Operator: Ladies and gentlemen, good day and welcome to the V-Guard Industries Ltd. Q2 FY27 Earnings Conference Call hosted by Ashika Institutional Equities. As a reminder, all participant lines will be in listen-only mode, and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing star and then zero on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Ms. Arshia Khosla with Ashika Institutional Equities. Thank you, and over to you, ma'am.

Arshia Khosla – Ashika Institutional Equities: Yes, thanks, Sagar. On behalf of Ashika Institutional Equities, we welcome you all to the Q2 FY27 Results Conference Call of V-Guard Industries Ltd. We have with us today the senior management represented by Mr. Mithun K. Chittilappilly, Managing Director; Mr. Ramachandran V, Director and CEO—COO; and Mr. Sudarshan Kasturi, Senior Vice President and CFO. Now I hand over the call to management for initial comments on the quarterly performance, and then we will open the floor for the Q&A session. Thanks, and over to you, Mithun sir.

Mithun K. Chittilappilly – Managing Director: Thank you, Arshia and the team at Ashika, for hosting today's call. A very warm welcome to everyone joining us to discuss our company's operating and financial performance for the second quarter of FY27. I trust that all of you have had the opportunity to review the investor information we shared earlier.

We are pleased to report another quarter of strong and consistent performance, with all business segments achieving strong growth supported by a combination and volume expansion across most of our categories. The performance reflects the underlying resilience of our business and brand, focused execution, and supportive market conditions.

In Q2 FY25, consolidated net revenue from operations stood at 1,294 crores, higher by 2% year-on-year. For the half year, consolidated net revenue from operations stood at 3,664 crores, higher by 20.5%.

The Electronics segment, comprising stabilizers, UPS systems, inverters and batteries, and solar panel systems, reported particularly strong growth of 20% year-on-year in Q2, with all major product categories contributing positively. Solar power products led growth, with digital products and batteries also contributing very strongly.

The Electricals segment, which remains our largest revenue contributor and includes wires, pumps, and switches, reported revenue growth of 41.2% year-on-year in Q2. While the growth in wires was mainly price-driven, there has been healthy volume growth in pumps and switchgear.

In the Consumer Durables segment, covering ceiling fans, water heaters, kitchen appliances, and air coolers, we reported revenue growth of 20% year-on-year. The momentum in induction cookers continued into this quarter and was accompanied by healthy demand across the broader kitchen appliances portfolio. Fans and water heaters also registered growth.

Sunflame reported revenue growth of 20.5% year-on-year in Q2, building upon the positive momentum witnessed in the first quarter. With the functional integration of Sunflame, our initiatives

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to strengthen the product portfolio and expand market presence are beginning to translate into improved business actions in CSB. This entailed longer tie-up lead times, which have impacted Sunflame margins.

Gross margin stood at 34.{? 3 ?}% in Q2 compared to 37.6% in the corresponding quarter of the last financial year and 36.9% in Q1 FY25. The moderation was primarily due to higher input costs, along with some impact from changes in product mix. We continue to closely monitor input cost movements and remain focused on supply continuity while taking appropriate measures to protect our margins.

EBITDA excluding other income for Q2 stood at 106.8 crores, reflecting a year-on-year 3.7%. EBITDA margin was 9.1% in Q2 this year compared to 8.1% in Q2 of last year. Consolidated PAT for the quarter was 100, up 71% year-on-year, compared to PAT of 65 crores in the previous year.

We continue to monitor the geopolitical situation and will take appropriate measures to protect supplies and margins. We are hopeful of delivering healthy growth in the upcoming quarters as well. With that, I conclude my opening comments. I would like to thank Arshia and the team at Ashika for hosting this call, and I would like to request the moderator to open the floor for Q&A. Thank you.

Operator: Thank you very much. We will now begin with the question-and-answer session. Anyone who wishes to ask a question may press star and then one on their touchtone phone. If you wish to remove yourself from the question queue, you may press star and then two. Participants are requested to use handsets while asking a question. Ladies and gentlemen, we will wait for a moment while the question queue assembles.

Again, to register for a question, please press star and then one.

Mithun K. Chittilappilly - Managing Director: Hello, I'm back. Can you hear me?

Operator: Yes, sir. We will take our first question from the line of Rahul Agarwal with Ikigai Asset. Please go ahead.

Rahul Agarwal - Ikigai Asset: Hi, Mithun and team. Congratulations on the good results. Mithun, I just wanted to understand the growth in the Electronics segment. Qualitatively, how has the solar and non-solar business performed? Incrementally, how should we appreciate and think about the overall solar growth for fiscal '25 and the balance electronics inverter and UPS growth for the full year? Some qualitative comments would really help.

Mithun K. Chittilappilly - Managing Director: I think it is not only the solar power system, but also the inverter and battery business; both of them have grown well. Qualitatively, solar is a new category, so it is growing at a much faster pace. It is a category we are scaling.

We are currently mainly selling this product in southern markets, and we are entering northern markets and some of the eastern markets soon. We are very bullish on this category. There are a lot of government subsidies and government initiatives to move a significant portion of residential energy consumption to solar, and it looks like the entire ecosystem is evolving quite well.

