers to go up to a profitability part.

The second part of the question is this 3.5% margin, is this a reasonable number, which we can assume for the full year of the current year, that is it possible for Lloyd to deliver 3.5%-4% kind of EBIT margins for the full year in the current year? And where do you think this number can go according to you, if everything goes according to plan over the next couple of years? This is all related to the Lloyd business.

Anil Rai Gupta:

My God, you've put 10 questions in one question. So look, I don't want to keep repeating myself again and again over various conference calls. Lloyd is a journey, right? And again, I frankly don't even look at 2.8%, 3.5% for the whole year. We're making huge investments in Lloyd for quite some time, and we'll continue to do so, even if you see our brand building efforts, we're spending close to 4%-4.5% in Lloyd, which clearly indicates long-term investment. We see a huge growth opportunity in Lloyd. It's a very large industry. And our market shares are small in many categories. So hence, we see a huge growth opportunity there.

Now having said that, whatever things that you mentioned, it's not pricing action, but it is premiumization over a long period of time, ability for trade to accept a certain price level and the consumer to give a certain price level to a brand. That's again a long-term thing. Bringing efficiencies in manufacturing and cost efficiencies, that's also a major contributor towards sustained profitability over the continued period.

Having said that, you have also said about the fourth quarter and the first quarter. This is the period when primarily 65%-70% of the sales happen for air conditioners. So we do get operating leverage also during these two quarters. Second and third quarter because we are still overweight on-air conditioners, second and third quarter will always remain challenging. But over the year, Lloyd is now on a much stronger place than it was earlier.

I would not give any number associated, as you are probably asking me on this call. But I would say that one, there will be improved price realization and reduced costs over a longer period of time as well as growth will be a major driver for Lloyd for us. And also, we'll continue to make investments in brand building, R&D, and manufacturing.

Moderator:

The next question is from the line of Bhoomika Nair from DAM Capital. Please go ahead.

Bhoomika Nair:

Sir, just wanted to get a color on the demand perspective. If you look at ECD shown a 20% growth for the quarter, if you can give some more color in terms of volume growth, particularly for, say, fans and also some of the other segments within the space and the kitchen appliances as well, which we are kind of looking at. So the first question is around that, please.

Anil Rai Gupta:

So I think over the last couple of years, we have seen some tepid growth in the consumer segment. And in this particular quarter, one, the summer definitely helped. Secondly, a low base over last year also contributed to a higher growth. Whether we are seeing a sustained improvement in consumer demand, I would still say I hope it continues, but we are not very sure whether this is just a one-off. And it is looking better, but I would not again say it's very different than what we have seen in the last one or two years.

But having said that, the actions that we are taking, whether it's for fans, outreaching smaller towns and villages as well as our kitchen appliances gaining better traction in the minds of the consumer, so those things will continue to help us increasing the sales in the ECD segment. So we are hopeful for our growth. Obviously, tailwind from the consumer side will also help us get in faster growth.

Bhoomika Nair: Sir, any color on how fans would have done in this particular quarter?

Anil Rai Gupta: Fans have done very well in this quarter.

Bhoomika Nair: Okay. And secondly, sir, on the Cables & Wires segment, clearly, the raw material volatility has impacted revenues. But as we move ahead into July, I understand it's a very short time frame, have you seen kind of any pickup or bounce back in terms of inventory filling back by the dealers?

Anil Rai Gupta: Yes. So June was a particular month where suddenly there was a huge destocking because we had seen stocking in March-April-May period. In June, heavy destocking happened because of the raw material fluctuations. We are seeing July to be coming back to normal levels.

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

Siddhartha: Sir, first question, I can continue on the Cable & Wires side, I mean, we had a new capacity coming up in the quarter. Any update on that? Is it completely onstream? And going ahead also, we plan to add more capacity by the end of next year. If you can share some insight into which segments in the Cable, are you expanding? Some color there will be helpful.

Anil Rai Gupta: We are just awaiting the final approvals for our sales to start happening from the new facility in Tumkur. So it should start within this quarter. And so that first phase of expansion is over. But we are continuing to add capacity, both for exports and for domestic segments and for a larger range of underground cables. For domestic wires, we have capacity, and that's the continuous process we've been building for, but for power cables, we are expanding capacity in various segments, including for export. So yes, you're right. For the next 1-1.5 years, we'll see more capacity expansion in Cables & Wires.

