QRG GROUP

HAVELLS

4th May, 2024

The National Stock Exchange of India Limited Exchange Plaza, 5th Floor Plot No. C/1, G Block Bandra Kurla Complex Bandra (E) **Mumbai- 400 051** **NSE Symbol : HAVELLS**	BSE Limited Phiroze Jeejeebhoy Towers Dalal Street **Mumbai- 400 001** **Scrip Code : 517354**

Sub: Transcript of Earnings Call with respect to Financial Results for the fourth quarter and financial year ended 31st March, 2024

Dear Sir,

This is with reference to the Company intimation dated 25th April, 2024 filed with the stock exchanges in terms of Regulation 30 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 regarding the conference call to discuss the financial results for the fourth quarter and financial year ended on 31st March, 2024 scheduled for Tuesday, 30th April, 2024.

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

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

This is for your information and records.

Thanking you.

Yours faithfully,
for **Havells India Limited**

SANJAY KUMAR GUPTA
Digitally signed by SANJAY KUMAR GUPTA
Date: 2024.05.04 17:01:03 +05'30'

(Sanjay Kumar Gupta)
Company Secretary

Encl: As above

Havells India Limited
Q4FY24 Earnings Conference Call

April 30, 2024

MANAGEMENT:	**MR. ANIL RAI GUPTA - CHAIRMAN & MANAGING DIRECTOR, HAVELLS INDIA LIMITED** **MR. RAJESH KUMAR GUPTA - WHOLE-TIME DIRECTOR & GROUP CFO, HAVELLS INDIA LIMITED** **MR. AMEET KUMAR GUPTA - WHOLE-TIME DIRECTOR, HAVELLS INDIA LIMITED** **MR. RAJIV GOEL - EXECUTIVE DIRECTOR, HAVELLS INDIA LIMITED**
MODERATOR:	**MR. ANIRUDDHA JOSHI – ICICI SECURITIES LIMITED**

Moderator: Ladies and gentlemen, good day, and welcome to Havells India Q4 FY '24 Earnings Conference Call hosted by ICICI Securities.

As a reminder, all participant lines will be in the listen-only mode, and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing "*"and then "0" on your touch-tone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Aniruddha Joshi from ICICI Securities. Thank you, and over to you, sir.

Aniruddha Joshi: Yes. Thanks, Manjula. We welcome you all to Havells India Q4 FY '24 and FY '24 Results Conference Call.

We have with the Senior Management Team represented by Mr. Anil Rai Gupta – Chairman and Managing Director; Mr. Rajesh Kumar Gupta – Whole-Time Director and Group CFO, Mr. Ameet Kumar Gupta – Whole-Time Director; and Mr. Rajiv Goel – Executive Director.

Heartiest congratulations to the management team for strong performance in Q4 FY '24. Now I hand over the call to the management team for initial comments on quarterly as well as annual performance. Post that, we will open the floor for question-and-answer session. Thanks, and over to you, sir.

Anil Rai Gupta: Thank you, Aniruddha. Good evening to all for attending the call today. Hope you would have reviewed the results by now.

Quarter four delivered a decent revenue growth, supported by continued infrastructure-led demand and promising start of the summer season. We are also seeing some early signs of benefit from real estate upticks.

Post several quarters of disruption due to the BEE transition, fans registered a robust growth. With the strong onset of summer, we are seeing encouraging response from the channel for summer products.

Also, we are quite satisfied with Lloyd performance, and we are excited with the current market pickup and how season is shaping up. We have maintained that Lloyd is on a journey of growth, profitability and market share. We believe that air conditioners are on the cusp of significant traction after a few years of softness. And Lloyd is well positioned to capitalize through its own manufacturing capacity of 2 million air conditioners, a wider product portfolio with premium offering and an entrenched omni-channel distribution. We are positive on business performance going forward.

We can now move on to Q&A.

Moderator: Thank you very much. We will now begin the question-and-answer session. The first question is from the line of Ravi Swaminathan from Avendus Spark. Please go ahead.

