

Operator: Ladies and gentlemen, good day and welcome to Voltas Ltd's Q1 FY27 earnings conference call, hosted by PhillipCapital India Private Limited. As a reminder, all participant lines will be in listen-only mode, and there will be an opportunity to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal the operator by pressing '*' and then '0' on your touchtone phone. Please note that this conference is being recorded. I would now hand the conference over to Ms. Natasha Jain from PhillipCapital India Private Limited. Thank you, and over to you, ma'am.

Natasha Jain – Philip Capital: Thank you, Muskan. Good evening, everyone. I, Natasha Jain, on behalf of Philip Capital, welcome all of you to the first quarter FY27 earnings conference call of Voltas Ltd. From the management team, we have Mr. Mukundan Menon, Managing Director; Mr. K.V. Sreedhar, Chief Financial Officer; Mr. Nikhil R. Chandrana, Head, Corporate Finance; Ms. Sumana Tripathi, Head, FP&A; and Mr. Manish Somani, Head, Finance Controlling. I request the management to give their opening remarks, after which we shall open the floor for the Q&A. Thank you, and over to you, sir.

K.V. Sreedhar – CFO: Good evening, everyone. This is Sreedhar here, CFO of Voltas. I am glad to connect this evening for our earnings call.

To give an overall summary, Voltas delivered a strong performance in Q1 FY27, significantly outperforming the competition and further strengthening its leadership in the cooling segment. The company achieved a 17.3% secondary market share in room air conditioning for FY27 through the first quarter and widened its lead over the nearest competitor to 4 percentage points, reinforcing its position as the undisputed market leader. Strong execution across marketing, product management, channel expansion, manufacturing capacity, and supply chain readiness supported this performance.

During the April to June quarter, the global economy continued to face geopolitical tensions, elevated energy prices, and persistent inflationary pressures. The conflict in the Middle East added to commodity and currency volatility and supply chain uncertainty. Against this backdrop, India continued to demonstrate resilience, supported by domestic consumption, infrastructure investments, and strong underlying macroeconomic fundamentals.

The Indian consumer durables industry witnessed steady demand during the quarter. Continued demand for cooling products, particularly room air conditioners, remained a key growth lever, supported by the summer season and aided by increased penetration and expanded demand across tier 2 and tier 3 markets. Against this operating environment, Voltas delivered a substantially strong performance compared to the previous year, supported by growth across its key businesses and disciplined operational execution. The company achieved a significant milestone by selling 1 million RACs in just 81 days, demonstrating the strength of its brand, product portfolio, distribution reach, and execution capabilities.

Voltas Beko also emerged as an important growth lever, substantially outgrowing the industry and recording its highest-ever quarterly sales in both value and volume. The projects and engineering business provided further resilience and balance, underscoring the strength of the Voltas'

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diversified portfolio. For the quarter ended June 30, 2026, Voltas recorded consolidated income of 4,765 crores compared to 4,021 crores in Q1 FY26. Profit before tax was 285 versus 203 for the same period last year. Net profit was 213 compared to 141 crores last year.

Now, if we go into the details of the respective segments, Segment A delivered strong growth of 33%, led by exceptional performance in the room air conditioning business. RAC volumes grew by 45% year-on-year, significantly outperforming the industry and key competitors. As mentioned earlier, the secondary market share was 17.3% for Q1 FY27, and the company progressively strengthened its competitive position through the quarter. For Q1 FY27, the company widened its market share lead over the nearest competitor to 4 percentage points, reinforcing the strength of its brand equity, product positioning, distribution network, and execution capabilities.

A sharper brand and marketing strategy was an important contributor to this performance. The refreshed brand positioning, supported by sustained investments across television, digital, retail, and consumer touchpoints, strengthened consumer engagement and brand salience. The True 1.5 Ton cooling capacity campaign, an industry-first initiative, highlighted the superior 5,000-watt cooling capacity of Voltas' 1.5-ton air conditioners, enabling consumers to make more informed and value-driven purchase decisions while reinforcing the brand's credentials around powerful cooling and performance.

Product management and innovation remained central to the growth strategy. The refreshed RAC portfolio, led by the AI-powered Vertis Split AC series introduced in March 2026, offered differentiated features across AI adaptive cooling, Neo Geo-fencing, and AI Energy Manager. A sharper portfolio across capacities, energy ratings, and price points enabled Voltas to address evolving consumer requirements, increase premiumization, and cater to growing demand for intelligent and energy-efficient cooling solutions.

The company continued to expand and deepen its channel presence across tier 2 and tier 3 markets, where RAC penetration remains relatively low. Wider distribution, stronger dealer engagement, and increased presence across traditional trade, modern retail, and emerging channels improved product availability and enabled Voltas to capture incremental demand across markets. Another key enabler was the company's manufacturing and supply chain preparedness. Capacity was progressively ramped up ahead of the summer season, with the Chennai and Panthagar facilities operating at high utilization levels.

Strong raw material planning, supplier readiness, deeper localization, and disciplined inventory management ensured product availability during the peak season and enabled the company to effectively service the significant increase in demand. Commercial air conditioning delivered a stable performance and continues to represent a significant long-term growth opportunity, supported by urbanization, infrastructure development, data center expansion, and increased adoption of intelligent building solutions.