Siddhartha Bera: Got it. Sir, second question is on the export side. I mean, we have done multiple JVs in the U.S. also for selling ACs and lights. Can you share some medium-term outlook? Like exports is nearly 3% of our revenues now over the next couple of years. Given these initiatives, any numbers, if you can share, you want to sort of get from the export markets, if you can share some color, it would be helpful.

Rajiv Goel: So I think these U.S. JVs, we have just sort of instituted them. So I think they will pick up the pace in time to come. So our endeavour is definitely to tap the global opportunity, and that's what we are doing either directly from here also creating sort of these marketing ventures there. So I think let's give it some time. I think it will be difficult to give any outlook right now. But clearly, I think we should continuously improve over a period of time.

Over a period time, may be around 10% of our business should come from international. But that's an aspiration. I mean we are not holding out any medium-term targets for that. But our opportunity is definitely there, and I think it's something which can be leveraged by us.

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

Aniruddha Joshi: So two questions. Now considering the commodity inflation, we have seen some instances of price hikes by various durable companies. So how do we see Havells in terms of price hikes? Have we initiated any price hike in Q1? And now what is the current stance on the price hikes? That is question number one.

And question two, now we can see now Crabtree brand is getting rebranded as Havells Crabtree. So, should we read similar things happening with Standard, REO as well as Lloyd also? And is there any plan to make Havells as a mother brand and in terms of reducing overall spend in terms of advertising etc? So how should we read on these lines? These are the two questions.

Anil Rai Gupta: So as far as price increases are concerned, most of that has been done in many product categories, including Consumer Durables in the first quarter. So as long as this raw materials remain at this level, we've taken all the pricing actions as of now.

As far as the branding is concerned, Havells switches used to operate in two different brands - in Crabtree and Havells other than REO and Standard, but what we realized was that there was overlapping of customer segments, influences and the channel in Havells and Crabtree. And hence, we decided to merge these two brands. So all switching solutions from the Havells brand are now termed as Havells Crabtree. And Crabtree because of the legacy brand of the switches, so we'll continue with that brand for all switching solutions from us. But whether it is Standard, REO and Lloyd, they will continue to remain as independent brands even in the foreseeable future. This is because we see a clear differentiation of the consumer segments in all these three brands. So we don't see Havells to act as a mother brand for the other three brands.

Aniruddha Joshi: Okay. Sure, sir. Very helpful. Understood. Just in terms of quantum of the price hikes, if you can elaborate a bit and anything...?

Anil Rai Gupta: It's different for different product categories. Also many times, it happens over months, so it is different for different product categories.

Moderator: The next question is from the line of Rahul Agarwal from IKIGAI Asset Management. Please go ahead.

Rahul Agarwal: Sir, two questions. Firstly, could you talk a bit on the non-AC portfolio of Lloyd, please? Largely, my sense is it's 25% of overall Lloyd business. Incremental growth and capacity has been coming up and your investments, and how do you see the Indian market for that? And secondly, on the international side, just a small question there. Whatever we're doing right now, the efforts are all focused on the U.S. market specifically, or is it like U.S. and Europe across? That's the first question.

Rajiv Goel: So non-AC categories, you see in this quarter, obviously AC is dominating almost 85%-87%. And as we always maintained, and we mentioned earlier in the call also, that we see Lloyd is a journey, so I think the journey will cover the other product categories as well. So obviously, as we expect the refrigerator being a summer product, there has been good growth in that for our business. Even though it is still an emerging category in our portfolio.

But on the overall non-AC category, we have also done well. The growth has been also pretty good. The investments will continue to go behind the categories. We have maintained that the refrigerators, and the washing machines will be the key focus for us in the non-AC categories.

The second one on the international, U.S. is a market we are approaching differently. That's why you see a lot of visibility around U.S. But yes, our focus will be the SAARC, the AMESA and the developed nations. Maybe the opportunity is there in both U.S., Australia, and Europe. Europe at times have not been that open as the U.S. has been. So that is the only difference, but we are not sort of priding one over the other. It's just the sheer size and the openness of the market.

Rahul Agarwal: Right, sir. And secondly, I noticed inventory at 63 days of sales. If I look at last five years, I think there is significant and meaningful improvement in the cycle. Could you comment a bit on this, that is it sustainable here? There are meaningful steps being taken consciously reducing this inventory, or is this like very ideal right now?