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Apart from that, the inverter and battery business also did well because we had power cuts in the current year due to huge increases in power requirements and power outages in various parts of the country.

Rahul Agarwal – Ikigai Asset: Got it. If you have to split solar and non-solar, is there a base revenue?

Mithun K. Chittilappilly – Managing Director: We will not be giving any numbers for solar. We will not be giving any product-wise breakdown.

Rahul Agarwal – Ikigai Asset: Understood. Secondly, as a follow-up from a ROCE perspective on the solar business, from a margin and working capital perspective, does it change anything for V-Guard, or is it similar to the company average?

Mithun K. Chittilappilly – Managing Director: No, I think our solar business is not a B2B business. Our solar products are mainly from 3 kW. Around 75% of our sales are in the 3 kW to 10 kW range, and the products are going to residential households.

We are primarily selling them to system integrators who set up these systems on the rooftops of houses. We are not supplying to the government, independent power producers, or large consumers. Therefore, there is no working capital difference. In that sense, there is not much difference in terms of working capital and related factors. It is broadly similar to the rest of the company.

Rahul Agarwal – Ikigai Asset: Got it. On Electricals, you said cable and wire growth was largely price-led. Do you have any numbers on the volume growth side for cables and wires?

Mithun K. Chittilappilly – Managing Director: I think cable volume would be flat. Volume is probably flat. Almost all of it has come from pricing growth, which is close to 40%. Close to 40%.

Rahul Agarwal – Ikigai Asset: Similarly, for ECD, do you have any comments on volume?

Mithun K. Chittilappilly – Managing Director: Excluding cable and wire, I think the volume growth is about the pricing growth. One minute, I will just come back. Yes.

Ramachandran V – Director & COO: Excluding wires, overall, all other categories put together, 10% is price growth and 25% is volume growth.

Rahul Agarwal – Ikigai Asset: All right, understood. Thank you so much, and all the best.

Mithun K. Chittilappilly – Managing Director: Thank you.

Operator: Thank you. Before we take the next question, a reminder to all the participants: you may press star and then one to ask a question. Ladies and gentlemen, it is star and one to ask a question. The next question comes from the line of Sameer Gupta with IIFL Capital. Please go ahead.

Sameer Gupta – IIFL Capital: Good evening, sir, and thanks for taking my question. I understand that you do not want to disclose information on revenue, but when you look at the solar portion within the Electronics portfolio, we are seeing a lot of players entering and primarily supplying to the solar rooftop opportunity through system integrators.

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Some of them are branding it with the end product, while some are just supplying components to the overall assembly of the solar rooftop. My broader question is: what is the right to win for V-Guard and these other players that have entered, versus a more power-oriented company such as Tata Power, Adani, or Waaree, which are the larger players here? Is this opportunity currently driven by very high demand with supply yet to catch up, or is it here to stay?

Mithun K. Chittilappilly – Managing Director: Ram, you want to take this?

Ramachandran V – Director & COO: I think there are a couple of things. As far as the Electronics segment is concerned, we have broad-based growth across all categories, and it is strong. That is the first part.

Coming to the rooftop business, we are still at a very nascent stage of the journey in this business. This business is closely associated with our inverter and battery business, and that is the reason why we have looked at this opportunity.

The capabilities we have built for that business are relevant for this business, and that is what gives us the right to win. Compared to many people who are just buying and selling, we have a deeper understanding and expertise both in electronics and in power storage. That is why we have entered this phase, and our play will be shaped by this outlook in terms of how we move forward and how we position ourselves.

What we are doing in this space is still emerging and developing, and it will play out over some time. However, it will be fundamentally rooted in and built around our right to win. Our right to compete will be built around the capabilities, infrastructure, and investments that we have already made in our Electronics vertical and also on the GTM side.

Sameer Gupta – IIFL Capital: Does the consumer know [trails off]

Sameer Gupta – IIFL Capital: that it is a V-Guard inverter, a V-Guard battery, or a V-Guard solar panel installed on the rooftop? Okay.

Management: Yes, of course. These are not just products bought from somewhere, transported in a truck, and supplied. This is a complete solution in which there is a panel branded as V-Guard, there are inverters branded as V-Guard, and there are distribution boards and boxes that are also branded.

The only things we do not make are the brackets and similar items because they are customized. The SI does all of that. We have also had this model of selling through system integrators for solar water heaters for the last 22 years. Therefore, we have been in this business for a long time, much before it became fashionable.

Sameer Gupta – IIFL Capital: Understood. Are we doing any manufacturing here, or are we currently outsourcing all of it?

Management: No, not yet.

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Management: Not yet, but that is what I said. We are still nascent in this business, and we are working on various dimensions in this space. That will develop and play out as we move forward.

Sameer Gupta – IIFL Capital: And my last question here: what kind of margins are we making here? Are they similar to the overall category, or materially lower at this point?

Management: I think it is too premature for us to discuss margins at this stage of the journey.

Sameer Gupta – IIFL Capital: Sure, no worries. I will come back in the queue for follow-ups. Thanks, and all the best.