Commercial refrigeration and air coolers recorded a relatively muted performance, primarily due to slower market uptake following price increases. The company continues to focus on institutional sales, channel development, customer diversification, and new product introductions to drive improved performance in the coming quarters. Segment A margins improved significantly compared with the previous year despite commodity inflation and currency depreciation. These

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pressures were partially mitigated through progressive price increases and a comprehensive cost optimization program initiated in FY26, encompassing strategic sourcing, deeper localization, product design improvements, and manufacturing productivity initiatives.

Overall, the combination of sustained brand investments, differentiated products, sharper product management, expanding channel reach, enhanced manufacturing capacity, and resilient supply chain execution enabled Voltas not only to maintain its leadership but also to materially widen its lead over the competition. Voltas has entered into a binding term sheet with Atomborg Innovation Private Limited for a proposed 50-50 joint venture to develop and manufacture high-efficiency RAC compressors in India. The proposed venture will strengthen indigenous sourcing, reduce import dependency, and enhance long-term supply security. The transaction remains subject to satisfactory due diligence, product validation, definitive agreements, and necessary approvals.

Voltas Beko continues its strong growth trajectory in Q1 FY27, substantially outgrowing the industry and recording its highest-ever quarterly sales in value and volume. The business achieved a year-to-date market share of 9.4% in washing machines and 7.4% in refrigerators, further strengthening its position in the highly competitive Indian home appliances market. The company maintained its number two position in the semi-automatic machine category, touching its highest-ever market share of 15.6%.

The performance was supported by a sharper product and premiumization strategy, with refreshed product lineups across frost-free refrigerators and fully automatic washing machines. These introductions strengthened Voltas Beko's presence in higher-value segments, improved the overall product mix, and enhanced its relevance among consumers seeking differentiated features, contemporary design, and superior performance. Voltas Beko continued to strengthen its brand and channel strategy through an expanding retail footprint, deeper channel penetration, enhanced in-store visibility, and stronger consumer engagement across key markets.

At the same time, increased focus on localization, strategic sourcing, material optimization, product design, and manufacturing efficiencies is expected to progressively strengthen cost competitiveness and profitability. With increasing scale, improved market share, and a stronger premium portfolio, Voltas Beko remains a key pillar of Voltas' long-term strategy, supporting portfolio diversification, premiumization, and the company's evolution into a comprehensive home appliances player offering integrated cooling and home appliances solutions.

Segment B is electromechanical projects and services. Segment B continued to play an important stabilizing role in Voltas' diversified portfolio, reinforcing the company's position as a leading engineering and project solutions enterprise. During Q1 FY27, the domestic projects business maintained strong order momentum, securing strategic wins across key growth sectors, including industrial infrastructure, electronics manufacturing, metro and turnkey projects, and data centers. The company continued to selectively pursue fast-track and value-accretive opportunities, strengthening the quality of the order book and supporting healthy revenue visibility.

The business maintained strong execution discipline across projects and geographies, with continued focus on timely delivery, project profitability, working capital management, and risk controls. Within the international projects business, pursuant to the court award received, SITRA bank guarantees amounting to 167 million Qatari riyals, equivalent to 436 crores, were cancelled

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during the quarter. The quarterly financials contain further details. While Voltas effectively mitigated risks arising from the geopolitical crisis and ensured continuity across key projects and customer engagements, the new order book remained delayed following the impact of the conflict in the Middle East.

Against this backdrop, the business continued to focus on operational stability, tighter project controls, disciplined risk management, and selective pursuit of opportunities. As of June 30, 2026, the total carryover order book value for Segment B stood at 6,345 crores, providing revenue visibility and underpinning the company's confidence in the long-term prospects of both its domestic and international projects businesses.

Engineering products and services constitute Segment C. Segment C delivered high double-digit top-line growth during Q1 FY27, further strengthening the scale and contribution of Voltas in the engineering products and services portfolio. The mining and construction equipment division delivered impressive top-line growth, supported by sustained demand for crushing and screening equipment, continued execution of operations and maintenance contracts, and stable performance from the Mozambique operations.

The division also continued to strengthen its higher-margin aftermarket and service annuity business through deeper customer engagement, enhanced life-cycle support, and expanded service capabilities. The textile machinery division delivered double-digit growth despite a challenging operating environment characterized by geopolitical uncertainty and cautious industry sentiment. Encouragingly, the market has begun to demonstrate early signs of a gradual revival, reflected in improved order booking levels.

Continued focus on after-sales, spinning accessories, and services delivered encouraging results and further strengthened the resilience of the business. Together, Segments B and C continue to enhance the resilience and diversification of the Voltas portfolio, providing balance to the consumer businesses while contributing to sustained growth and revenue visibility. Supported by a strong summer season and disciplined execution, the company exited the quarter with a strong liquidity position and a well-controlled working capital profile. Continued focus on inventory collections and cash flow discipline strengthened the balance sheet and provided the flexibility to support investments in brands, products, channels, and manufacturing capacities while maintaining financial strength.