Rajiv Goel: Everybody wants to improve on that, but you have to balance the growth and the inventory. Also, a lot of this has been increased over a period of time because of addition of Lloyd as a business which has a lot of seasonality. Seasonality always demands you to be prepared. For instance, this time, there was stock-out situation in the AC industry. Nobody could have prepared for this kind of a scenario, but it does bring the importance of having some inventory. You can't really get too efficient in these things as well. Particularly in markets like India which can be pretty unpredictable in terms of the demand planning. But is having our own manufacturing facilities and all sort of make us believe that there is something which can still be improved upon. So, I would say yes there is scope for improvement in the same. And I think we should see some better sort of ratios in that going forward.

Rahul Agarwal: Got it. Rajivji, lastly on capex, if you could clarify fiscal '25, what is the budget and where are you going to spend the number?

Rajiv Goel: I think we have already announced it last time. It's around INR800-odd crores. So I think we continue to maintain that.

Rahul Agarwal: But wouldn't that change because you announced the Cable capex after that, right?

Rajiv Goel: Yes, there is always this, what is announced and then how much it will be spent because there is spillover in that. Further, there is a spillover from what we announced last year as well, basically. So I would say on a cash basis, it could be INR800 crores, or it could be INR900 crores, depends upon how we ultimately end up sort of spending on the same.

- Moderator:** The next question is from the line of Deepak Gupta from SBI Pension Funds. Please go ahead.
- Deepak Gupta:** My first question is on the switchgear segment. We've seen a sharp decline in the contribution margin for the Switchgear segment post-COVID, and it's consistently been declining. Just wanted to thoughts around it? And do you think at what levels could these contribution margins stabilize?
- Rajiv Goel:** So Deepak, on the contribution margin for switchgear, I think post-COVID may not be the right way if you see in long-term, the switches and switchgear together. We have been in the range of between 40%-41% to around 37%-38%. So I think sometime in the quarter, this thing will happen. And look, we have investing in the business, there will always be some dilution in that, which is possible. We believe that the long-term range, which one should assume for this business is between 38% to sort of 41%. And I think that's something we believe is something we'll continue to maintain.
- Deepak Gupta:** So right now, just want to understand the right now, the margins are 24.6% contribution margin for the quarter. You think that can potentially go back to...
- Rajiv Goel:** That is not contribution margin, Deepak. That is segment result. That is more close to an EBIT basically.
- Deepak Gupta:** Okay. So what kind of EBIT margins can one look for in switchgear segment then?
- Rajiv Goel:** I would say these are decent margins. And just looking at the nature of the industry investments, we made like somebody said, Havells Crabtree as a brand. I think we also need to invest behind the brand. So overall, I think, again, this has been between 24% to 28% - 30%. So I think that's the band we expect to maintain.
- Deepak Gupta:** Understand. And my second question is on the advertisement expenses. How should we look at it? Like I understand the quarters where Lloyd contributes meaningfully, the A&P expenses move up. But on an overall company perspective and from Lloyd's perspective, if you could give us an outlook, what should be the A&P expenses typically should be for the company?
- Anil Rai Gupta:** Overall, I think generally, Lloyd is between 4% and 4.5% and Havells is about 2.5%. So overall, it's about 3% to 3.5%.
- Moderator:** The next question is from the line of Umang Mehta from Kotak Securities. Please go ahead.
- Umang Mehta:** My question was again on exports. So while you did share some details, could you share some more in terms of approval timelines? Particularly looking at it from Lloyd's perspective, what can help us improve capacity utilization from where they are currently?
- Rajiv Goel:** Lloyd, we have already started some degree of supplies. But the real, I think, traction will take around in 12 months. So I think, as you rightly asked, we are in the different phases of the approval and particularly the UL approval. Typically for the entire range, like we have already got one of the range approved, but I think the full range, which is required to tap the opportunity,

I think we should set our target around 12 months from now. So that's what we are looking at. So that's where we're in the journey for the HVAC.

Also for Cable, because there's another large opportunity. I think now we are getting more and more approvals there. And I would say another sort of 9 to 12 months, we should have a full bouquet of approval for Cables in place. These are two critical categories you see in terms of the growth, particularly in the U.S.

Umang Mehta: Understood. This is helpful. And just on cable front. So given that we've seen a very large capex announcements by almost all players, particularly on cable side. Do you see demand keep pace with that? Or do you expect any volatility from supply coming up, maybe not immediately this year but next year?

Rajiv Goel: No. I think nobody can talk long term with a lot of certainty. I think medium term, we believe that not only India but globally, there is a requirement for these. And I think the way the power consumptions are going up, again, not in India but globally. We need to invest in the infrastructure, which has been neglected for years. We believe this is actually a three to five-year opportunity and not just one-year opportunity.