Ravi Swaminathan: Congrats on good set of numbers. My first question is with respect to the ECD business, that 22% growth that we had seen this quarter. If you can give a sense on how the fans business would have grown? What kind of growth that would have seen? Would that have been the major driver of growth for that particular sub-segment? If you can give your views.

Anil Rai Gupta: Yes. Ravi, I think overall fans has shown even a better growth as compared to the overall 22% ECD growth. But mind you, as I said in my opening remarks also, that this is over a low base over the last few quarters. But also, the fact that the summer season has also started picking up well. Last year, March was a low month. This year summer onset was early, and we are expecting a good summer in this year.

Ravi Swaminathan: And at the overall company level, given this summer is good. Lighting pricing seems to be bottoming out, you adding capacity in cables and real estate picking up, which should translate into good growth for switchgears. What kind of growth that one should think about with overall real estate picking up? Should it be for the core business similar to a 9%-10% growth that we had done this year, or it can be a much better number like mid-teen kind of numbers that can happen over the next 2, 3 years?

Anil Rai Gupta: So, as you know, we don't give guidance on the growth aspect. But for the reasons that you mentioned, you've already enumerated all these reasons. We do believe that the growth in the core business can be better as against what we have done in the last 1 or 2 years. So, we definitely are more positive about the coming year.

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

Natasha Jain: Sir, my first question is in continuation to the last participant's question. Sir, you said fans registered a robust growth. Now broadly, if I see ECD, there has been approximately 150 basis point compression. So, can you tell from which category within ECD this compression is coming from? Or is fans a complete volume-led growth? My first question is that.

Anil Rai Gupta: So, on the compression that you're talking about, you're probably talking about segment results, and this is actually depending upon the expenses also. On the contribution margins, I think we are fairly stable. And this is what we generally track because quarter-on-quarter expenses can vary depending upon advertising. Otherwise, on a contribution margin basis, we are quite okay and in line with what our expectation is.

Natasha Jain: Sir, then can we assume that you were able to take some kind of meaningful price hike in fans? Or was that not possible at least for fourth quarter?

Anil Rai Gupta: Fourth quarter, there was no requirement of a price increase because the materials continue to remain at benign level or a constant level throughout the year. We have seen, in fact, a quiet a major uptick in the raw materials in early April and late March. So, definitely, I think going forward, we may expect some price increases. But last quarter, there were no price increases.

Natasha Jain: Sir, my next question is on Lloyd. So, channel checks suggest that there was a stock out situation for most brands. And also, for Lloyd, we found that at some counters. So, first off, is that true? And if it is true, was it because we didn't anticipate such strong summer? And as a result of which, for fourth quarter, could we have lost some market share to the leader? And a related question is from 1st April, secondary sales have started picking up sharply. So, second round of primary sale, what's the inventory stocking in the channel? And therefore, what is Havells inventory looking like? And the recent bouts of rain, has it been a dampener? So, those are my questions.

Anil Rai Gupta: As far as Lloyd is concerned, the primary sales have been strong in the last couple of quarters. As we mentioned in the past meeting also, Lloyd is moving towards the journey of more sell-out basis from the channel. And so, there is a lot of focus towards the sellout. As you rightly mentioned, April was the real consumption month, which was a very strong month especially for South, West and East. North still has to pick up in terms of consumer pickup.

But I think overall, at the end of March, we don't think we had any issue with the stock situation. So, because of two facilities now that we have one in South (Sri City) and one in North (Ghiloth). So, we are not in a situation, neither we are stocking very high nor there is a situation of stock out. But yes, of course, when it comes to April, May and June, if this trend continues, there might be issues with some amount of inventory being short in some areas, but we don't anticipate a huge issue with that.

Natasha Jain: Sir, the reason why I was asking is that the 6% growth for Lloyd looks a little lesser than an industry growth of approximately 20%.

Anil Rai Gupta: The way we are looking at is that we need to look at 2 years' growth what we have done in that. Structurally, we have maintained our market share for the entire year. So, that's how we look at it. On a quarter-on-quarter basis, I don't think this will be appropriate for us to make any decisions. But I think overall, we have maintained our market share. Over 2 years, our growth has been around 30% CAGR and that's what we are focused upon.