Voltas enters the coming quarters from a position of strength, supported by structural initiatives undertaken across businesses. Refreshed product portfolios, sharper product management, sustained brand and marketing investments, channel expansion, enhanced manufacturing readiness, localization, and cost optimization have strengthened the company's competitive position. While Q2 is traditionally a leaner period for the cooling industry and geopolitical uncertainties continue to create commodity, currency, and supply volatility, Voltas remains well positioned to navigate these challenges.

In room air conditioners, the focus will remain on consolidating and extending leadership through product innovation, premiumization, sustained brand investments, and deeper channel penetration. Commercial air conditioning delivered a stable performance and continues to represent a significant long-term opportunity, supported by urbanization, infrastructure development, data

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center expansion, and increased adoption of intelligent building solutions.

Voltas Beko continues to be one of the fastest-growing home appliances businesses in the country, with product segmentation, premiumization, innovation, and channel expansion expected to drive market gains and progressively improve financials. With the projects business, the company remains focused on selective and value-accretive order booking, execution excellence, cash flow discipline, and project profitability. The engineering products and services business will continue to build on its growth momentum, with increasing emphasis on higher-margin aftermarket and service revenues.

Across its businesses, profitable growth, market expansion, and sustained improvement in profitability remain central to Voltas' strategy. The company continues to unlock efficiencies through strategic sourcing, localization, product and design optimization, manufacturing excellence, process improvements, and increasing benefits of scale. Thank you. Natasha, over to you.

Operator: Thank you very much. We will now begin the question-and-answer session. Anyone who wishes to ask questions may press '*' and '1' on their touchtone phone.

Operator: Ladies and gentlemen, we will wait for a moment while the question queue assembles. The first question is from the line of Indrajit Agarwal from CLSA. Please go ahead.

Indrajit Agarwal – CLSA: Hi, thank you for the opportunity, and congratulations on a good set of numbers. I have two questions. First, if you can share some contours of the compressor JV, what kind of capex can there be, when can we see commercial production, and how will the capex be shared between the two partners?

Mukundan Menon: Good evening, everyone, and thank you for the question, Indrajit. This JV that we have signed with Atomberg is for a manufacturing capacity of around 2.8 million compressors for air conditioners to begin with. That is what we have tried to achieve. This is an effort to secure the supply chain for a category that is very important in the overall compressor segment. The heart of the air conditioner is the compressor.

We always felt that it is very important to secure this very important part within India because of all the challenges that are happening with respect to the QCO restrictions, the quantum of imports that are allowed, the quota system, and the transition QCO rules. We felt it would be good for us, as a leader in the air conditioner market with very high volumes, to have this capability. We did not want to leave this very important component unsecured. That was the reason we went for this sort of arrangement.

In terms of the overall capex, it is still in the early stages. As we work out the details of the definitive agreement, we will arrive at that. It is a little early to comment on the total capex requirement.

Indrajit Agarwal – CLSA: Sure. Secondly, while our market share in Voltas Beko has been gradually increasing, do we have an EBITDA break-even line of sight yet, or is it still a year or two away?

Mukundan Menon: Indrajit, this particular year was when we initially aspired to move toward EBITDA break-even. Unfortunately, what has happened with respect to the West Asia crisis is that it drove

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up commodity prices quite sharply, and most of the brands, including us, struggled to pass the entire increase on to the market. If we were to assume that we would reach break-even this year, I think it may get pushed out by a few quarters. That is the way we see it.

Indrajit Agarwal – CLSA: Sure. I have more questions, but I will join the queue again.

Mukundan Menon: Thank you, Indrajit.

Operator: Thank you. The next question is from the line of Achal Lohade from Nuvama Institutional Equities. Please go ahead.

Achal Lohade – Nuvama Institutional Equities: Good evening, team, and thank you for the opportunity. My first question is with respect to volume growth. If you could call out what has been the volume growth for the industry? You mentioned that we have grown by 44%, but what has been the growth for the industry? Secondly, how do you see the current channel inventory and the way forward for the full year? If you could comment a little on the same.

Mukundan Menon: On room air conditioners, Achal, the industry secondary sales published by GfK Nielsen showed 15% growth in secondary sales. That is what they said. Our sense is that the primary increase would be anywhere between 20% and 22% in volume terms and perhaps around 25–26% in value terms for the industry. Against that, we have done better, which is reflected in our market share growth. We have seen our market share grow significantly from 15.9% for the full financial year last year to 17.3%. Our volume growth was around 44%, and our value growth on an equivalent basis was around 50%.

Achal Lohade – Nuvama Institutional Equities: Understood. If you could give us some sense of the extent of cost inflation, how much price increase we have taken so far, and how much we are expecting now?

Mukundan Menon: This year has seen two things happening. One was the table change, which took up the prices of all the 3-star ACs by roughly 5% and the 5-star ACs by 15%, with a weighted average of somewhere around 7–8%. Then there was the commodity price increase, the depreciation of the rupee, the increase in ocean and freight charges, and some increase in plastic costs. All that added up to another 4–5%.

