QRG GROUP

HAVELLS

10th May, 2022

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 fourth quarter and financial year ended 31st March, 2022

Dear Sir,

This is with reference to the Company intimation dated 3rd May, 2022 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 fourth quarter and financial year ended on 31st March, 2022 scheduled for Thursday, 5th May, 2022.

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 Investor Relations section.

This is for your information and records.

Thanking you.

Yours faithfully,
for **Havells India Limited**

(Sanjay Kumar Gupta)
Company Secretary

Encl: As above

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“Havells India Limited
Q4 FY2022 Earnings Conference Call”

May 05, 2022

ANALYST:	**MS. RENU BAID - IIFL SECURITIES LIMITED**
MANAGEMENT:	**MR. ANIL RAI GUPTA - CHAIRMAN & MANAGING DIRECTOR - HAVELLS INDIA LIMITED** **MR. RAJESH KUMAR GUPTA – WHOLE-TIME DIRECTOR (FINANCE) & GROUP CHIEF FINANCIAL OFFICER - HAVELLS INDIA LIMITED** **MR. AMEET KUMAR GUPTA – WHOLE-TIME DIRECTOR - HAVELLS INDIA LIMITED** **MR. RAJIV GOEL – EXECUTIVE DIRECTOR - HAVELLS INDIA LIMITED**

Moderator: Ladies and gentlemen, good day and welcome to the Q4 FY2022 Earnings Conference Call of Havells India Limited hosted by IIFL Securities 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 '*' then '0' on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Ms. Renu Baid from IIFL Securities. Thank you and over to you Madam!

Renu Baid: Thank you, Rutuja. A very good morning to everyone. On behalf of IIFL Securities, I would like to welcome everyone to the 4Q FY FY22 Earnings Call of Havells India. Today, the management is represented by Mr. Anil Rai Gupta, Chairman and Managing Director; Mr. Rajesh Kumar Gupta, Whole-Time Director Finance and Group Chief Financial Officer; Mr. Ameet Kumar Gupta, Full-Time Director; Mr. Rajiv Goel, Executive Director and other members of the leadership team.

Without taking much time, I would now hand over the call to Anil Ji for his opening comments. Thereafter, we can take on to the Q&A. Thank you, and over to you, Sir.

Anil Rai Gupta: Thank you, Renu. Good morning, everyone. We hope everyone is staying safe. You will now have reviewed the results. We feel encouraged by operating performance with healthy value and volume growth across the segment. While the initial few weeks of the quarter four were impacted by COVID in demand markets and slowdown in some construction activity. There was a swift recovery in the latter half of the quarter.

Timely onset of summer and pent-up demand helped Lloyd register high revenue growth. Contribution margins continue to be impacted due to higher material inflation and time lag in passing on increased costs. We expect gradual recovery here. We exited the year on a momentum and remain confident on sustaining the same.

We may now proceed 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 Ravi Swaminathan from Spark capital. Please go ahead.

Ravi Swaminathan: Good morning. Thanks for taking my question. My first question is with respect to the volume growth that we would have seen this year over the previous year. What kind of volume growth roughly that we would have seen across each segment?

Anil Rai Gupta: For the entire year, for each segment you are asking?

Ravi Swaminathan: Yes Sir.

Anil Rai Gupta: I think these numbers, if you can specifically talk to the IR team that will be better because it may be difficult. Overall, it is around 11% to 12%.

Ravi Swaminathan: 11% to 12% volume growth over last year. Got it, Sir. And with respect to price increase, are there any further price increases that we are likely to take across segments, given the fact that input costs have gone up one leg in the last quarter?

Anil Rai Gupta: Yes. I think to some extent we are holding some price increases because there has been quite an unprecedented price increase in the last six to eight months. And we are waiting to see the medium-term trend of these raw material prices. So as you can see, even in the fourth quarter, we were expecting some respite, but the geopolitical situation was not conducive and hence the raw material prices went up in the fourth quarter as well. So we have not entirely passed on the prices, and we will continue to wait for some more time to see how they behave.

Ravi Swaminathan: Got it, sir. And what kind of growth that one can expect over the next one to two years that we are looking at, keeping in mind the real estate recovery, the new product launches that we are doing, the channel reach, expansion, etc., like we are expecting to look and build our thought process?

Anil Rai Gupta: I think, overall, we are positive on growth for consumer-side, real estate side as well as a lot of impetus from the government on industrial and infra as well, and the capex cycle should also improve with many industries doing better because of the commodity cycle. So I think the overall demand should remain strong for the next one or two years. The only negative could be the high material inflation. So that is something which we need to watch out for. But otherwise, we are positive for good growth in the coming one or two years.

Ravi Swaminathan: Early teen kind of volume growth is something that we will be betting for over the next two years?

Anil Rai Gupta: Yes. That is what something which you should expect.

Ravi Swaminathan: Got it Sir, thanks a lot.

Moderator: Thank you. The next question is from the line of Naval Seth from Emkay Global. Please go ahead.