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

Siddhartha Bera: Sir, my first question again is on Lloyd. I mean, after now quite some time, we have sort of come back to that double-digit contribution margin levels. So, going ahead in terms of outlook, a few things. In terms of priority now, will maintaining a double-digit contribution margin be amongst the priority, which you will strive to achieve or probably you will continue to sort of look at the balance between growth and contribution margins going ahead? How should we sort of think about the next few years?

Anil Rai Gupta: See, I know you've been following Havells for quite some time, and the company's philosophy has always been not "growth or profit", it's always been "growth and profit". So, I think the same philosophy will become a part of Lloyd as well. So, I've always maintained that we are continuing to invest in product, brand, channel, R&D for Lloyd. And we are on the journey of growth, profitability and market share. So, as a company, we don't believe in either/or strategy. And hence, structurally, we are trying to make things right, whether in channels, whether in brands, whether in products, whether in terms of our cost efficiencies and manufacturing. We are trying to make things structurally right so that it becomes a sustainable performance of growth and profit.

Siddhartha Bera: Got it. So, if I have to sort of go a bit deeper into how the improvement has happened, would you suggest that, I mean, it's more led by pricing and probably discounts coming down, which is more sustainable? Or do you think it's because of the costs going down because what I see in the near term is that copper prices now have started going up again. So, how should we think about profitability in the coming year?

Anil Rai Gupta: So, as I said, this is not attributed to one action. It is attributed to many actions including channel mix, product mix, cost efficiencies. And of course, when your channel and the consumer preference start going up, your pricing actions also follow. So, those are all things put together, which will lead to improved performance. And this is just a start. I think over a period of time, we have to see how things pan out. As you rightly said, markets change, the material prices are changing, how we are able to pass on that to the market, how the competition behaves. So, those are all things we have to keep looking at. But as I said, Lloyd is in a long-term journey for structural improvement in terms of cost structure, channel and product and brand. So, that's something which we have to focus upon, and we'll continue to do that.

Moderator: The next question is from the line of Rahul Gajare from Haitong Securities India Private Limited. Please go ahead.

Rahul Gajare: I wanted to get your feedback on the demand scenario, which has been muted for most of the year. Now with ECD growing well in this quarter, which was largely contributed by fans. Have you seen a more broad-based pickup in demand? Yes, so that's the first question.

Anil Rai Gupta: Yes. I think overall, in the last few months, there has been a better demand scenario. As I mentioned, Infrastructure & industrial has been positive over the last 1 or 2 years. Consumer demand, real estate had been a little bit more tepid. We have seen some improvements. But again, it has to be seen how it pans out because raw material prices are going up. And last time we had seen in a high inflation scenario, sometimes the demand also slows down a little bit. But at least the starting of this calendar year has been on a stronger base.

Rahul Gajare: And in your cables and wire business, is it possible to split this growth into volume number. And I think it will be very helpful if you can share with us the full year volume number for Lloyd.

Anil Rai Gupta: 18% is the volume growth in cables and wires in this quarter.

Rahul Gajare: And the Lloyd number?

Anil Rai Gupta: We actually don't give different quantities because it's the product mix of refrigerators, washing machines and everything.

Rahul Gajare: Sir, let me just rephrase. I'm specifically looking only for room air conditioner volume number for this year, not for the quarter.

Anil Rai Gupta: We don't give this number.

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

Sonali Salgaonkar: Sir, you mentioned in the press release that the EBIT positive margin of Lloyd is led by cost savings and business efficiency measures. Could you articulate which were the key ones over here so that we better understand the margin profile.

Anil Rai Gupta: So, there were cost efficiencies as I have also said in the past that we had new manufacturing facilities. Ghiloth was fairly new. Sri City was a completely new facility. So, there was initial inefficiencies built when a new plant comes up. So, we have been working on building cost efficiency. But that's only one part of the overall journey for profitability improvement and growth. The other is, of course, migration, brand perceptions, all those things, channel mix will also contribute. But yes, in the last one year, there has been a lot of focus on cost efficiencies as well on the manufacturing side.