Operator: Thank you. Participants, to register for a question, you may press star and then one. Our next question comes from the line of Keshav Lahoti with HDFC Securities. Please go ahead.

Keshav Lahoti – HDFC Securities: Thank you for the opportunity, and congratulations on the strong set of numbers. I want to understand one thing. If I look at growth for this quarter, South growth was 51%, while non-South growth was 93%. There is a huge disparity in growth between the two regions. Why is that so, and what will be the trend going forward?

Management: There are two reasons. One is that in the current financial year, South India experienced an extremely strong, continuous, and extended summer. Therefore, we exited Q1 with very low inventory within our channels.

In northern and eastern markets, there was continuous intermittent rainfall, and summer product sales were not that strong. This is the primary reason.

The other reason is that, as I said, the solar power system is a new category, so we have penetrated more markets in the South than in non-South markets. A little of that is also contributing. Both these reasons are playing a part.

Keshav Lahoti – HDFC Securities: Understood. I know you do not want to get into detail, but can you give some idea of how large the solar power business is for you right now?

Management: I think we already answered this question earlier.

Management: Let me put it this way. It is not very large for us at present. We are in the very early stages of it. When you look at gross numbers, it does add something to our overall growth, but it would be better for us to discuss it perhaps a year down the line, when our capabilities and capacities are in place.

Keshav Lahoti – HDFC Securities: Understood. One last question from my side. As you highlighted, you have taken a 10% price hike on a blended basis excluding wires. Can you give some sense of whether it is 10% across all products or different from product to product? Do you have any plans to take a price hike from October? Lastly, how much of the cost inflation have you passed on?

Management: I will come back first on the pricing gap. As we stand today, we have a 2% to 3% gap in pricing that is yet to be passed through. Our gross margin impact is also somewhere around that range.

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However, this is a continuously evolving scenario. We are in the process of taking the current round of price hikes across categories. We are very clear that we will take pricing because the quantum of price increases that have happened in the last 9-10 months is too high for any player to absorb. It would be foolish for any player to absorb it.

Therefore, we will definitely be taking price increases, and we are focused on running a healthy business. The first part of the question was about the [trails off]

Management: Range of price increases. It varies somewhat according to the category, but largely, we have seen price increases between 6% and 12% across different categories.

Keshav Lahoti – HDFC Securities: Got it. Just one more question from my side. How has the stabilizer and inverter market grown in this quarter? What would be the industry growth, and how might V-Guard have performed in this category during the quarter?

Management: We have had strong growth in both categories.

Management: The inverter and battery business has grown better than the stabilizer business. As I said, we had some tailwinds from power outages in many parts of the country due to a slight mismatch between supply and demand and the overall power situation in the country. That has helped. However, the stabilizer business has also grown.

The stabilizer business is primarily driven by air conditioner stabilizer sales. As I said, even in Q2, the weather was fairly warm in the southern part of the country.

Keshav Lahoti – HDFC Securities: This is helpful. Thank you so much.

Operator: Thank you. Participants, you may press star and then one to ask a question. The next question comes from the line of Naushad Chaudhary with Aditya Birla Sun Life Asset Management Company Limited. Please go ahead.

Naushad Chaudhary – Aditya Birla Sun Life Asset Management Company Limited: Thank you, and congratulations on the good set of numbers. First, on the gross margin, I think the dip in this quarter is temporary and should eventually return to our desired range of around 35% to 36%. Or should it remain at this level for the next few quarters?

Operator: Sorry to interrupt you, Naushad sir. There is a lot of background noise from your side. Could you move somewhere quieter?

Naushad Chaudhary – Aditya Birla Sun Life Asset Management Company Limited: Yes, muted.

Management: Last quarter, I think our gross margin gap compared to our plan was about 3%. Of that, 1% was due to mix, and typically the mix is relatively less favorable in Q2 versus Q1 historically as well. Another 2% was due to the lag in pricing transmission.

Even as we are taking action to cover those gaps, further increases in input costs have happened in September and October as well. This quarter, we will be implementing price increases in the market to neutralize this impact.

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Depending on the geopolitical environment, there could be further movements in commodities. If that happens, whether favorably or unfavorably, this will therefore be a continuous action. It just so happens that because the magnitude and frequency of price increases are large, there is some lag in transmission.

Naushad Chaudhary – Aditya Birla Sun Life Asset Management Company Limited: Understood. Assuming there is no, or not much, pressure on the raw material side and prices remain at current market levels, should we expect improvement in gross margin?

Management: No. As we stand today, we still have a gap of 3% to 4%. Therefore, we need to take a minimum of 3% to 4% to cover the gap as of yesterday. As we speak, some materials are still increasing in price. We will wait and see what happens. It is an evolving situation.

Naushad Chaudhary – Aditya Birla Sun Life Asset Management Company Limited: Secondly, on the demand side, how is channel inventory currently for you? What is your expectation for the coming summer season and the festive season?

Management: Channel inventory is normal. As you can see from our numbers, the underlying growth velocity has been good across all our categories. I would say that channel inventory has normalized. We do not see pressure anywhere at this point in time.