Naval Seth: Thank you for the opportunity. I have two questions. First on Lloyd. So there has been phenomenal growth on top line. So if you can highlight the way you stated last time market share was 10%. So what would be our exit market share for 4Q? And given that your stated price hikes will not be fully passed on, so at what level of revenues one can expect at least breakeven at the Lloyd level?

Anil Rai Gupta: So again, difficult to give market share figures at this present moment because we are still waiting for the consumer research reports. But we would say our primary sales increased at a higher level, probably a little bit higher than the industry. So there could be some market share gains there as well. But I think overall, the industry has done well because of the last two years' pent-up demand as well and the summer is also coming at the right time. So I think overall industry has also done well. As far as margins are concerned, I think just not based on volumes, we are expecting contribution margins also should improve to bring back profitability once the raw material prices stabilize. So while market shares and growth is extremely important, but I think overall, we need our contribution margins also to start ticking back with the right difference between revenue as well as cost price.

Naval Seth: Okay. If not market share, but can you share what would have been the reach increase in FY2022 for Lloyd, distribution reach increase?

Anil Rai Gupta: I think as we have always said that over the last four or five years, the biggest investment that Lloyd has made is in distribution outreach. Today, we are present across the country in all kinds of segments, whether it is regional retailers, modern format retailers, distribution, tier two, tier three towns. And since last one year, online as well, which was something which was not there with Lloyd. Havells was strong online, but Lloyd was not there. So now it is, I would say, just like Havells strategy, Lloyd is an omnipresent product category. And AC is well established in terms of distribution outreach, but still work is going on in terms of increasing outreach for washing machines and refrigerators. So that is work in progress.

Naval Seth: Sure. And second and last question is on ad spend. Although in the previous calls, you have stated ad spend as a percentage of sales will normalize gradually. But we are seeing that you are able to control whichever quarter you are able to. So is it fair to assume that there are some structural changes which have happened, and they are still giving you a similar share of voice at lower spend also, that you might have gone heavy on digital with lower costs? So hence share of voice is not impacted. Your overall cost is kind of underlying cost is kind of controlled.

Anil Rai Gupta: I think for the last two years, you cannot really see it as normalized for the industry as well as for Havells and share of voice was not impacted mainly because the industry was also not spending very high on this. Digital spends have increased. But in this coming year, especially during the season, we do see normalized advertising promotion levels coming back.

Naval Seth: Got it. Thank you and wish you all the best.

Moderator: Thank you. The next question is from the line of Latika Chopra from JP Morgan. Please go ahead.

Latika Chopra: Thanks for the opportunity. My questions are on Lloyd actually. One, I wanted to check what kind of difference was there on primary and secondary sales in Q4, and if you could comment on the inventory levels in the channel at this point. And the other bit I wanted to understand was some thoughts on how you intend to revive profitability in this business. What should be our reasonable expectation on margins here? This quarter was quite big on top line, but definitely, there were challenges on profit. So on a strategic level, how are you looking to balance market share growth versus margins in the AC category? And the third bit was around if you could also share some color on consumer response to washing machine and refrigerator launches. How are they tracking versus your plan? How is your price and distribution positioning for these products? And any sense on what kind of revenue contribution one could expect from these segments over the next two to three years? Thank you.

Anil Rai Gupta: Right. So as far as primary and secondary goes, I think this is generally a very good season, and the inventory in the system is at a lower level. If you look at the primaries, they start getting built from November onwards. And there is generally shelf selling till the month of February and March, April is the season where secondaries start happening in a big way. I would say that end of April, which is the inventory levels in the trade are not very high because the summer season has gone well. As far as profitability is concerned, I think generally, Havells has always been in the strategy of profit and growth. And that will continue to remain the strategy for Lloyd as well. However, over a period of time, this will come. The focus right now is to establish a decent market share in the air conditioning category, which as we said, we had lost out a little bit in the last two or three years because of the reestablishment of distribution, the brand positioning. But now things are coming back. So the focus will continue to remain there. And the profitability will come over a period of time, but the raw material prices also need to help there a little bit. The investments in the brand, the distribution will continue to happen, including R&D and new product launches. And the third question about the refrigerators and washing machines. That also is doing I would say, doing extremely well in a sense, not so much big in numbers because AC is also growing very fast. But at least their response from the consumer as well as from the trade is extremely positive.

Latika Chopra: Alright. Thank you.

Moderator: Thank you. The next question is from the line of Rahul Agarwal from InCred Capital. Please go ahead.

Rahul Agarwal: Thank you for the opportunity. Sir, two questions, again, on Lloyd. Firstly, the performance was pretty stellar, right? I mean we did like almost INR1,000 Crores in top line. Could you help us understand what drove this performance in terms of product mix for the quarter or the full year, whatever is comfortable? And where are we in terms of washing machine and refs in terms of product portfolio, in terms of SKU presence? And lastly, on Lloyd's is basically, could we understand what could be a peak revenue possibility for Lloyd, given the current capacity is both in-house and outsourced across all categories, AC, washing machine and refs because this number of Rs.1,000 Crores was pretty large. Obviously, it is seasonal, but overall, how should we…

Anil Rai Gupta: Sorry, can you repeat the entire question, please? There was some disturbance in the call.