Sonali Salgaonkar: Sir, what is the capacity utilization for Lloyd right now?

Anil Rai Gupta: So, we have a capacity of around 2 million air conditioners because we have seasonality in this business. Overall, for the year, we are around 65% or so.

Sonali Salgaonkar: Sir, my last question is towards CAPEX. Any CAPEX guidance for FY '25? And also, your cable capacity, when can we expect that to commission?

Anil Rai Gupta: So, this year, CAPEX will be around Rs. 800 crores as of now, and we will continue to evaluate during the year, but around Rs. 800 crores.

Sonali Salgaonkar: And your cables capacity commissioning?

Anil Rai Gupta: In the month of June'24.

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

Renu Baid: Congratulations for strong profitability turnaround. A couple of questions. First, on the core ECD business, while we have seen growth coming back, good seasonal and demand tailwinds, the EBIT margin or profitability for us somehow is still in the 10%, 11% range, 11.5% range.

So, what in your view could be the drivers which can help the margin get back to 12% to 13% in ECD as a category? Or do you think there are structural headwinds which may cap margin expansion in this segment?

Anil Rai Gupta: I think overall, with the focus on non-fan businesses like appliances also and driving efficiencies there, getting stronger in regions where we have been weak. So, hopefully, we should be looking at improving margins overall in ECD business. And I think, as I said last couple of years, because of lack of growth in the ECD business as a market, generally speaking, there is more stress on profitability also because of higher spends on advertising and all. But otherwise, our focus will be to continue to improve our contribution margins first, and then, of course, bring it down to the bottom line. But overall, I think we are moving in the right direction.

Renu Baid: Secondly, in terms of recently announced foray into large kitchen appliances. So, can you share some inputs in terms of what are your medium-term targets for this business? And as a company, what kind of investments will be required in this specific business segment distribution and allied areas because the distribution is completely different for large kitchen appliances versus traditional portfolio that we have and even in Lloyd's air condition business. So, how do we look at scaling this business from a 3- to 5-year perspective?

Anil Rai Gupta: So, we are looking at trying to get synergies from our existing channel, existing brands. While you say that it's a different channel, but we are now significant part of the channel, which also sells this, in the modern format stores through Lloyd and some part of Havells as well. So, we will be taking this business with a cautious approach, not heavily investing in manufacturing. All the IP is owned by us, but we will be manufacturing it through third-party manufacturers. And taking it from there and looking at this business like a seeded business and develop it over a period of time.

Renu Baid: The M&A that will be targeted for this business expansion or largely it would be organic?

Anil Rai Gupta: Largely organic.

Renu Baid: And lastly, on Lloyd, while the journey is long term, we have done many strategic changes. Can one say that in the recent quarters, having established a good volume share now looking at the right balance between profitability and volume growth, fortunately season also has been favourable. So, now clearly, there is no need to be really aggressive on the pricing. But follow the other strategic initiatives like premiumization and distribution reach otherwise.

Anil Rai Gupta: Actually, if you see last couple of years, we've not really changed our journey. I mean the pricing journey, the branding journey, the channels journey. We've remained fairly stable, and that's what even the channel is appreciating. It's not that we are changing our strategy. As I said, may be because this year, the efficiencies in the manufacturing also started kicking in. So, we have started gaining. But there is no change in strategy on pricing. It's something which as a brand, we believe that we can't keep changing all the time.

Renu Baid: And can you just also highlight what was the average price increase taken in Lloyd for the current season for our AC portfolio?

Anil Rai Gupta: So, as I said, we've maintained our pricing over the last 6 months. We have not increased prices.

Moderator: The next question is from the line of Praveen Sahay from PL India. Please go ahead.

Praveen Sahay: Congratulations on a good set of numbers. So, the first question is related to the Lloyd. If you can give some geographical contribution, like how is your South versus North as a performance? And is there a material difference in terms of the growth in the last FY '24?