For the festive and upcoming summer season, sell-in is yet to happen. Typically, it starts toward the last week of December or in the month [trails off]

Management: Diwali is yet to come. October and November—this month and next month—will be the Diwali period, and that is what we are preparing for. As of now, we are seeing good offtake, and we feel confident that we will be able to deliver or sustain the growth momentum in the upcoming quarters.

Naushad Chaudhary – Aditya Birla Sun Life Asset Management Company Limited: All right, sir. Thank you, and all the best.

Operator: Thank you. Participants, you may press star and then one to ask a question. The next question comes from the line of Vinay Bafna with Investec. Please go ahead.

Vinay Bafna – Investec: Thank you. Good afternoon, sir. Continuing the previous participant's question on demand, this quarter we saw more than 20% volume growth excluding wires. When you mention that you are fairly confident of demand momentum sustaining, would it be safe to assume that we will still be around that volume growth level in the second half of the year? Or, given such sharp price increases, could there be some impact on demand, with volume growth being much lower than what we saw in Q2?

Management: There are different segments, and different segments can behave differently. Broadly, you can classify this into three parts.

There is the wire business, and the offtake there will also be influenced by commodity movements because there can be up-stocking or down-stocking depending on how copper prices are behaving.

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The other segment is consumer durables. Here we are watchful. As Mithun was already saying, because of a good summer, we are seeing extended demand in the summer categories, which benefited us in the last quarter and looks like it will benefit us this quarter as well.

As far as the remaining part of the portfolio is concerned, I think that will continue to grow.

Management: As far as volume growth is concerned, last year's H1 had a very low base. In H2, we grew better. In that sense, there will be some moderation in H2.

Management: Growth will be lower, but we still expect good growth.

Management: H2 growth will be lower than H1, but in terms of revenue—sorry, volume—it may be in the mid-teens or something like that.

Management: Mm-hmm.

Vinay Bafna – Investec: Understood.

Management: That is why we are saying that we remain optimistic that we should be able to deliver or sustain our growth in the upcoming quarters.

Vinay Bafna – Investec: Fair. My second question is on consumer durables, or the ECD segment's margins. It has been two consecutive quarters in which we have seen reasonable improvement in consumer durable margins. For the first half, margins are up 400 bps, and for this quarter itself, they are up 300 bps.

Should we assume that the worst in terms of ECD margins is behind us and that we should build from here in terms of margins? Will better utilization at our plants and all the capex investments we have made result in operating leverage benefits continuing to flow through from here?

Management: The reason consumer durable margins took a hit last year was that we had a new launch in the water heater segment. There was additional A&P spending for Q2, so margins looked low. Otherwise, the issue is with the base.

I think we should be able to maintain the current margins. That is what I feel.

Vinay Bafna – Investec: Fair enough. My last question is on Sunflame. We are seeing some demand revival along with the benefits of integration playing out. Is it safe to assume that the bulk of the work on the Sunflame integration is complete and that we should see fairly healthy growth from Sunflame as we realize synergies with V-Guard?

Management: I think the work on the product side is underway. One of the basic challenges for Sunflame has been that the product pipeline and product refresh were not in place. This impacted us, but the NPD refresh is now arriving. It has partly arrived, and more is to come over the next 6 to 12 months. That should help the business sustain stronger growth momentum compared to the historical past.

Vinay Bafna – Investec: Fair enough. One more question, if I may. We were expected to launch lighting early this quarter. Has that happened,

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Vinay Bafna – Investec: which are the areas and geographies where we have launched? What will be our GTM strategy there? Any comments on that would be helpful. Thank you.

Management: The lighting launch in the market is not more than 3-4 months old. We have still been able to launch only around 40-50% of the SKUs that we want to bring to market.

The initial launch is focused on a few districts in a couple of states. I would say that around April or May is when we are targeting to ensure that our product portfolio is complete and that we are able to expand our offerings within the South to a wider portfolio of markets.

It is a gradual, calibrated increase as we increase our reach and distribution and ensure that our product portfolio expansion is in place. Sometimes we have to fine-tune offerings based on local market requirements and also make sure that our supply chain is stabilizing here.

At this stage, it is more like a test-market and market-development stage.

Vinay Bafna – Investec: Great. Understood. Thank you so much, sir. Thank you.

Operator: Thank you. A reminder to all the participants: you may press star and then one to ask a question. The next question comes from the line of Mr. Achal Lohade with Nuvama Institutional Equities. Go ahead.

Achal Lohade – Nuvama Institutional Equities: Good afternoon, sir. Thank you for the opportunity. My first question is on demand. You did talk about the extended summer, particularly in the South, but in general, how is the demand scenario, particularly in Tier 3, 4, and 5 towns? Given the drought-like situation this year, how do you see that playing out? Is that a concern, or, given the products and offerings, are you fairly confident of achieving mid-teens volume growth?

Management: Typically, V-Guard tends to do well when there is very little rain. That has been our experience because we have products such as pumps and motors, for which demand actually increases significantly when the water table goes down.