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

Girish: Just had a question on your capex for FY'26 and '27. Should one assume that number of INR800 crores to INR900 crores continue? And if you could say, probably 35% to 40% could be Cable & Wires?

Rajiv Goel: Yes, and if we include about INR300 crores what we announced, INR1,000 crores to INR1,100 crores will be the overall capex if you include that. And yes, 30%-35% of that will be cable, maybe almost 40%.

Girish: Okay. So that would continue into next couple of years also. Okay.

Rajiv Goel: Yes.

Girish: And just, sir, on the quarter, if you can just quantify the volume growth for AC segment? And any comment on channel inventory for the industry?

Rajiv Goel: Channel inventory is not there. Actually, you are aware there are a lot of manufacturers and the channels that were running out of the inventory. So there's not much inventory at the channel. And you are aware that we do not share volume growth. So I think let's look at the value growth.

Girish: Would it be fair to say that 90% contribution would be AC roughly like because it's a seasonal quarter and the growth has been very strong?

Rajiv Goel: Yes. Around 85% growth is AC.

Moderator: The next question is from the line of Latika Chopra from JPMorgan. Please go ahead.

Latika Chopra:

It appears that contribution margins across all your divisions seem to be in a healthy zone. I was just wondering, beyond contribution margins, is it right to assume that level of brand investments, staff investments, capability enhancements will remain firm? So incremental opportunity to expand operating margins will be modest, or do you see scope for improvement in operating margin at an aggregate basis for the company, while the product mix will change across divisions at a broad base?

Rajiv Goel:

Yes. Latika, I think you were breaking, but we just got the gist of what you are asking. So look, investments will continue. Maybe I think right now, the base is already set. But I think we expect that these will moderate over a period of time. So we are not suggesting that it will change next quarter or in two quarters. But gradually, there will be a moderation. And to some extent, I think these investments are being made because we expect better growth trajectory as well. So I think as the growth picks up, I think you will see a better flow through to the EBIT.

Both ways, the growth will also be moderating costs, whether it's staff or, let's say, A&P. And also, I think we expected better growth you see in the core categories as well. And like somebody has a lot of the consumer sentiments. We continue to believe that the consumer turnaround is hopefully near. And in a few quarters, we should see that, which should help the core also to grow much better, which ultimately will transmit to the EBIT margins.

Latika Chopra:

Now this is very clear. The second bit is just a follow-through of what you just said. So I understand this was a seasonal quarter, and I completely appreciate the fact that there is still some scepticism on the firmness of consumer revival on demand side. But I was just wondering from the data that you get from your dealers, from a month-on-month consumer purchase behaviour, is there something to suggest that you are seeing a more positive behaviour in smaller cities and rural? And is there any cause of concern in some of the bigger cities? Just trying to sense what are you picking up from the ground?

Rajiv Goel:

Nothing substantive which we could extrapolate. I know it may not answer your question, but the fact is there's no real sort of clear answer to this. So let's wait for some more time. We really don't want to jump on to something which is very sketchy.

Moderator:

The next question is from the line of Keyur Pandya from ICICI Prudential Life. Please go ahead.

Keyur Pandya:

Congratulations to the team for good results. Just first question, probably partially you answered, I mean, the question was on overall consumer category growth. You talked about some destocking in house wires, but that is about primary sales. So overall, are you seeing any either pickup in demand or any signs of pickup in demand on say non-summer or non-seasonal kind of product or products which are linked to real estate?. So that is my first question.

Rajiv Goel:

So, some pickup is definitely there. And that's why this growth. For example, fans, yes summers was high, but fans is also a penetrated category. So, we believe something was there. We have saying this that the construction which has happened around, let's say, 24 to 30 months before normally they start kicking in. But it has also happened that this has been such a serious summer

that the construction activity actually has been impacted because there is a lack of construction labor and also because of election.

So if you mix all of that, that's what I said, there is a pickup. But what we are really afraid of commenting right now, saying this pickup is something which is not sustainable, the things are back, and everything is hunky-dory. So I think we want to avoid that kind of impression. That's why we are hesitant to put these things out. But clearly, there is a sentiment improvement. The demand pickup is definitely better if you look at for a preceding quarter than this quarter.