Rahul Agarwal: Okay. I will repeat that. So essentially on Lloyd's, Rs.1,000 Crores number was a pretty strong number. What I wanted to understand is could you help us understand a bit of product mix for the quarter or the full year, whatever is comfortable? And between washing machines and refs, where are we in terms of product portfolio, SKU launches? And what is the peak revenue for Lloyd, which is possible given current capacities across AC, wash and refs?

Anil Rai Gupta: Okay. As far as the number for the quarter is concerned, I think the revenue mix was almost ACs was almost 80%- 85% in this current quarter. And the SKU availability or the SKU launches in terms of washing machines and refrigerators is a continuous process. It will take its own time, but the company is really investing very heavily in developing new product categories. And hopefully, by the end of this current financial year, we would have a comprehensive range both in washing machines and refrigerators. And most of it will be in-house manufactured or at least in-house developed. As far as the air conditioning capacity is concerned, we have one million capacity facility at Ghiloth. We are setting up another capacity in south in Sri City. So that should be operational by the end of the financial year. So we are looking at expanding capacity in Lloyd.

Rahul Agarwal: Sir, any comments on the peak revenue possible given the existing capacity right now, whatever is available today?

Anil Rai Gupta: I said we are manufacturing one million. We can manufacture one million. And of course, there is some bit of outsourcing, which is the kind of product that we do not manufacture. So that is not really a big constraint.

Rahul Agarwal: Got it, sir. And lastly, on the other category for Havells, like almost like INR 750 Crores of sales now for the full year. Could you help with the sales mix here like top three line items or a new evolving category, which might be separated out of others now because That is a large number going forward?

Anil Rai Gupta: So a large number of that is electric motors and then followed by water purifiers and domestic pumps and personal grooming as well as solar. So it is a mix of five product categories.

Rahul Agarwal: Largest would be motors, right?

Anil Rai Gupta: Largest would be motors.

Rahul Agarwal: Okay, I will come back in the queue. Thank you so much for answering my questions, all the best.

Moderator: Thank you. The next question is from the line of Charanjit Singh from DSP Mutual Fund. Please go ahead.

Charanjit Singh: First of all, congratulations on a good set of numbers in a very tough environment. So my first question is basically on the ECD segment. So if you look at the segment has shown very strong growth on a very high base. And if you can give more granular details on the category-wise? And from here on, how we should see the growth in this segment coming in? And we have also seen a very good QoQ improvement in the margin. If you can also explain that what has led to the improvement in the margin in the ECD segment? That is my first question.

Anil Rai Gupta: I think if you look at the segment, Fans came back strongly with a good season coming in. And all the product categories, appliances continue to be fast growth category. Water heaters did well. This is a very low quarter for water heater. And in terms of margins, I think at the third quarter conference call also we had mentioned that there was an unprecedented cost increase, which we would pass on over a period of time. In the fourth quarter, some cost increases were passed on. So we expect the margins to continue to improve. And generally, I have also mentioned that consumer demand continues to remain strong. Our distribution continues to increase. So we are expecting ECD should be a good growth driver for the company.

Charanjit Singh: Okay, sir. And sir, on the lighting side, the growth has come back, but they were earlier that B2B side was missing in this particular category. So when I touch upon B2B versus B2C in lighting, how those two parts of the market are behaving?

Anil Rai Gupta: So out of lighting, almost one-third of our business is B2B. And it is slower growth as compared to the B2C segment. But we try not to get into very price-competitive tenders and all that. So it is a very focused business for us. We go into architectural segment. So I think it is a high-margin business just like the consumer business for us.

Charanjit Singh: Yes. Sir, if I may just squeeze in another question on the distribution side. If you can touch upon in terms of the distribution channel growth next year, what is the kind of expectation which we have in terms of adding more touch points or getting into more new geographies? That is my last question, sir.

Anil Rai Gupta: So this is a continuous activity. We are getting deeper into a smaller town. They are not so strong markets like southern markets or western markets, our presence is becoming stronger there. Distribution also these days include all kinds of presence whether it is modern format, online, everywhere our presence is continuing to enhance. So it is a continuous activity for the company on all product categories.

Charanjit Singh: Thank you Sir. That is all from my side. Thank you for taking my questions.

Moderator: Thank you. The next question is from the line of Siddhartha Bera from Nomura. Please go ahead.

Siddhartha Bera: My first question is on the AC so like, sir, you said that there has been some bit of under recovery. So will it be possible to indicate I mean, from current levels, how much price increase you need to take for you to reach your double-digit contribution margin levels for the segment going ahead?