Lack of rain and higher temperatures mean more power cuts, so inverter and battery sales increase. There are also higher air conditioner sales, which benefits stabilizers. Generally, our demand drivers are lack of rain or less rain and a hotter climate. To that extent, the tailwind is bigger than the headwind.

Achal Lohade – Nuvama Institutional Equities: Secondly, could you give us some sense of the A&P spend for the quarter? You mentioned that Q2 FY24 had somewhat higher spending on the water heater launch. Spending was therefore higher. Could you help us understand the [inaudible]

Management: Overall A&P spending has neither increased nor decreased. What I am saying is that last year's A&P spending in Q2 was for water heaters, so consumer durable margins looked quite low, and we have seen a significant improvement.

This year, the A&P spending has gone to another category or perhaps to other buckets. I hope you understand.

Achal Lohade – Nuvama Institutional Equities: So it could be an allocation depending on [crosstalk]

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Management: It is an allocation. For example, when we advertise water heaters, it is booked in the Consumer Durables segment. When we advertise inverters, it is booked in the Electronics segment. The percentage of spending has not increased significantly. I think we are at almost the same level of 2.1% or 2.2% [crosstalk]

Management: 2.3%.

Management: Or 2.3% of revenue, which is broadly in line with [crosstalk] what we—

Management: It also depends on which category we spend in. Sometimes the timing of the spending will cause it to fall into one category or another, or one quarter or another. These are the two factors involved here.

Achal Lohade – Nuvama Institutional Equities: Got it. My last question is on product introductions. Is there anything else in the pipeline, or are the products we are currently discussing the ones we will focus on over the next 1 to 2 years?

Management: There is no completely new category or anything of that nature. However, if you look at the kitchen portfolio, there are some extensions, such as air fryers and similar products. They are part of the broader kitchen portfolio, although they may not be very large categories.

The significantly large category would definitely be lighting, and we are hoping to start with decent revenue numbers from Q1 of next year. The other category is one we have discussed in depth earlier, which is solar power.

Achal Lohade – Nuvama Institutional Equities: Fair point. Thank you. I will get back in the queue. Thank you so much.

Operator: Thank you. The next question comes from the line of Laxminarayanan with Tunga Investments. Please go ahead.

Laxminarayanan – Tunga Investments: Good afternoon. Thank you. I just wanted to, first of all, [trails off]

Operator: Sorry to interrupt, sir. You are sounding quite muffled.

Laxminarayanan – Tunga Investments: Is it better now?

Operator: Slightly better, sir.

Laxminarayanan – Tunga Investments: My question is on consumer durables. What kind of NPD did you target, where are we now, and what kind of innovations have you undertaken?

Second, on the consumer durable side, I see that we have launched a water purifier. I want to understand the traction in that particular business.

Third, as an industry, how are things moving toward e-commerce? What is your view of the consumer durables industry in the e-commerce space, and where do we stand? Are we under-indexed or over-indexed there?

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Management: Let me start with NPD. Typically, we target to deliver about 21-22% of non-wire revenue through NPD. When we say that, we take the first 12 months of sales as the NPD contribution for that year's sales.

This number may vary between 18% and 23-24% from year to year, depending on the product roadmap. That is the position as far as NPD is concerned. Some years may be on the higher side at 24%, while some years may be on the lower side at 18%. It depends on which categories and which products we are refreshing.

On water purifiers, we have been in the business for a couple of years, trying to sell online. We have now developed our customer service network and product portfolio. We plan to focus on expanding the offerings.

The initial focus has been on e-commerce because it is easy to manage and gives us a good opportunity to understand the category and build the capability.

The third question was regarding our outlook on e-commerce. We are under-indexed compared to the industry's e-commerce contribution. This is a conscious choice because pursuing e-commerce conflicts with the trade channel.

The e-commerce demand environment has not been very strong. At an aggregate level, e-commerce has probably been flat to single-digit growth for the portfolio of products in which we operate.

Also, with the build-up in quick commerce, I am sure the investments from the large platforms will be refocused, which may also impact their ability to grow that channel aggressively.

Laxminarayanan - Tunga Investments: Got it. Typically, what is the broad mix of your channels in terms of modern retail, B2B, and general trade? Could you give me some [trails off]

Management: General trade accounts for about 70% of our revenue, while modern trade, e-commerce, and canteen stores may account for about 30% of our revenue.

Laxminarayanan - Tunga Investments: On the Sunflame product portfolio, what are the areas that are currently driving growth? If we talk about new product refreshes, which sub-segments have driven growth for us, and in which sub-segments have you launched new products?

Management: There are two challenges for Sunflame. Over the last 5-6 months, because of the issue in the Middle East, demand in the short term has shifted from gas stoves to induction. The induction portfolio is within V-Guard, whereas Sunflame is strongly dependent on gas stoves.

Gas stove sales have therefore been flat. Excluding gas stoves, the other categories are growing strongly, and that is how you are seeing growth of more than 20% in Sunflame. That gives you a sense of where the growth is coming from.

Laxminarayanan - Tunga Investments: Which new products did you refer to in relation to the product refresh in Sunflame? Which products have you launched, and how has the [trails off]

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Management: To give you an idea, the major challenge is that Sunflame was a business dependent on a few people in terms of how it was driven.