Keyur Pandya:

Okay. And sir, second question is on the Lloyd. Probably I would say that we have used AC as an instrument to build brand Lloyd over years. Now should we assume that, that journey would be relatively easier for the non-AC categories? Or to put it in different way, whatever the unit economics are there for the AC, are they better for, say, ref and washing machine right now? Or we should assume that we'll have to see a similar journey in those as well? So that is like lower or negative margins and then it takes some more time to be profitable, or they are better margin right from the beginning.

Rajiv Goel:

Brand investment definitely will be lower because you're creating the brand for the full category. And there's a whole idea of creating a brand and then expanding into categories. So that, I think, the heavy lifting has been done by the air conditioner. And the margins are sort of better, but let's agree that this is fiercely competitive categories as well. So I think those investments, whether in people, in the manufacturing will have to be done. So what may something being done before which is the way you have built up the brand. And also the channel affiliation, I believe is far more sort of favourable than maybe what AC has gone through. So yes, some part of the journey has been covered, but some part of the journey will have to be covered by the individual categories as well.

Moderator:

The next question is from the line of Nirransh Jain from BNP Paribas. Please go ahead.

Nirransh Jain:

Sir, just wanted to understand on the Cables & Wires, I mean, we have been looking at a very strong demand, you announced another 25% capacity increase right after commissioning the new facility. So do we also expect any impact on the margins considering that we have a higher mix moving towards Cables in our portfolio? That's my first question.

And secondly, I just wanted to check on the overall inventory levels across channels, especially for the summer-related products after a strong demand because we saw a very strong primary growth for Lloyd this quarter. But how is the inventory channel after the summer? And any price action taken by Lloyd, particularly in the last quarter? So if you can quantify the price hike that was taken? That's all from my side.

Rajiv Goel:

Whatever price hikes were required, not just Lloyd but all the product categories because of the commodity have been taken. So we won't go into individual sort of categories on the same.

I think the cable opportunity is there, which we are sort of investing behind. But we are expecting other categories also to grow.

- Anil Rai Gupta:** We already have built capacity. So it's not that the other businesses will not grow at the same course. Cables, we had underinvested over the last few years. So right now, we are catching up with the investment.
- Rajiv Goel:** With the growth, we do not expect any significant margin dilution because of increase in the cable sales. I think we are expecting all other categories to be aligned. And I think that's something we are not expecting. I think your question is whether margins will be diluted because of the product mix. And that's something we do not foresee.
- Moderator:** The next question is from the line of Yagnam from AMSEC Securities. Please go ahead.
- Yagnam:** So out of the INR800-odd-so crores capex we are talking, so would you be able to give some color towards Lloyd, how much will it be spending?
- Anil Rai Gupta:** As Mr. Rajiv mentioned, the INR800 plus the announcements that we have done, so around INR1,100 crores. Out of which, Lloyd is lower because most of the capacity is there and only about INR100 crores are for Lloyd.
- Yagnam:** All right, sir. And just any update you would like to share on the raw material pricing currently and its impact on, say, gross margins up to three to six months.
- Anil Rai Gupta:** We've already said that there have been some increases in raw material prices over the last few months and corrective pricing actions have already been taken.
- Moderator:** The next question is from the line of Shrinidhi Karlekar from HSBC. Please go ahead.
- Shrinidhi Karlekar:** Congratulations on good set of numbers. Sir, a couple of questions on Lloyd business. Sir, in Lloyd business, we have seen about 70 basis points of sequential improvement in contribution margin. And that looks smaller given that sequentially, our revenue growth is about 40%. Just wondering, in that basis, is the operating leverage benefit, to an extent, offset by lower gross margin sequentially?
- Rajiv Goel:** Look, normally Q4 also has a lot of annual impact. So Q4, I don't think you should really compare on that basis. I think these Q1 results have an amalgamation of cost benefits which have accrued over the period, also the operating leverage. Operating leverage has really played out. And I think nobody can discount the power of this high growth. I think that helps the business overall. So we are very satisfied with how the margins have panned out, and yes, there is always scope for doing better, which is something we are striving for as well.
- Shrinidhi Karlekar:** In terms of related question, would you say your gross margin in Lloyd business is already getting 20% plus levels?
- Rajiv Goel:** That we can't comment. I think we have already shared metrics we have to share. So I think that's something we will refrain from commenting.
- Moderator:** The next question is from the line of Amit Mahawar from UBS. Please go ahead.

Amit Mahawar: First of all, congratulations for a great show in Lloyd. My first question is on Lloyd. We are broadly at the highest scale in terms of what capacity we have with the second plant coming. And barring compressors and maybe motors, everything else is internalized in Lloyd. So how has your experience been on the manufacturing ramp up? And do you think in maybe FY'25, '26, we will reach the profitability that the top 2, 3 incumbents have?