Anil Rai Gupta: I think Lloyd over the last few years, if you see, we have grown very strongly in the two deeper regions like, for example, West and East. Lloyd had been strong in South in certain markets other than Tamil Nadu. But I think overall, in the last 1 year, growth has been all around. In the last quarter only, the growth has been very strong in South and East. North region is yet to pick up. But otherwise, South, East and West has grown much better than North.

Praveen Sahay: Okay. And in this segment only, as you had mentioned that last 6 months, you have not taken any price hike, but in our challenge as we get to know at the dealer level, there is some price hike across the brands. So, is it something therein or you directly negate that there is a no price hike so far.

Anil Rai Gupta: I think we have been fairly stable in our pricing. We are not a company who believes in changing prices during the season time. And so, in fact, whatever we started off in October-November, we have maintained the price till the end of March.

Praveen Sahay: Great. Sir, last question on the cable. Can you give a volume growth number for FY '24?

Anil Rai Gupta: 18% for the quarter and 15% for the entire year.

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

Ashish Jain: Congrats for great set of numbers. So, my first question, again, goes back to Lloyd margins. Just on the contribution margin, sequentially, we have seen 500 basis points of improvement. Am I right in saying that roughly 200-odd bps would have come just from higher volume because you also factor your depreciation cost in calculating contribution margin?

Anil Rai Gupta: So, I don't know the exact number, you might be knowing better. But there is unabsorbed manufacturing overhead, has always helped when the volumes are higher. So, fourth quarter and first quarter, always the margin will be higher because of this.

Ashish Jain: So, sir, can you give some more colour on this 500 bps of sequential margin expansion pricing, you said, is stable. So, that is not a big driver. If it's possible to give any colour on mix, cost.

Anil Rai Gupta: I think I've already given a lot of input on this one. So, I don't think I can give more granular detail more than what I have already said.

Ashish Jain: Sir, secondly, in terms of your cable business, with the capacity coming in June, I mean how fast can we ramp it up because that was one of the big as in bottlenecks for us to grow our cables business. Can we expect like 70%, 80% utilization by end of the year? Or will it be more gradual?

Anil Rai Gupta: Yes. So, second half, we'll start seeing some benefit. And of course, new plants always take time to get full and up running. There will be enough in the second half.

Ashish Jain: Sir, just one house skipping question. Earlier in the call, you said RAC operated at 65% utilization in FY'24 on 2-million-unit basis.

Anil Rai Gupta: No, I said, it's a seasonal product and sometimes it goes down to as low as 25% to 30% and sometimes it's operating at 100%. So, on average you can say 60%-65% it is operating at.

Moderator: The next question is from the line of V. Balasubramaniam from Axis Capital. Please go ahead.

V. Balasubramaniam: I had a question. Now the margins you give to your dealers and retailers of your AC products, is that subtracted when you are calculating your contribution margin?

Anil Rai Gupta: Yes.

V. Balasubramaniam: Now the reason I'm asking is when we are actually going to the channel for the last couple of quarters, we get this feedback that Lloyd has cut down on dealer margins. Now is that one of the reasons why your contribution margins have gone up? And correspondingly, we are also noticing that for the last 2 quarters, the sales growth has slowed down to 7% or 6%.

Now I'm not telling this is right or that is right. I just want to know, are you now comfortable at growing at in line with the industry or slightly lower than industry for better profitability because in the past, like the last 2 years, you were literally growing at almost like 1.5x the pace of the industry. So, are you now more comfortable with like 10% to 15% kind of growth with slightly higher margin? Is this what you are trying to achieve?

Anil Rai Gupta: So, first of all, we have not changed any margin structure or pricing structure in the market. Secondly, if you ask me, are we comfortable with industry growth, our endeavour, as I said, has always been growth, profit and market share. So, market share and growth will always be remaining as an objective. So, if you ask me straight away, we are not comfortable with growing at the industry pace. So, again, as I said, please do not look at 6%-7% growth over quarter. I think the way we are looking at it over a longer period of time, we want to see our market share grow.

V. Balasubramaniam: Now the other question is on the ECD division. Other than I assume, you already anyway mentioned in your introduction that fans grew at a substantially higher pace. In your portfolio, are there any other summer-related products in ECD other than fans.