Overall, put together, the cost increase was 10–12%, and we have also passed on very close to that number into the market, perhaps 1–2 percentage points less, if at all. We had a reasonable stock of these units shortly before all these disturbances started. We were also fortunate that we did not have any disruption in our production during the peak summer months of March, April, and May. Despite all the disturbances, we managed to keep our production running, and we utilized some of the stocks of products that we had imported at better prices before all this affected us. More or less, we have passed on the increase, perhaps retaining a couple of percentage points, if at all.

Achal Lohade – Nuvama Institutional Equities: Does that mean we do not necessarily have to take any further price increase? Have I understood that correctly, sir?

Mukundan Menon: Generally, we would not. What we normally do, Achal, is that if there is some moderation, but costs continue to move up further, we will obviously have to take a price increase.

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We are watching what is happening with the overall West Asia crisis. If things worsen, the costs will obviously be impacted, and we will necessarily have to take a price increase. However, if there is nothing significant, then to shore up the margins, we will make a small reduction in the channel schemes.

Achal Lohade – Nuvama Institutional Equities: Understood. Just a clarification in terms of the mix for the season: from January to June, what would that be in terms of outsourcing versus insourcing for us?

Mukundan Menon: Out of the total air conditioners that we sell, roughly 7–8% of sales, or, I would say, in the peak season in quarter one, perhaps around 10% of sales, consists of window air conditioners. Window air conditioners are completely OEM-manufactured. Of the split ACs, which constitute the remaining 90%, we have a 70–30 mix, or I would say a 75–25 mix, between self-manufacture and OEM manufacturing.

Achal Lohade – Nuvama Institutional Equities: Got it. My second question is with respect to the compressor joint venture. What I wanted to check is whether this is the energy-efficient compressor we are talking about. If you could give some sense of how soon this can go on stream and what kind of advantage it can bring to us?

Mukundan Menon: The compressor platform being developed is for both 3-star and 5-star products, which are the popular categories. We begin with the most voluminous product, the volume driver, which is the 1.5-ton 3-star and 5-star product. All of them have energy efficiency levels that meet the requirements of the energy table.

These are genuinely energy-efficient machines that will meet the 3-star requirement as well as the current 5-star table requirement, which continues until December 2027. In 2028, there will be another table change. All these products are capable of being upgraded to better energy efficiency. The energy efficiency of a compressor is driven by the motor, and the motor gets upgraded when there is an energy table change. To answer your question, these are best-in-class in terms of energy efficiency today, and they can also be upgraded to best-in-class when the table changes.

Achal Lohade – Nuvama Institutional Equities: In terms of costing, would that help in terms of cost savings compared to the regular compressor at present? That is my last question. Sorry, sir, and thank you.

Mukundan Menon: The way we have looked at it is that, as I mentioned at the beginning, the primary objective was to have supply chain security. Being the largest manufacturer of air conditioners with a leadership position, we have to secure the supply chain, and this was done with that intent. The other aspects, such as cost, will all be a work in progress because, as the product gets commercialized over the next 18–24 months, all these numbers will play out. It is a little early to comment on that, Achal.

Achal Lohade – Nuvama Institutional Equities: Got it, sir. Thank you, and I wish you all the very best.

Mukundan Menon: Thank you, Achal.

Operator: Thank you. The next question is from the line of Aditya Bhartia from Investec. Please go ahead.

Aditya Bhartia – Investec: Good evening, sir. My first question is again on the Atomberg JV. How long is it likely to take for the plant to become operational? How will the technology be sourced? Until then, how are we going to meet the QCO norms? What arrangements have we made until then?

Mukundan Menon: Aditya, assuming the work starts immediately, the way we have planned this is that we are looking at an 18-month runway before commercial production starts. During that period, the plant has to be established, the products have to be manufactured, the pilot batch has to be produced, pilot testing of that batch and field testing of the pilot batch have to be completed, and then we start full-fledged commercial production. We are therefore expecting full-fledged commercial production of the compressors 18 months from now.

Aditya Bhartia – Investec: Until then, how are we going to manage the QCO norms? What arrangements have we made for that?

Mukundan Menon: Currently, the QCO norm says that up to 30% of your FY25 numbers can be imported. We can continue to import that amount. That is point number one.

Point number two is that the two large compressor manufacturers, Highly and GMCC, have built capacities in India, and we have blocked capacities with them in India. We will source from those capacities. Our idea is that even after these products come into production, our scale will be so large by the time this is commissioned that we will still have a mix of compressors from these two vendors made in India, along with our own secure supply chain of compressors.

It will be a blend of the two. It is not one or the other. We will continue to buy from them, and we will also continue to manufacture and secure our supply chain. It is a two-sided approach. We wanted to ensure that we secure our supply chain both through suppliers and through our own indigenous technology.

Aditya Bhartia – Investec: Understood, sir. My second question is that you mentioned that, besides the BEE norm change, there was roughly a 4% price escalation or cost escalation. Given how sharply some commodities moved and the rupee depreciated, is this 4% the impact we saw after accounting for the benefit of lower-cost inventory, or are you saying that, with these increased costs, the overall increase in costing is only around 4%? I just want to clarify.

Mukundan Menon: If you have seen the results that we have published, we seem to have done a little better than some of the key competitors. I think we did many things correctly. First, we planned well for the season. As I mentioned, there was no disruption in the factory, so the volumes came through and the absorption of factory costs was also well managed.