Anil Rai Gupta: I think we will have to. As I said, the raw material prices are at a high level, and we want to see the season go off, and then over a period of time, hopefully, the raw material prices also should stabilize. And then we should see contribution margins coming back. But there has been a lag between the cost increase and the price increase.

Moderator: Thank you. The next question is from the line of Mayur Patel from IIFL Asset Management. Please go ahead.

Mayur Patel: Thanks for the opportunity. Just a small question. Actually, two questions. First, can you give some breakup or at least some idea about the volume growth in ECD segment? Hello?

Anil Rai Gupta: Approximately around 15%.

Mayur Patel: And rest is mainly due to price hike?

Anil Rai Gupta: That is right.

Mayur Patel: Just one related question, Mr. Gupta. Given the kind of price hikes we have seen across fans, the water heaters and appliances and the entire ECD segment, do you see these price hikes have started to dent underlying volume growth, volume demand or the demand remained healthy, in your view?

Anil Rai Gupta: I think at the present moment, the demand is healthy mainly because in these products, there was some pent-up demand because last two summer seasons were lower. The real estate segment is doing well. I would still say that these are unsustainable kind of prices, especially for copper, aluminum and steel. And I think, hopefully, over a period of time, these should start stabilizing. And hence, we should hope to see that the demand continues to remain strong. But these are really very higher price levels. So I think right now, we are not seeing an effect on demand. But long term, if it remains, it could start affecting the demand.

Mayur Patel: Okay. Just one more question, if I can squeeze in. In terms of Lloyd, clearly, blockbuster performance in terms and it is clearly, one can undoubtedly say there is some decent market share gain, which we have garnered. Is it possible to give who would be losing market share in the industry of late?

Anil Rai Gupta: Well, I think I mentioned at the start of the call that we also anticipate that we may have lost out some market share in the last two or three years because of reestablishment of the distribution network and repositioning of the brand as well. And the factory coming up and sourcing going down and the network being expanded. So I believe that we have regained our market share and maybe a little bit of gain somewhere, but the industry itself has grown very well because of the pent-up demand. So I think overall put together, it is difficult to say that we may have difficult to point out if anybody would have lost out, everybody would have done well in this kind of a growth scenario.

Mayur Patel: Thank you. All the best.

Moderator: Thank you. The next question is from the line of Rahul Gajare from Haitong Securities. Please go ahead.

Rahul Gajare: I have two questions. You have indicated high capex for this year. I think that number was around INR 700 Crores to INR 800 odd Crores. Could you indicate where exactly is this money being spent? You indicated Sri City facility will be operational by end of this year. Which are the other areas that you are looking at spending money? That is the first question.

Anil Rai Gupta: So it is primarily because last year, we saw increased capacity in washing machines and cables and wires, but we also anticipate more capacity increase in cables and wires, a new completely new facility in south for air conditioners. So primarily, it will be dominated by air conditioners and cables and wires.

Rahul Gajare: And this will be 700 Crores to 800 Crores in this year?

Anil Rai Gupta: That is right. approximately, it may trickle some of it to the next year, but we are anticipating all the projects to start at least during the current year.

Rahul Gajare: Okay. Sir, the second question is on Lloyd's. Could you highlight which is the geographic areas that have done well for you all? Which markets have really kicked for you all in this particular quarter? And how much price increase…

Anil Rai Gupta: Pretty much is all over.

Rahul Gajare: How much price increase have you actually taken through this year?

Anil Rai Gupta: I think if we look at Lloyd in the fourth quarter, pretty much all the areas started doing well. There were certain weaker markets of Lloyd, especially eastern region or western, Maharashtra, where we started getting a lot of traction in this year. So I would say that from a primary sales point of view, all the markets did well. North started doing better, north and east started doing better from a seasonal point of view in tertiary sales in the month of March and April. And I think now South is doing better. South had lower tertiary sales in the month of March and April, but it has started doing well now.

Rahul Gajare: Thank you very much.

Moderator: Thank you. The next question is from the line of Achal Lohade from JM Financial. Please go ahead.

Achal Lohade: Good morning. Thank you for the opportunity, Sir. Can you help us understand the price hike what you have taken in Q4 and if any in the current quarter?

Anil Rai Gupta: Most of the price hikes were taken during Q3 and some amount of price hikes in switchgears and ECD in Q4 as well, as far as Lloyd is concerned, the price hike mostly were taken by the end of December.

Achal Lohade: Would you be able to quantify?

Anil Rai Gupta: In terms for the year, if you take Lloyd, it is almost about 10%.

Achal Lohade: For FY2022, understood and second question I had, is it possible to give some colors with respect to fans market share what we had in FY2022?

Anil Rai Gupta: No.

Achal Lohade: Got it. And just a clarification. In one of the interviews, you had mentioned that you are looking at exports going up to 10%. Just sort of checking if you could elaborate a bit on that?