Anil Rai Gupta: There is air coolers, which is also part of our ECD business, which is also part of that.

V. Balasubramaniam: Is it possible to tell us ex-air coolers and fans, what was the growth in ECD?

Anil Rai Gupta: No, we do not give separate growth numbers for different product categories. We have 25 different BUs. And then if you start breaking it, it will be very difficult. So, as a company, we've maintained on these SBUs and that's what we would try to focus on.

V. Balasubramaniam: Lastly, on the Rs. 800 crores CAPEX for FY '25, can you give like a broad breakup where you are spending those Rs. 800 crores.

Anil Rai Gupta: We'll give you these details subsequently.

Moderator: The next question is from the line of Balasubramanian from Arihant Capital. Please go ahead.

Balasubramanian A.: Sir, on the Switchgear segment side, like still we are facing degrowth on telecom side? And like where the demand is coming right now? And the wires and cable side, what would be the mix in Q4? And what would be the margin difference?

Rajiv Goel: No, I think this telecom, usually this will be something more like a next year. So, I think growth is largely from residential and commercial. As I said, there could be some lag effect of real estate. We believe it is accruing from there for switchgear. And on cable and wires, I think the mix is 60% is wires and cable is 40%.

Balasubramanian A.: On the margin difference, sir?

Rajiv Goel: Margin, we give consolidated. So, I think let's stick to that.

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

Latika Chopra: My question was on fans, which posted strong growth. You also alluded to the fact that there could be potential price increases on early part of Q1. I just wanted to check, what are the channel inventory levels for fans. Are these at normalized levels that you would expect at the beginning of summer season? Or this time in anticipation of a price increase, our channel inventory levels were higher at the end of March month?

Anil Rai Gupta: So, these are at normalized levels. In fact, the price increases, as I said, would be expected in the first quarter. We are still reviewing the impact of the raw material changes because this has to be seen on a sustained basis. So, if any, they will be in the first quarter, so these are not applicable from March.

Latika Chopra: All right. No, I was just thinking is it contemplating it now?

Anil Rai Gupta: No, I think these are at normalized level.

Latika Chopra: The second, which was on Lloyd. Beyond ACs, if you could give some colour on how you're thinking about scale-up of washing machines and refrigerators, considering we are looking at a more balanced revenue and profit mix for this business. If you can give us some more colour on how the revenue mix for Lloyd looked like in FY '24 on a full year basis? And how do you think the shape of revenue mix could change over the medium term?

Anil Rai Gupta: I think while we are looking at these businesses, which are foundational businesses, washing machines, refrigerators, LEDs, and they are growing at a decent pace. Last year was not a very good year for growth in these product categories, but we believe that we are doing the right things foundationally. But of course, while we'll continue to strive to make the product mix a little bit more balanced, but our aspirations to continue to grow fast in air conditioners would also be there. So, we would look at these product categories, not just as a balancing figure, but more as foundation, and we continue to grow at a decent pace in all these 3 businesses – LED TVs, washing machines and refrigerators.

Moderator: The next question is from the line of Anupam Goswami from SUD Life. Please go ahead.

Anupam Goswami: So, my first question on the cables and wires segment. Where do you see the growth coming from the both segment, let's say, cable, which segment or which KV you're looking mostly growth in? And where is the CAPEX also coming in this? And second is on the Lloyd, I still did not understand, sir, how do we increase the margins this time because you did not say anything on the price hike? And how the sustainability will be for growth and margin for Lloyd?

Rajiv Goel: I think on the cable side, largely, it is infra and real estate. And the wire is basically the residential and the commercial market. I think there have been decent growth there. And the CAPEX is both in the cables and wires product categories.

As far as the Lloyd margin is concerned, as we said, the cost efficiencies, which we have done and also the better utilization of the manufacturing because if you see both, you see from the past year as well as sequentially, the margins improved. And we have maintained in the past few quarters that there's a lot of work being happening on the cost side and efficiencies. I think this is coming to the fruition. So, apart from the gradual premiumization of the portfolio or the channel mix. As you said, we have multiple levers, which are baked into the same. I think, largely led by the cost and business efficiencies.