We also have a very active cost take-out project underway, and that was one of the factors that helped us at the right time. When things started going wrong, the cost take-out project began to generate some savings. I think a combination of the sheer scale, the lack of discontinuity in manufacturing, the proper absorption of our costs because of the larger volume and lack of

disruption, and the cost take-out project worked in our favor. I suppose this combination of four factors played out in our favor.

Management: Okay, Aditya.

Aditya Bhartia – Investec: Sure, sir. That is it. Thank you.

Management: Thank you, Aditya.

Mukundan Menon: Thank you, Aditya.

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

Siddharth Bera – Nomura: Thank you for the opportunity, sir. My first question is on the UCP segment. As you alluded to, while AC revenues have grown at more than 50%, our overall revenues are up 32%. Can you please share, in the commercial refrigeration and CAC segments, what has been the decline, and how do you see the outlook for the commercial refrigeration segment going forward, given that it has remained under stress for quite some time? I would appreciate some thoughts on that.

Mukundan Menon: What you said is right. The kind of buoyancy that we saw in the room air conditioner segment within UCP was probably not seen in the other two categories, namely commercial refrigeration, which includes deep freezers, water coolers, and water dispensers. Nor was it seen in the commercial air conditioning category, which includes ducted systems, VRF, chillers, and light commercial air conditioners.

There was reasonable growth in the commercial air conditioner segment, comprising ducted systems, VRF, and chillers, but performance in commercial refrigeration was muted. What you said is absolutely right. You would have heard from the other major competitors in the commercial refrigeration space that the industry seems to have declined by around 15% or so. I think we did a little better than that compared to the industry.

Going forward, I think things will settle down. This was a category where the price increase was significant. Unlike in the room air conditioner category, the cost here went up more significantly: by 10% for freezers, around 15% for water coolers, and another 10% for water dispensers. These were very steep price and cost increases, which forced all the major brands to increase selling prices accordingly.

The channel was probably not fully ready to absorb that cost, so it adopted a wait-and-watch approach. However, over the last few months, we have seen the channel begin to accept the increase because there seems to be normalization and complete acceptance of the fact that this is a cost pass-through and there is no other way to manage it. We are seeing some improvement in traction this quarter.

Siddharth Bera – Nomura: Got it, sir. Thank you very much. I will come back to the queue.

Mukundan Menon: Thank you.

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Operator: Thank you. The next question is from the line of Sameer Gupta from IIFL Capital. Please go ahead.

Sameer Gupta – IIFL Capital: Good evening, everyone, and thank you for taking my question. I am relatively new to the company, so please pardon me if some of the questions sound naive. I am trying to get some clarity on the margin performance first. EBIT margin in unitary cooling products is around 5.3%. This is on the back of a good summer season, and you alluded to market share gains in the RAC segment. I understand that commodity cost inflation would have had a negative impact, but if I look at the overall company gross margin, it is flat. I would also have expected 32% revenue growth to provide some operating leverage benefit.

I am trying to understand this: this is the best quarter of the season, and we are delivering an EBIT margin of around 5%. What can then be assumed as a steady-state profitability expectation for this segment?

Mukundan Menon: What you said is absolutely right. If you look at some of the other companies, this has been a rather difficult quarter for the industry as a whole. A reasonably good summer compared to the very weak summer last year increased demand by around 20%, or 25%, or thereabouts, as I mentioned. However, the commodity price increase and the depreciation of the dollar hurt everybody.

If you look at the results of most of the competing brands, five or six of which are top players in the room air conditioner category, they saw a significant shrinkage in EBIT, by almost 3% for some and 4% for others. In comparison, we seem to have done better. Our Q1-to-Q1 EBIT percentage has increased from last year to this year. I think we have weathered the storm much better than the rest of the industry.

The reason for that is the points I mentioned earlier: the way we managed the factory without disruption, cost absorption, the sheer scale effect, and the fact that we have an active cost-down project. I agree that these numbers do not fully reflect the strong buoyancy in sales volume. This is primarily because of the dampening effect of the cost increases, which could not typically be passed on fully into the market.

Sameer Gupta – IIFL Capital: Got it, sir. Was the problem below the raw material cost line, such as more channel financing or more discounts and schemes? The gross margin line still seems reasonably stable if I look at the full quarter and the overall company performance.

Mukundan Menon: Essentially, the material cost was the factor that affected us significantly.

Sameer Gupta – IIFL Capital: Got it, sir. My second question is on the Atomberg JV. First, why is there so much import dependence on compressors in this industry? Are certain raw materials not available in India, or is it simply cheaper to procure them from outside? How will this constraint be addressed through the JV? Secondly, why a JV instead of doing it organically?

Mukundan Menon: Currently, around 4–5 years ago, almost 75% of the bill of materials of an air conditioner used to be imported. The major components are the compressor, copper, aluminum, controller, and motors, and most of these used to be imported.

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Currently, from that 70% import content—I am talking about the industry here, not only Voltas—that 70% has come down to around 30–35% because copper is being manufactured here, controllers are being manufactured here, and motors are being manufactured here. Almost 40% of the industry's compressor requirements are now being manufactured here. That has brought down import dependence to around 35%.