Anil Rai Gupta: Yes. So this is a medium-term strategy for Havells. We want exports to go up to that level. Actually, the growth in exports almost was close to about 40%, 45% in this year. And we continue to believe that this will be a strong growth segment for Havells in the coming times. We are seeing good traction, both in Switchgear, Lloyd products also because now we are manufacturing in-house, Cables & Wires so all product categories are showing good traction. So we are expecting decent growth in the coming year as well.

Achal Lohade: Got it. Thank you so much. I will come back in the queue Sir. Thank you.

Moderator: Thank you. The next question is from the line of Renjith from Mahindra Manulife Mutual Fund. Please go ahead.

Renjith: Yes. Sir, just on this working capital, like when I see we have had decent enough cash flows. But when I see the creditors, creditor days have increased by five days. So just wanted to understand your thought process, like despite having a good cash flows why there is a delay in terms of paying the suppliers? Or is there any other strategy towards that? Or if you just…

Anil Rai Gupta: There is no delay in payments to any vendor, and that has never been the strategy of Havells. And all the vendors are paid on due date. This is just normalized level. It depends upon the product mix. It is kind of sourcing that we are doing.

Renjith: Okay. And also, there has been a substantial reduction in inventory. So is that we should read that the dealers have been stocked up for the summer? So will we see this is that also a timing thing?

Anil Rai Gupta: No. I think you are comparing with last year March, and then there was anticipated inventory increase for the summer season. So that is not there in this season. So it looks like a substantial reduction. But basically, whatever reduction is there is through efficiency. It is not really something, which is dependent upon the season for the current year.

Renjith: Okay Sir, thanks.

Moderator: Thank you. The next question is from the line of Vishal Biraia from Max Life Insurance. Please go ahead.

Vishal Biraia: Thank you. Mr. Gupta, this awesome growth in air conditioners that we have seen, would it have been supported by giving higher margins to the retailers or better credit terms or higher subvention for our products via financing. Anything that you could specify as to what led to the spurt in sales over the last three, four months? Thank you.

Anil Rai Gupta: No, as I said, three or four reasons. First of all, there is no change in policy for Lloyd in terms of distribution as far as distribution terms or payment terms or anything is concerned. Three or four reasons. One, we said the distribution revamp, which happened over last few years. That was fully in operation because last two seasons were not good. So it was fully in operation. Brand positioning had happened. The plant which was commissioned in early January 2020 or December 2019 was fully in operation for the first year because in the last year, we could not operate it fully, plus a pent-up demand in the industry. So the industry overall is doing well and the summer season kicking in so a lot of reasons for this growth in Lloyd in the last quarter.

Vishal Biraia: Okay. Okay. And any sort of down trading that you are seeing? Because over the years, we have seen a trend of premiumization. So because of higher prices of the products, is there any sense of down trading either in Fans or in Lloyd?

Anil Rai Gupta: I would say in both these product categories, we have actually seen a little bit of upgrading towards more energy-efficient products and products becoming more expensive. So people are going in for a little bit higher onetime costs and then focusing more on the electricity consumption. So we have seen some good improvement towards we see almost 70% to 80% is inverter-based air conditioners now. We also see the fact that people are going in for a higher efficiency. So even in Fans, we have seen that kind of an upgrade trend because of the high cost.

Vishal Biraia: Okay, thank you very much.

Moderator: Thank you. The next question is from the line of Nitin Arora from Axis Mutual Fund. Please go ahead.

Nitin Arora: Thank you. Sir, sorry, for again asking on Lloyd. So generally, you said there is a lead lag of a price hike, which should reflect going forward. But given the volumes, which we have done and as you said there is a market share gain, there is only a concept of operational leverage. So what I am trying to understand here is at a INR960 Crores, we are doing a 2.8% EBIT, and volumes would have been grown significantly for you Q-on-Q. How much impact did you see on the commodity, which really did not lead to any increase in profitability? So either we are gaining market by going very aggressive in pricing and trying to gain that market, which if season does not go well in any year then it pushes back very fast to the same category. So just wanted to understand is, first, the impact of commodity specifically on this particular category, which did not lead to you increasing profitability? And is there some aggressiveness in pricing, which is leading to this market share gain?

Anil Rai Gupta: Well, the entire impact on profitability is due to the aggressive increase in costs and not passing it on entirely to the market. And this is not necessarily to gain market share, but this is to actually ensure that the demand does not get affected because of unprecedented price increases in this market and That is an industry trend. But Lloyd is at a different position because we still are at a lower market share and lower volume, and hence, it will take time for the operating leverage to kick in, which when we start sustaining these kind of volumes over a long period of time and if growth continues That is when we will start seeing operating leverage kicking in. But at these levels, the kind of price increases because of any way lower gross margins in this product category. So you really cannot get a whole lot of operating leverage if the raw material costs go up so much.

Nitin Arora: Getting it. And generally, in the next quarter, if as you said, Lloyd has taken a 10% price increase on an annual basis. If we take 10%, 15% more given the season is good, we should be back to 7%, 8% EBIT in your view? Or there would be some more pressure on the commodity here?