Anupam Goswami: And how sustainable would this be? And if there's a cost efficiency, then it should be sustainable, right? And do we see growth coming back to, let's say, the industry growth or slightly better than industry growth coming how it was?

Rajiv Goel: So, I think with the cost efficiency efforts are always continuous. You see it doesn't stop. And to some extent, there is a raw material price pickup, which has happened. So, you could argue there is a certain degree of headwind as well. So, I think those strategies will be very dynamic. And as we have just mentioned on this call, that you see there has to be a balancing of how we see the market, how the competition reacts. And there will be an endeavour on growth, profitability and market share. So, I think all these will have to be evaluated.

But as I said, the cost measures and the work on efficiencies is being squeezed out of the cost will continue. So, we definitely hope that there is a good balancing of growth and profitably, which will continue. But yes, we have to continue to watch it out. I think it is a competitive industry.

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

Pulkit Patni: Sir, you said that over the last 3 years, we've grown at 30% in Lloyd. But if I look at the variability, 35%, 50% and 12%, is it fair to assume that the inventory that we had put in the channel was on the higher side. And we've seen normalization of that happen right now over the last 2 quarters, i.e., from here on, we actually should grow in line with the industry. Because, I mean, 3 years is a pretty long time for a CAGR for us to look at. So, just wanted to understand why the last 6 months for us has been weaker than the rest of the industry?

Anil Rai Gupta: Normally, if there is higher inventory in the system, it is usually not over years, it can happen over a quarter or a few months. So, we have seen market share gains also in the last 3 years. It's not that if we push the channel, that inventory is getting normalized at this point in time. Overall, in the last 3 years, Lloyd has gained market share.

Pulkit Patni: No, sir. Sir, precisely, that was what I was trying to understand that last 6 months, we have grown lesser than the market, and you said an overall growth has still been 30%. So, I was just wondering like is there a correlation between the two. Effectively in the last 6 months, our market share is lower, is what the data is suggesting. So, I'm just trying to understand that better.

Anil Rai Gupta: Again, we have to look at it over a longer period of time. There are structural changes also happening within Lloyd in terms of more sell-out basis and sell-in basis. So, there is probably normalization of inventory towards the fact that we are also changing our strategy to sell and not stock the channel in the initial phase. So, if you really see a comparison on the last 6 months basis.

Pulkit Patni: That is clearer. Sir, my second question is, I think somebody already asked if you could talk about the breakdown of CAPEX because Lloyd, we already have enough capacity. Cable, we'll be expanding capacity. So, Rs. 800 crores would be spent on which subsegments?

Anil Rai Gupta: So, let us come back to you with the figures, but as you rightly said, there is not more CAPEX in Lloyd. Most of the CAPEX is for Havells.

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

Aditya Bhartia: Sir, just wanted to understand if there were any capacity constraints that we were seeing on the wires and cable side? And how much additional capacity is actually coming on stream? Would it be largely for underground cables or it's a mix of underground cables and domestic wires.

Anil Rai Gupta: It is a mix of both and both capacities are coming up. Approximately 25% capacity is being added.

Aditya Bhartia: And sir, were there any capacity constraints that either we or industry were seeing on the industrial cable side?

Anil Rai Gupta: Yes, at least for us, there has been capacity constraints.

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

Natasha Jain: I have 2 questions. One is on the switches side. So, I wanted to understand first if you could give any kind of qualitative sense or a quantitative breakdown in terms of switches and switchgear. And this is a very high-margin business for Havells, so most impact. So, I wanted to understand what are the pressures that you see from these unbranded local players because on the ground, the traction for players like GM, Goldmedal, Anchor has been very high.

And in some markets, we've also seen Havells losing market share to them. So, trying to understand the split in terms of revenue and how are you seeing the switches business? Are you facing competition because that is what we've seen on the ground? That's one. And second, just a financial hygiene question. Can you tell us what contributed to your high other income this time?