Anil Rai Gupta: So manufacturing definitely has helped us, not only in terms of improved margins, but also in the fact that we are able to start giving differentiated products in the market based on our own R&D. I mean as we have always said, Lloyd is a journey towards not only gaining market share but also to improve profit. How much, whether it is in the top 2-3 or not, we don't want to comment right now because we do believe that we are in this for the long term, and we will continue to make investments higher than the competition. Our growth aspirations are higher. And so we will continue to make investments.

Somebody asked this question about brand building for the rest of the non-AC products. That will also require some amount of investments, may not be at the same levels of what we were required to build for air conditioners, but it will be there. So it's a long-term journey. But there will be a continued improvement in both volumes as well as profitability.

Amit Mahawar: Fair, sir. And second and last question is on ECD. Of course, we've actually had a very strong growth in the last 10-15 years, but the last one, two to three years, the industry itself is going through doldrums and nothing particularly negative about Havells here. We are broadly around industry. Do you think FY'25 is a year where, based on today, how we see the market maybe second half we will start seeing this industry triggering 20% kind of growth for Havells? Or do you think it's still early and maybe FY'26 and '27?

Anil Rai Gupta: Well, I mean, I can't give a number like 20% growth. But you see, ECD comprises many product categories - fans, a bit more penetrated category. Then we have domestic appliances where our market shares still have room to grow. Then we have air coolers, we have products like water heaters. So I think there are various components, and we do believe as the consumer sentiment as well as the housing and everything improves in India, definitely, ECD will be a beneficiary and we will continue to strive for increased market shares in these categories also. So I think we are definitely hoping for a better year this year, but also next year.

Amit Mahawar: Sure. Can I squeeze third, a very small question, a the third question?

Anil Rai Gupta: Yes, please. Go ahead.

Amit Mahawar: Yes. I think is this the best time for Havells to leverage on the balance sheet and pan-India brand image to add a few categories like say kitchen portfolio inorganically because some categories doesn't make too much sense going organic? And we've been doing that, but we have to gain regional presence and product presence. So do you think this is the best time for Havells to look at one or two categories where we can look at regional players to consolidate? That's it.

Rajiv Goel: I think, look, there is no best or worst time for these kind of opportunities. We will have to evaluate them as they come. And it's not that we have not evaluated in the past. But frankly, they

have to make sense on the pricing, on the capital deployment and that returns thereon. So we'll always be open to this. This is something has been our stance in the past as well. So just because a few things are happening, I think we will not rush into anything. So that's the way we'll maintain now as well.

Moderator: Thank you. Ladies and gentlemen, in the interest of time, this will be the last question for today's conference call. It is from the line of Ashish Jain from Macquarie. Please go ahead.

Ashish Jain: Sir, my first question is the price hikes you spoke about in 1Q. Is it safe to assume that all of it will reflect in the second quarter or it's already there in 1Q?

Rajiv Goel: I think partially, it has been captured and partially, it will follow through. But you have to also understand that the cost will also follow through the similar way.

Ashish Jain: Right, right. Sir, secondly, I just want to understand like where we were, let's say, 12 months back in terms of our recovery expectations, especially for the broader ECD portfolio. When you reflect that, what has really disappointed? If you can give some color. Is it like one particular region? Is it replacement demand? Or is it new homebuyer because this has been really prolonged now for the last 3 - 3.5 years? We haven't really seen a recovery. So any color you can give on that, like where you really think the disappointment has come on the ECD side?

Rajiv Goel: As you say, ECD is a portfolio. So there are multiple levers. Fan has gone through its own journey of transition to BEE rating and things like that. The underlying trend also has been the weak consumer demand. And I think this is not just playing out in ECD. It's also playing out if you look at related categories across industries as well. So we will believe that the consumer sentiment and the spending power has to improve. Hopefully, that's something which will bring the much-needed tailwinds to this sector.

Ashish Jain: Can you give any sense like what part of our ECD would be replacement-led demand? Is it possible to have a sense of that?

Rajiv Goel: Most largely it is new. There is not much replacement.

Moderator: Thank you. Ladies and gentlemen, that was the last question for today's conference call. I now hand the conference over to the management for closing comments.

Rajiv Goel: Thank you everybody for joining the call and look forward.

Moderator: On behalf of JM Financial, that concludes this conference. Thank you for joining us and you may now disconnect your lines. Thank you.