Anil Rai Gupta: You are saying 10%-15% more price rise in the season. That is not possible.

Nitin Arora: Got it. Because I am coming from your commentary that demand is very strong, but we cannot take the price increase because demand will go down. So That is what I was trying to catch where is exactly the problem is, if demand is everything is good.

Anil Rai Gupta: Yes. So demand would be elastic to this kind of a pricing.

Nitin Arora: Got it, clear Sir. Thank you very much as always. Thanks a lot.

Moderator: Thank you. The next question is from the line of Praveen Sahay from Edelweiss Financial. Please go ahead.

Praveen Sahay: Thank you for taking my question. My question is related to the volume growth, as you had mentioned for a year, 11% to 12%. So can you give in the pre-COVID era, how was the overall volume growth for the company?

Anil Rai Gupta: Yes. We will have to come back to you on this.

Praveen Sahay: What is the element of pent-up demand in this 11% to 12% of volume growth in FY2022?

Anil Rai Gupta: I do not know.

Praveen Sahay: Thank you.

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

Aniruddha Joshi: Thanks for the opportunity. Yes. Sir, if the volume growth momentum remains strong in April also. That is one. And secondly, most likely, there will be star ratings on fans soon. So Havells has also introduced multiple premium fans. So do you see there is a significant scope to gain market share from unorganized to organized and even some of the organized players are also behind the curve in terms of new product launches or getting the BLDC rights at right price points. So do you see a significant scope to gain market share in this? That is second. And third is just on the clarification required on volume growth. So first of all, is it value-weighted volume growth or is it based just based on the number of units sold irrespective of price point? Means, basically, is the change in value mix and change in premiumization/down trading getting captured in volume growth or it is getting captured in price-led growth?

Anil Rai Gupta: Yes. Generally the momentum continues to remain strong after the fourth quarter and we hope that this continues to remain strong. I would assume that most of the companies, organized companies would be ready for the energy efficiency change. And that should not lead to a massive change in the market structure or market share structures. So we would assume, hopefully, with the cost increases based on the energy efficiency, I really I hope that the unorganized sector does not gain any market share. Hopefully, it should not, but this is always a scare when the prices go up too much. So to answer your question, I do not see a major disruption in market shares with the energy efficiency changes. Third question, I really have not really understood maybe you can get back to our IR department, and just get some numbers on that.

Aniruddha Joshi: Thanks.

Moderator: Thank you. The next question is from the line of Bhavin Vithlani from SBI Mutual Fund. Please go ahead.

Bhavin Vithlani: Thank you for the opportunity. Just one question on the white goods segment. Now this segment is dominated by the Korean MNCs and we are seeing some of these Chinese MNC giants also looking to gain entry and spending pretty large sums of capital in this space and spend billions of dollars on R&D. So for Havells to be successful in this segment, what is the strategy? Is it to differentiate on the cost, to differentiate on the technology front? And where do you see Havells on a three, four-year basis? And what is the kind of sustainable profitability is there in your planning that we see a reasonable return on capital on this segment?

Anil Rai Gupta: So your first part of the question was is very interesting. And now again, you come to around to numbers of profitability. But seriously, I think Havells is probably one of the few companies who has proven that we have stood against the large multinationals in terms of whether it is manufacturing or quality or technology in any product category, be it lighting, be it switchgear where there are large multinationals who are spending, in your words, billions of dollars. But I think That is a long-term strategy or play that Havells has taken for Lloyd as well that we will continue to invest big time in four major things: one is technology; two, manufacturing; three, brands; and four, distribution. And that we believe that sustained investment and the right strategy behind all these four things will definitely lead to a reasonable position for Lloyd in the market. I would not say that we will be the dominant player, and we are not dominant players even in electric industry. But at least in the four, five years, we should be a very reasonable player in this industry as well. And that would lead to a decent return on capital for this business.

Bhavin Vithlani: Sure. I mean the target return on capital of mid-teens over four, five years a reasonable expectation. Or it will be an aggressive expectation on a four, five-year basis?

Anil Rai Gupta: No. I think we would be definitely expecting at least that much.

Bhavin Vithlani: Okay great. Thank you so much for taking my questions.

Moderator: Thank you. The next question is from the line of Pulkit Patni from Goldman Sachs. Please go ahead.

Pulkit Patni: Thanks for taking my question. It is related to the one Bhavin asked. I just want to understand, again, over the next three to four years, what do you think are the gaps in the portfolio, which we would want to focus on? And secondly, how would we want to do it? Just given we have INR 2,500 Crores of cash on the books, would we want to do it on our own? Or are we likely to look at some sort of M&A.? So just a strategy over three to four years in terms of what more we could do in terms of portfolio, products, segments, etc., etc.