The compressor was the area that we felt was very important. While many companies have entered into the manufacturing of PCBs and controllers, and some have entered into the manufacturing of the special tubes used in air conditioners, which we call inner-grooved tubes, there are also many manufacturers of aluminum in India. We felt that there was a gap between what was being manufactured in India and what was required by the industry in compressors.

Being the most important component in the bill of materials, we felt it was important to build this manufacturing capability within the organization or through a joint venture. That addresses the first point.

On the second question, regarding why we cannot do this on our own, the most important item within a compressor is the motor. Our tie-up with Atomberg is important because Atomberg is a leader in motors and competes with global giants in this category because of the sheer volumes it has achieved in the ceiling fan category. They seem to have cracked the code as far as the most important item in the bill of materials—the motor—is concerned.

This is a capability that a company like Voltas does not have because we have never entered component manufacturing so far. This is the first time that we want to secure this capability, and we are doing so. The answer is complexity, and we felt it was better to partner with somebody who is well ahead of the curve and do it together with them.

Sameer Gupta – IIFL Capital: Superb, sir. That is very helpful. Just a small follow-up here—

Operator: Mr. Sameer, I request you to rejoin the queue for the follow-up question, please.

Sameer Gupta – IIFL Capital: Sure. I will do that. Thank you very much.

Mukundan Menon: Thank you. Thanks, Sameer.

Operator: Ladies and gentlemen, to ensure that management is able to address questions from all participants in the conference, please limit your questions to one question per participant. For a follow-up question, we request you to rejoin the queue. The next question is from the line of Rahul Agarwal from Ikigai Assets. Please go ahead.

Rahul Agarwal – Ikigai Assets: Good evening, Mr. Menon and everyone on the call. I had one question. Obviously, last year's UCP margin is not something to look at as a sustainable number. Voltas had a very difficult year last year.

Mukundan Menon: Correct.

Rahul Agarwal – Ikigai Assets: Obviously, this quarter is better than the previous quarter, with a 30-basis-point quarter-on-quarter increase, which is good. But I wanted to understand from you: if

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the plants are fully utilized during the peak season, we have gained substantial market share, and volume growth is 45% for RACs, or 44%, and if peak capacity utilization has played out, while pricing has not been very favorable but we have passed on the increases, does that mean that going back to 6-7% will be extremely difficult for the company going forward? You can discuss either this year or the next 2 years, as you feel comfortable.

My second question is also on the projects side. I understand that there were execution issues and that we have seen some top-line softness. I am not sure whether it was execution-related softness, but on margins, I thought we were moving toward shorter-gestation projects. Our margins should improve here because the quality of the order book is getting better. I would appreciate your comments on the next 24 months and where we should see EBIT margins for UCP and the projects segment. Thank you.

Mukundan Menon: For UCP, as you can see, last year's quarter was very weak, at 3.7% versus 5.3%. There has been a significant gain and quite an improvement. The numbers would have been a little better if the cost increases had not affected us in the way this entire crisis played out and things became very volatile. The entire advantage of the scale-up would have played out somewhat better.

Regarding whether there is room for improvement going forward over a long period, over the next 8 quarters or so, the answer is certainly yes. We have had margins above 7% in earlier quarters. Our aspiration is indeed to improve this quarter-on-quarter and year-on-year, and we are working toward that.

The second question was about project margins. What happened was that this was a very volatile period, and we could see that things were looking somewhat uncertain. We were therefore very calibrated and careful in picking up orders because having an order book at a fixed price without an escalation clause would have hurt us more. This calibrated order booking and calibrated execution are actually a saving in disguise because once you lock in a price with a client, you cannot change it regardless of any of these factors.

In a way, we see it as a blessing in disguise. As things settle down, we are continuing to focus, as you rightly said, Rahul, on being very selective about the projects we take on. We are looking at more manufacturing, data center, and MEP projects. Our focus is shifting toward faster-gestation projects, with more work in the private sector and less work involving the government, where payment delays can affect us. We are altering the course of our overall journey somewhat, and this will start playing out well over the next few quarters.

Rahul Agarwal – Ikigai Assets: Mr. Menon, just one follow-up. This 7% aspiration—

Operator: Rahul, I am sorry to interrupt.

Rahul Agarwal – Ikigai Assets: Just a follow-up, not a new question. On this 7%, could you take us through the bridge in terms of the 2-3 points that could help us achieve this? Thank you.

Management: To add to that question, one of the things Mr. Menon alluded to was the cost-down projects, which we have been actively working on and which should help us. Some of the capex

investments that we made about 18 months ago, which were somewhat of a deterrent last year, are now playing out favorably for us. These are some of the factors that would help us improve.

Again, as we have consistently said in the past, our focus has been to grow the top line very aggressively. We want to make sure—

K.V. Sreedhar – CFO: —that we continue to gain market share. I think that is something we want to continue doing, and the margin profile will take care of itself. We compare it with the same period last year and look at the improvements. I hope that answers the question.

Rahul Agarwal – Ikigai Assets: Yes, sir. Thank you very much. Thank you for answering all my questions, and all the best for the rest of the year.

K.V. Sreedhar – CFO: Thank you, Rahul.