The transaction concluded a year after COVID. During the couple of years of COVID, and also in the year of the transaction, the company did not have bandwidth. These 3-4 years—the period of COVID, the transaction year, and the 1 year after the transaction—were affected.

The kitchen business has a high rate of product refresh. The product portfolio is refreshed every 2-3 years. This gap in product refresh occurred because of COVID and probably because the enterprise was occupied with transaction readiness, transaction execution, and us securing control.

Subsequently, we set up our PRM. The refresh is touching practically the entire Sunflame portfolio. It is not specific to one category or another because the entire range has become dated.

Management: Sunflame's large categories are gas stoves, chimneys, and mixers.

Laxminarayanan - Tunga Investments: Mixers.

Management: These are the three large segments.

Laxminarayanan - Tunga Investments: Got it. One last question on ceiling fans. Since we have had new products in BLDC and remote-control fans, could you help me understand the mix of premium and BLDC in ceiling fans? Which segment has generally outgrown for us in the first half?

Management: BLDC is driving growth in fans, just as it is for the industry and similarly for us. The BLDC share is also decent, perhaps upwards of 35-40%. Most of our product work is currently focused on BLDC.

Laxminarayanan - Tunga Investments: Got it. Thank you.

Operator: Thank you. Ladies and gentlemen, in order to ensure that management is able to address questions from all participants in the conference, we request you to limit questions to two each per participant and rejoin the queue for any further questions. Our next question comes from the line of Deepak Lalwani with Unifi Capital. Please go ahead.

Deepak Lalwani - Unifi Capital: Thank you for the opportunity. For the solar rooftop business, can you highlight our supply chain and procurement? Where are we currently sourcing the various components of the bill of materials, such as cells, modules, and the inverter and battery?

Also, in the states where we are present, I am sure there is competition from large players such as Tata Power and Surya Ghar. How do we compete with them?

Finally, this business is predicated on a government policy that expires this year. How should we view the growth of solar rooftops in, say, '28 and '29?

Management: Let me start with the last part first. As we understand it, the government has set targets in this area, and perhaps the nature of the offerings will change. We might move toward storage plus generation, as opposed to generation alone today.

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The portfolio may therefore change, with a hybrid inverter and perhaps a battery storage system also being included [trails off]

Management: which will actually become more favorable for people who have capability and expertise in these domains.

This is how we see it. The second part is that V-Guard as a brand has strong brand equity in the energy storage and electrical space. We have very strong recognition. Across our portfolio, we reach more households than any of the names that you mentioned, from an offering standpoint.

It is just that we have entered the business later, and it will obviously take us some time. However, the familiarity of the trade and channel with V-Guard as a brand is very strong. Internally, we have the required capabilities to drive and grow these businesses.

Coming to the supply chain, as I said, our business is fairly nascent, and our supply chain is still forming and evolving. It may be better to discuss these things a few quarters down the line, when the business takes shape and form and we are able to give a response that is more sustainable from a long-term standpoint.

Deepak Lalwani - Unifi Capital: Understood. You mentioned the mid-teens volume growth that you are witnessing. That is probably because of the near-term summer. Structurally, however, it looks like V-Guard is gaining market share, and that has been a long-term trend.

Could you explain the drivers that you have executed over the last 3-4 years or over the last few quarters in the near term? That would be useful.

Second, your EBITDA margins are still in the 9% to 10% range, which is a function of commodities, product mix, A&P, and operating expenses. As you grow much larger, how confident are you that you can achieve operating leverage benefits and move toward a 12% to 13% EBITDA range for the company?

Management: We as a company are still [inaudible] I think we need to understand that you should not look at us as a company focused only on driving efficiency. We are continuously investing in building our capabilities and expanding our portfolio.

Building capability means that we are working on what will be required from us 3-5 years from now. We are working on those areas. We are also investing and diversifying across categories.

Some of the money we make has to go into these new areas, including setting up teams and establishing internal capabilities. All of this will dilute margins.

When you see an aggregate number, you are seeing a balance between our investment for tomorrow and what we are doing to drive today's categories. If you split those two apart, you would probably see the improvement and operating leverage.

However, we are in this business not just for this year. We are in the business for the long term. If you go back 10 years and compare where we were then with where we are today, we reached this position because we made these investments to build the future. Similarly, we will make balanced

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investments to build our future for the next 5 to 10 years.

Many of these new categories—we are getting into SBS, lighting, and batteries—will require future investments. These investments will presently be charged to the P&L.

The other point is that, as we have already acknowledged, our pricing transmission is also lagging. If the markets were stable, you would probably see healthier margins than what you are seeing today.

The way I would ask you to look at us is to compare us with our peers and look at what has happened to margins over a period of time. We have held our margins and sustained investment in the future growth of the business.

Deepak Lalwani - Unifi Capital: Thank you. All the best.

Operator: Thank you. The next follow-up question comes from the line of Naushad Chaudhary with Aditya Birla Sun Life Asset Management Company Limited. Please go ahead.