Anil Rai Gupta: I think in every business of Havells, there is enough of opportunity to grow categories. Just you take Lloyd, there is immense potential to grow on the other consumer durables and air conditions, and there, capital allocation will continue to happen. You take consumer durables electric consumer durables, there is enough opportunity in appliances, in fans to grow categories, to grow the distribution insight to give us a sustained growth over the coming years. Lighting segment itself given in professional lighting, there is huge opportunity to grow into newer areas like stadium lighting, museum lighting. So many opportunities are there for growth in every category, and I cannot name all of them, including cables and wires. So in every business category, there is organic growth opportunity where company will continue to put in capital as well as we are always open to look at more adjacencies within the business or very close to the business, and hence, inorganic opportunities are always constantly evaluated. But then as somebody asked this question, we are also quite focused on the right capital allocation where at least in the next five to 10 years of any business or acquisition, we do expect the shareholders to expect a decent return on capital.

Pulkit Patni: Understood, sir. And sir, just related to this. So what I understand from your answer is that there are no real big gaps. It is only enhancing of the existing product portfolio. So can we expect anything in terms of mobility, etc., from the company on the electronics side anytime, or nothing on that front?

Anil Rai Gupta: At this moment, it will be too early to say to comment anything on that.

Pulkit Patni: Sure Sir, that is useful. Thank you so much.

Moderator: Thank you. The next question is from the line of Ashish Jain from Macquarie. Please go ahead.

Ashish Jain: Good morning. Sir, I had two questions, one housekeeping. What is the growth in AC revenues for us on a Y-o-Y basis in this quarter?

Anil Rai Gupta: Sorry, Ashish. As I said, almost 80% to 85% of revenues for the quarter were air conditioners. So you can say a sizable growth of air conditioners in this quarter.

Ashish Jain: Sir, secondly, from a margin standpoint, you did touch upon that there could be some under recovery on the commodity side. Is it possible to quantify, in your assessment, what is the blended under recovery today? And also given the strong demand momentum that is there, are we kind of contemplating price hike maybe in that next few weeks or so? Or there is a longer wait-and-watch policy on pricing side?

Anil Rai Gupta: If you are specifically talking about air conditioners, I think pretty much the season will be over by the end of this quarter. So even if there are more price hikes in the coming times, there might not be a major impact as well as, again, energy rating changes are coming, taking in from the first of July, which would anyway alter the price structure because of that. So I think there will be a wait and watch until the end of the first quarter.

Ashish Jain: Okay. And sir, the same thing in the consumer durable business, some margin under recovery today? And are we contemplating a price hike at some point of time?

Anil Rai Gupta: That is very similar. Again, even in the consumer durable side, most of it is fans and this is the season, the first quarter. After that, the energy rating kicks in. So a lot of changes are happening around the first quarter end.

Ashish Jain: Sir, if I can just persist on this on, like the point I wanted to understand was input cost is kind of high, price hikes we have not taken much, advertising costs will definitely go up, like you indicated earlier. So are we kind of…?

Anil Rai Gupta: Sorry for stopping you. We have taken considerable price increases, but do not go just by quarter-to-quarter. Look at the entire year. There have been considerable price increases, but it has not matched the kind of raw material price increases, which is happening just in the last three or four months.

Ashish Jain: Right, okay, got it Sir. Thank you so much.

Moderator: Thank you. The next question is from the line of Madhu Babu from Canara HSBC. Please go ahead.

Madhu Babu: Hi sir. So just on Lloyd's, if it continues to see a good traction, so will you dilute the overall margin profile of the company because as of now, the margin profile of Lloyd is much lower? And second is on the exports, sir. Which are the subsegments we are targeting? And with the current kind of continued costs, would that be an impact on your strategy? Thanks.

Rajiv Goel: See, what you asked on the margin profile, definitely, I think there is a product mix. And so I think as we mentioned earlier also, as the margin profile improves, I think it will also improve the overall level. But as of now, this is a fact, it is a portfolio mix. And as Lloyd increases, there will be some dilution. But we expect over a period of time, I think we will gravitate to our normal, as I said, Havells as a whole. And your second question on export, what categories are we targeting? Is that the question?

Madhu Babu: Yes.

Rajiv Goel: So pretty much the whole portfolio. But we are very strong in Switchgear. Now we are trying to make Lloyd, particularly the AC category is a big category because there the dominant player is China, and we believe that China plus one could work for Lloyd in particular. So all categories will be in focus, cables, ACs and switchgears and as we said, our intent is there should be 10% of Havells, which we believe is something reasonable to expect in a few years.

Madhu Babu: Okay Sir. Thanks a lot.

Moderator: Thank you. The next question is from the line of Keyur Haresh Pandya from ICICI Prudential Life Insurance. Please go ahead.

Keyur Haresh Pandya: Thanks. I have just one question. So the question is that in summer-related products that is fans, coolers and ACs, early the demand seems to be I mean, looks good because of, say, very harsh summer and two years pent-up demand. But so ex this summer portfolio, are we seeing any slowdown where it is a business as usual or where demand is not very skewed? So are we seeing any impact on the demand?