Operator: Thank you. The next question is from the line of Bhavya Gandhi from Bajaj Asset Management. Please go ahead.

Bhavya Gandhi – Bajaj Asset Management: Thank you for taking my question. My question is regarding the outsourcing opportunity versus insourcing. While outsourced players claim that the outsourcing share is increasing, I wanted to understand how this is progressing. Is insourcing increasing, or is outsourcing increasing? If you could comment on the overall industry mix and how you expect this mix to evolve going forward.

Management: In our case, outsourcing has not increased because we have built significant capacity in Chennai. We have a capacity of around 1.4 million in Pantnagar and almost 1.2 million in Chennai. Since these plants have become fully operational, we do not see our outsourcing increasing. It is at a steady level, a fairly steady level. Broadly, the proportion will remain at the same level that Mr. Menon mentioned earlier.

Bhavya Gandhi – Bajaj Asset Management: Got it, sir. That is all from my end. Thank you very much.

Management: Thank you.

Operator: Thank you. The next question is from the line of Keshav Lahoti from HDFC Securities. Please go ahead.

Keshav Lahoti – HDFC Securities: Thank you for the opportunity. In the last question, did I understand correctly that, going forward, the outsourcing and insourcing mix will remain similar? Secondly, what is the RAC mix in the UCP segment this quarter, and what would this normally be for a full year?

Management: Keshav, the outsourcing proportion will continue at the same ratio. As I said, window air conditioners will continue to be 100% outsourced. Within the split AC category, we will have a 75–25 mix, and that will continue. The proportion has not changed very much.

Obviously, on a quarter-by-quarter basis, the proportion within the segment and the RAC mix will keep changing, but at an overall level, it will broadly remain the same on an annual basis.

Keshav Lahoti – HDFC Securities: How much was the RAC mix in this quarter?

Operator: Keshav, I request you to rejoin the queue for the follow-up questions. The next question is from the line of Sonali Salunkhe from Jefferies. Please go ahead.

Sonali Salunkhe – Jefferies: Thank you for the opportunity. I have two questions. First, on the current demand dynamics, including AC channel inventory and demand in July and August so far, perhaps in terms of volumes, and the festive season: do we have any initial thoughts on how the channels are behaving and whether they are restocking?

My second question is on the FY27–28 capex estimates for the company, especially because of the Atomberg JV. Will the capex also be split 50–50, and from where will Atomberg obtain the technology for manufacturing compressors?

K.V. Sreedhar – CFO: In terms of the initial feedback we are hearing from the channel, the channel is broadly being fairly cautious regarding the inventory it is maintaining. We feel that channel inventory would be in the range of around 4 weeks, as we have indicated in the past. That is the current position, and the build-up will happen based on secondary sales.

Regarding the festive season, it is a little early. It will be more relevant for home appliances, where it will be more important. We will have to monitor this over the next 4–6 weeks, and that is when we will have a better view.

In terms of capex for FY27–28, there is no major material capex. We had already incurred the capex for Chennai a couple of years ago, and we are now reaping the benefits. It will primarily be maintenance capex that we will continue to incur, with no major commitment from our side. The capex on the Atomberg side should ideally be on a 50–50 basis. The exact quantum is being finalized. Once we have better clarity, we will be able to share it with you.

Sonali Salunkhe – Jefferies: When we refer to an 18-month runway for commercial production, does that mean that the majority of the capex for this JV should be incurred over FY28 and FY29? Is that correct?

K.V. Sreedhar – CFO: Yes, that would be a fair assumption. Whatever quantum we agree on should be incurred around that time. That is a fair assumption.

Sonali Salunkhe – Jefferies: Understood, sir. Thank you, and all the best.

K.V. Sreedhar – CFO: Thank you, Sonali.

Operator: Thank you. The next question is from the line of Ram from JP Morgan. Please go ahead.

Ram – JP Morgan: I have two questions. The first is regarding the loss in Voltas Beko in the current quarter. I understand that we are still not making money in that business. The second question is whether margins will improve in electromechanical projects and services. In the current quarter, I see that the results are not good on a comparative basis. What could be the future outlook in this segment?

K.V. Sreedhar – CFO: The JV loss for this period is mentioned in the financials. {? 37 ?} is what we have booked as our share, and that is visible in the financials.

In terms of electromechanical projects and services, the quarter was somewhat soft from a top-line perspective due to the execution challenges that Mr. Menon outlined earlier. As a result, the top line was somewhat lower, with a corresponding impact from an EBIT point of view. We see the situation gradually improving. Q2 may also not be significantly better, but after that, in Q3 and Q4, we feel it will improve substantially. That is when the recovery should ideally happen.

Ram – JP Morgan: Okay, thank you.

Operator: Thank you, Ram. The next question is from the line of Archit Shah from 361 Capital. Please go ahead.

Archit Shah – 361 Capital: Thank you for the opportunity, sir, and congratulations on a good set of numbers. I have two questions from the compressor side. First, what will be the level of localization of this compressor? You mentioned that the motors will be manufactured by Atomberg since they have good technology. I understand that certain parts, such as magnets, may have an advantage in China because of some rare earth metals. Will we need to import any components?