Naushad Chaudhary - Aditya Birla Sun Life Asset Management Company Limited: I have two follow-ups. First, coming back to margins, I understand that the decision to increase our in-sourcing and invest in manufacturing was expected to help us enter double-digit EBITDA margins by FY28. With all these investments and the initiation of new categories, should we still expect double-digit EBITDA margins from the company from FY28 onward?

Management: If you look at our H1 numbers, we are very close to 9.5% to 10% EBITDA. We are on course even this year.

Naushad Chaudhary - Aditya Birla Sun Life Asset Management Company Limited: On our new innovation center, can you share your thought process in terms of the activities conducted there and your expectations from that infrastructure? How should it expand the business today versus 2-3 years down the line if it achieves what you aspire to from that center?

Management: The innovation center is currently primarily focused on strengthening and building our electronics capability. That is a significant part of what is happening in the innovation center, although some other categories have also moved there. Not all categories have moved there.

The innovation center is also helping us strengthen product reliability because we are working on accessing and strengthening portfolio reliability across the company.

The primary purpose of setting up the innovation center is to expand capabilities and provide space for our R&D teams to engage with consumers and bring consumer insights into the product development process.

As you will see, we are further expanding into a number of categories, and the role of electronics is going to expand significantly with the newer categories we have just discussed, including lighting.

The center is fundamentally taking into account the needs of these areas. This is what I was saying: we set up the R&D center around 3-4 years ago. It is an investment for what is going to come over the next 2-4 years.

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As a business, we have to invest today, and we also have to invest for tomorrow. Our portfolio creation is still underway.

That is fundamentally the objective there. We also have a group working out of Kochi on long-range innovation. They are working on products with a development cycle of 5 years. This capability is also being developed, although these two capabilities are spread across multiple campuses.

Naushad Chaudhary - Aditya Birla Sun Life Asset Management Company Limited: In terms of absolute spending and as a percentage of revenue, how has our R&D spending changed over the last 1 or 2 years, and what is the current rate? How many people are involved in all these activities?

Management: I may not be able to readily give you a number because it is spread across many {? pockets ?}. We are not currently tracking it as a number. We are doing what needs to be done to move forward because—

Management: What is classified as R&D expenditure includes certain specific items under DSIR and related areas, but the actual number of engineers working is much higher. I do not have that data. What is classified as R&D is according to accounting standards and similar requirements. Only certain types of expenditure are classified that way. The number of people actually working on R&D, product development, and innovation may be higher.

Management: A significant part of the organization is dedicated to product capability. We have not been tracking the number in that manner. We are simply doing what is required to deliver our product roadmap and product capability. Therefore, I do not have a number readily available to share with you.

Naushad Chaudhary - Aditya Birla Sun Life Asset Management Company Limited: Sure, sir. Thank you.

Operator: Thank you. The next question comes from the line of Nikhat Koor with Dolat Capital. Please go ahead.

Nikhat Koor - Dolat Capital: Thank you for the opportunity. My question is on the Electronics segment. What led to the sharp 380 bps sequential decline in electronic margins in Q2?

Management: It is the mix. There are two things. First, there is pricing transmission. Just as there are price increases in other categories, there are price increases in electronic components as well. There are also categories that are in season and categories that are out of season.

When a category is out of season, it takes more time to transmit the price increase. There is a lag across the portfolio, and there is also a lag in the Electronics category.

There may also be some mix impact because, compared to last year, we have sold rooftop systems this year. The margin structure of a rooftop system is slightly different from that of the other products in the Electronics segment. The combination of these two factors is the impact that you are seeing.

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Nikhat Koor – Dolat Capital: What would be sustainable margins in Electronics? Would it be around 18% to 18.5%?

Management: Somewhere between 16% and 17% is appropriate. Eighteen percent can be achieved in a good year.

Management: Eighteen percent in a good year and 16% to 17% in a normal year.

Nikhat Koor – Dolat Capital: Okay. Thank you.

Operator: Thank you. The next follow-up question comes from the line of Mr. Achal Lohade with Nuvama Institutional Equities. Please go ahead.

Achal Lohade – Nuvama Institutional Equities: Thank you for the follow-up opportunity, sir. Two quick questions. First, on wires, given that the new entrant actually launched last month, how do you see the scope for our wire growth and margins, particularly in terms of the pockets where we could be at risk? Any color on that would be of great help.

Management: The new launch is very recent. From what we can gather, a significant quantity of material has not yet reached a significant number of outlets. These are still very early days.

We will have to give it a couple of quarters before we can comment. As of now, we can say that there is absolutely no impact because there is still very little activity in retail. There are no products in the market yet, or they are present only very far and few between.

Although there was a big-bang launch, the actual process of manufacturing the product and getting it into the trade will take more time. That is what we expect.

Achal Lohade – Nuvama Institutional Equities: Got it. Secondly, any update on the {? Giga9 ?} in terms of any benefit from the investment? How do you see that playing out, especially as there is a scale-up in batteries and energy storage?

Management: {? Giga9 ?} is focusing on commercializing the technology into a product. They have now picked up, I think, around three customers, and they are building what I would call a customer franchise with those three customers. That is where {? Giga9 ?} stands today.