Rajiv Goel: Well, I think difficult to say as of now. As we said, the momentum is there, which is reflecting pretty much all categories so switchgear if you see because there was some construction-related restrictions in the first few weeks of this Q4. So I think there was some dampening effect on that. But that we believe also we apart from the harsh summer also in fact there is a real state up cycle. So I think that is also a bit of a tailwind for other non-summer-related products. So in general, we may not single out that only the summer-related products are growing. I think there is a good growth in other products as well. Yes, the commodity products because maybe based also because of the pent-up, the growth is much higher than others.

Keyur Haresh: Okay. So just clarification actually, what I wanted to understand is that if there is any slowdown because of this inflation, I mean, across companies or across sectors? It may not be visible in these summer-related product because there is a pent-up and there is harsh summer so probably non-summer products would be a right indicator to understand whether how the demand trends are. So that if anything is visible and just one follow-up to this from your answer. Is that after this steep inflation are we seeing any slowdown in B2B, or any construction-related activities, I mean, demand from that side, slower inquiry or, say, some orders or inquiries getting delayed, something of that sort?

Anil Rai Gupta: Well, some effect will definitely be there, but something we do not see something which is people have been also waiting for years. And sometimes they do believe that some deferment could be there, but not beyond that. So as of now, we do not expect a significant dent but it is something to be watched out. But as of now as we speak, things seem to be reasonably well placed, even for non-summer-related products.

Keyur Haresh: Okay understood. Sir, thanks a lot and all the best.

Moderator: Thank you. The next question is from the line of Rahul Agarwal from InCred Capital. Please go ahead.

Rahul Agarwal: Hi, thanks for the follow up. Sir, assuming Lloyd, the raw material prices stay where they are, and I believe that Lloyd will eventually take a price hike over the next three to six months for different categories depending on the season. Could we say that fiscal '23 would be a bit breakeven year?

Rajiv Goel: I think we will see this. Q4 of last year, I think difficult to predict what will happen in four quarters of next year. So I think let us park it for some time and maybe discuss it again after a few quarters.

Moderator: Thank you. The next question is from the line of Renjith from Mahindra Manulife Mutual Fund. Please go ahead.

Renjith: Hello. Yes. Sir, just wanted to reconfirm on that INR 700 Crores to INR 800 Crores is the capex we are looking for FY '23? Or it will be spread over '23 and '24?

Rajiv Goel: FY2023.

Renjith: Okay. And how much will be for this room AC in that?

Rajiv Goel: I think taken everything together will be INR 700 Crores – INR 800 Crores. It could be INR 300 Crores - INR350 Crores for ACs.

Renjith: Okay. And the rest will be largely for cables?

Rajiv Goel: Cables & Wires, and other miscellaneous. You see we already have INR 150 Crores – INR 200 Crores regular capex as well.

Renjith: Okay sure. Thanks.

Moderator: Thank you. The next question is from the line of Keyur Haresh Pandya from ICICI Prudential Life Insurance Please go ahead.

Keyur Haresh Pandya: Thanks for the opportunity. Just one quick follow-up. On the margin side, as we saw some, I mean, sharp inflation, say, after the Ukraine-Russia conflict. But in the recent past, we have seen it softening. So are we so if this trend continues, so will we need price hikes? So I just want to understand like when we ended Q3 FY 2022, the December 31, even at those levels, was there a need to hike the prices or until that time, we had already passed on the pricings and this increased inflation is just because of this Ukraine-Russia war?

Anil Rai Gupta: So good question. In fact, in the when we ended the third quarter, we were anticipating further price increases, but the raw materials went further up. They have come down a little bit, but only in the last couple of weeks, and they are very choppy right now. So it is very difficult to predict what they will remain. If it continues to keep coming down, then hopefully further price increases may not be required, but let us wait and see.

Keyur Haresh Pandya: But at current prices, we need a price hike.

Anil Rai Gupta: In certain product categories.

Keyur Haresh Pandya: Okay. Okay. Sir, can you just clarify those categories, which require or which does not require, whichever you are comfortable?

Anil Rai Gupta: Yes. Definitely, air conditioners is a clear indication, but even in products like fans and some lighting and appliances, we will definitely need even at these current levels.

Keyur Haresh Pandya: Okay, thanks a lot.

Moderator: Thank you. Ladies and gentlemen, as this was the last question for today, I now hand the conference over to Ms. Renu Baid for closing comments.

Renu Baid: Thank you, Rutuja. On behalf of IIFL Securities, I would like to thank all the participants and the management for their time. Before we close the call, any closing comments or remarks from your side, Anil Ji?

Anil Rai Gupta: No. thank you very much, Renu, for organizing this call. I would say that while we are very positive about the demand scenario going forward, but a lot of it depends upon the volatility of the raw materials. So let us hope that these positive signs that we have seen continue to remain. Thank you very much.

Moderator: Thank you. On behalf of IIFL Securities Limited that concludes this conference. Thank you for joining us and you may now disconnect your lines.