Secondly, in terms of the cost competitiveness of the compressors, while we are doing this to secure compressors for future growth, how will we be placed in terms of cost relative to Chinese imports, Highly, or GMCC, which are manufacturing these products, and also relative to LG or PG, which are manufacturing here? These are my two questions on compressors. Thank you.

Management: The most important item in the compressor is the motor, and Atomberg has mastered that. Therefore, 45–50% of the bill of materials is covered by an indigenous manufacturer. There may be a few items within the compressor that are imported, and that is true. Gradually, that dependence will also come down.

Initially, the remaining items will be imported, but gradually we will try to indigenize them in a cost-optimized manner over a period of time. Our expectation is that this product will be able to compete with imports. That is how we are looking at it.

The way we see it is, first, it should secure our supply chain completely, with very low risk of anything going wrong with the supply chain. Second, it should not hurt our competitiveness by making the product more expensive. That is our initial view of the arrangement.

Archit Shah – 361 Capital: Thank you very much, sir.

Management: Thank you, Archit.

Operator: Thank you. The next question is from the line of Aditya Vikram from DB Securities. Please go ahead.

Aditya Vikram – DB Securities: I have only one question. In the last conference call, you mentioned that achieving the target of 7–8% would be a gradual process. Currently, even at the peak of the summer cycle, we have not been able to significantly scale up the EBITDA margin.

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Do you foresee this taking longer to achieve, or do you see that there are more benefits from scale? It seems that cautious commentary is coming through consistently. I wanted to get your thoughts on that because, at 5.6%, it does not look like achieving a significant increase would be easy. Some of your competitors have also indicated that it might be difficult to achieve a significant increase in margins from the current level. Thank you.

K.V. Sreedhar – CFO: That is a fair question. If you see the results, and I am sure you are also tracking some of the peer companies, it has been a difficult quarter because of the events that are well documented, so I do not want to elaborate on them. There was obviously an impact from the cost side. Most companies experienced some decline, whereas we were able to improve our margin profile compared with the same period last year.

Some of the initiatives we highlighted earlier have become differentiators for us and are helping and supporting us. We feel that these initiatives will continue to help us and play out better. We want to make this sustainable by continuing to work on these initiatives, and we feel that the situation will gradually improve. That is broadly how we see it at this point.

Aditya Vikram – DB Securities: As a follow-up, should we assume that the current quarter's EBITDA margin is a steady-state margin for at least some time, until these initiatives play out or conditions improve on their own?

K.V. Sreedhar – CFO: If you go through the margin profiles, and if you are looking purely at the margin profile, the quarter-on-quarter margin profiles vary considerably. From that angle, we will have to evaluate it on a quarter-on-quarter basis and see how it develops.

Aditya Vikram – DB Securities: Thank you very much. I appreciate it.

Operator: Thank you. The last question is from the line of Amindranath Nak from Nirmal Bang Securities. Please go ahead.

Amindranath Nak – Nirmal Bang Securities: Good evening, sir, and thank you for the opportunity. Regarding the compressors, for how many compressor volumes is the joint venture envisaged? Is this a greenfield expansion or greenfield investment by Atomberg and us? Alternatively, has Atomberg already made some investment, with us augmenting that investment through the joint venture? What is the uptake for Voltas from these compressors, and what is the total compressor capacity envisaged? If you could elaborate on this, it would be helpful. Thank you.

Management: The factory that we are putting up will be gradually ramped up. We will begin with smaller quantities initially, starting 18 months from now, and then ramp up over a period of time. We will start with perhaps less than 1 million compressors, then take the capacity to between 1 million and 2 million, and eventually take it to more than 2.5 million. That is the plan.

The technology exists, the product has already been made, and it is currently being tested. The product design is not entirely new; this product has been in development for the last year or so.

Amindranath Nak – Nirmal Bang Securities: In terms of pricing, what would it be?

K.V. Sreedhar – CFO: As Mr. Menon elaborated, the key consideration from an economic perspective was supply security, along with the QCO considerations that Mr. Menon mentioned. The economic aspects are still being finalized. We will come back to you when we have better clarity.

Operator: Thank you. As that was our last question for the day, I would now hand the conference over to Ms. Natasha Jain for her closing comments. Over to you, ma'am.

Natasha Jain – Philip Capital: Thank you, Ms. Pan. I request Mr. Sridhar to give his closing remarks for today.

K.V. Sreedhar – CFO: Thank you, Natasha. I will give a few closing remarks. Supported by a stronger brand, differentiated products, expanding channels, enhanced manufacturing capabilities, a rapidly scaling home appliances business, and disciplined execution across this diversified portfolio, Voltas remains well positioned to strengthen its leadership and deliver sustainable, profitable growth over the medium to long term. Thank you all, and thank you for joining the call today.

Management: Thank you, everyone, for joining. Have a great weekend, and a happy Independence Day to all of you.

Operator: Thank you. On behalf of PhillipCapital India Private Limited, that concludes this conference. Thank you for joining us, and you may now disconnect your lines. Thank you.

Note: {? ... ?} indicates a figure or name where audio clarity was insufficient for confident transcription. Verify against the source audio or the company's published filings.