Achal Lohade – Nuvama Institutional Equities: Do we have any purchases from {? Giga9 ?}?

Management: Not yet. We may have made some small purchases, or we may be in the process of making some small purchases as we speak. I do not know the exact situation right now.

Management: It may not be material as of now, but a few months down the line, there could be some volumes coming in.

Management: They are in the process of meeting, or may have just met, our first pilot orders.

Achal Lohade – Nuvama Institutional Equities: Understood. Got it. Thank you so much, sir.

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Operator: Thank you. The next follow-up question comes from the line of Lakshminarayanan with Tunga Investments. Please go ahead.

Lakshminarayanan – Tunga Investments: Thanks. I just want to understand how your distribution [cut off]

Lakshminarayanan – Tunga Investments: ...now, what channel expansion has there been in the first half compared with the last half? Across—

Management: Typically, we target adding 3,000 to 5,000 customers every year, and I think we are on course with that process.

There are two types of activities we undertake. One is adding these new customers, and the other is adding more categories with some of our existing customers. These are the two—

Lakshminarayanan – Tunga Investments: Got it, sir. Another visual observation is that, compared with a couple of years ago, there has been a proliferation of too many brands. I see that people who previously stocked predominantly retail products are also giving a lot of shelf space to various other products.

In this kind of scenario, how are you making your product stand out? The quality of products is always at stake, and everyone claims to offer quality. What have you done in the last couple of years that you would like to highlight?

Management: India is an extremely large market. If you look at the universe of shops or trade channels that we have to serve, it is close to 200,000. We are at about 100,000, or slightly more than 100,000. Therefore, we have a lot of room to grow.

It does not matter that some people will come and some people will go. We look at how we have grown relative to our peers, and we are definitely growing faster. That should give you some indication.

Lakshminarayanan – Tunga Investments: Got it, sir. Thank you.

Operator: Thank you. Our next question comes from the line of Rabindranath Nayak with Nirmal Bang. Please go ahead.

Mr. Rabindranath Nayak, your line is unmuted. Please proceed with your question.

Rabindranath Nayak – Nirmal Bang: Thank you for the opportunity. The Electronics segment has grown by 60% this quarter. Have the two segments—your inverter and stabilizer businesses—grown similarly, or has the stabilizer business grown faster than the inverter business?

Management: I think the solar power and inverter battery businesses have grown quite well. Stabilizer growth is slightly lower in that mix.

Rabindranath Nayak – Nirmal Bang: If I understand correctly, the stabilizer business is pan-India, while the inverter business is confined to the South market as of now, correct?

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Management: No. Only the solar power system is being sold mostly in the South. The other two Electronics categories are largely pan-India.

Rabindranath Nayak – Nirmal Bang: You mentioned that a 2% to 3% price increase is expected. If demand is good, you must have passed on the majority of the price increase in Electronics. In Electricals, as you said, volume growth has been flat and you have also taken a price hike, so the 41% growth is mainly from the price hike. Therefore, is the right understanding that Consumer Durables is lagging in taking price increases?

Management: To an extent, yes. The quantum of price increase we have to take in Consumer Durables is slightly higher than in the other two segments. However, that also has to be passed on.

That category also took a lot of price increases in Q1. Since Q2 is an off-season, particularly for fans, there has been some delay in increasing prices. However, the price-increase activity is going to pick up again in the current couple of months.

Management: In Q1, we implemented pricing very aggressively and probably ahead of the market. In Q2, we may have been somewhat slower because it slightly impacted our growth in some categories. Therefore, we were slower in Q2. There is a lag in transmission, and we will look to address it in Q3.

Rabindranath Nayak – Nirmal Bang: If we take a price increase in the second half, and since many people have taken price increases, can we reach around double-digit margins in the second half?

Management: As Mithun already said, we are almost there even in the first half. In H1, we should be between 9.6%, 9.7%, and 10%. We are already there.

Rabindranath Nayak – Nirmal Bang: Okay, so then we can—

Management: Just one point. Please do not look only at quarter-to-quarter margins. Typically, Q2 will have a lower margin than Q1 because the mix in Q2 is different from the mix in Q1.

Stabilizer sales are lower, and some of the high-margin category sales are lower in Q2 compared to Q1. For us, this is a normal margin pattern. It is normal for Q2 to be lower than Q1. Margins will progressively improve in Q3 and Q4, and that is the normal margin mix for the company.

Rabindranath Nayak – Nirmal Bang: Lastly, what is the total capex planned for this year?

Management: This year's capex will be in the region of about 150 crores. 150 crores.

Rabindranath Nayak – Nirmal Bang: Thank you, sir, and all the best.

Management: Thank you.

Operator: Thank you. Ladies and gentlemen, we will take that as our last question for today. I now hand the conference over to management for closing comments. Over to you.

Management: Thank you to Ashika and the team for hosting this call, and thank you all for your patient listening.

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Operator: Thank you. On behalf of Ashika Institutional Equities, that concludes this conference. Thank you, everyone, for joining us. 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.

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