Anil Rai Gupta: So, I think on the first question, if you look at over the last 10 years or so, in the switches business, we believe that Havells probably lost market share initially to these unbranded players. But I think over the last 3 or 4 quarters, there has been a lot of structural changes in terms of our product mix and product offerings to the market. So, we have gained back market share in the last 2 or 3 years as against the unbranded players in the market. So, switches is now on a good growth trajectory within the switchgear business.

Natasha Jain: And sir, in the other income?

Anil Rai Gupta: Other income is largely on higher cash balances year-on-year.

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

Bhoomika Nair: Sir, and congratulations on a good set of numbers. Sir, on Lloyd, we've seen a very decent expansion and a turnaround at the EBIT level. With gross margins now at 12.5%, is there a possible scope of further expansion given that we will likely grow in line or slightly ahead of industry?

Anil Rai Gupta: Yes. So, heart asks for more always. Let us hope for better numbers. But the fact is look, we can't look at just one quarter numbers. Lloyd is a seasonal business. We have to look at the entire year. Entire year, Lloyd has been able to get a contribution margin of 7.9% or 8%. So, that's something we have to now track from here how we pan against that. While we are very enthused by the fact that the efforts of manufacturing efficiencies have started kicking in, but we are also wary of the fact that the raw materials are going up, and we have to remain competitive in the marketplace.

So, again, just on a basis of growth, profitability and market share, we have to keep balancing all these things while we are looking at Lloyd in the coming year. I would please request everybody not to just look at one quarter. We have to have a very long journey in that and that's what we are planning to do. It's a huge market. It's as big a market as electrical market. And I think there's a long way for Lloyd in the coming times.

Rajiv Goel: I think what we see a very encouraging sign that after years of softness, the AC business has started on a very good note for the industry as a whole. So, I think that's something is a very positive start to the season.

Bhoomika Nair: Sure, sir. Also another question was that you spoke about washing machine, TVs, et cetera, also gaining importance is also refrigerators. Has there been a mix as a year as a whole between AC and the rest of the segments, like AC used to be about 70%, 75%. Has there been any change in that mix in FY '24 as a year.

Anil Rai Gupta: No, it continues to remain the same.

Bhoomika Nair: My second question is on the wires and cables segment. You spoke about 18% volume growth for the quarter and 15% for the full year. How would this differ for the wire segment in terms of the volume growth?

Rajiv Goel: Pretty much similar.

Moderator: The next question is from the line of Atul Tiwari from Citi. Please go ahead.

Atul Tiwari: Sir, just 1 question. Over past few months, 2 or 3 months specifically, commodity prices generally have gone up, so obviously which does on pricing in fans and Lloyd, et cetera. But what about other product segments? Have you taken price hikes there and those costs have been passed on? Or that is yet to happen?

Anil Rai Gupta: The cost increases are still to pan out in this quarter. So, we will be taking any price increases, if any, from now onwards. Last 6 months, the prices have remained stable in most of the businesses.

Atul Tiwari: And sir, broadly, given today's level of commodity prices, what kind of price increases are we looking at, broadly, not especially with any product segment?

Anil Rai Gupta: I can't give you a broad answer. It varies so much from product to product, like, for example, the cables and wires, practically every 15 days prices are being reviewed. March and April, there have been price increases in cables and wires. But other businesses, the way raw materials behave, it can be very different for a fan as compared to switchgear.

Atul Tiwari: Will it be right to say about 3% to 5% kind of price increase broadly for the portfolio.

Anil Rai Gupta: So, I think let's look at the total impact of each product category separately, and then we will be increasing prices. Again, I keep coming back to the fact that as a company, we are very focused on growth and profit and market share. So, we will be balancing all these things. It's not a complete translation that if raw materials have increased by 5%, we will increase the price by 5%. We have to keep balancing things.

Moderator: The next question is from the line of Manoj Gori from Equirus Securities. Please go ahead.

Manoj Gori: Sir, in opening remarks, you commented like you have been seeing some pickup into demand categories linked to real estate. Can you give us some colour how this is panning out and your outlook on the sustainability for this demand momentum that we have seen?

Rajiv Goel: I think these are early signs, what we are seeing in the, let's say, the ECD category, which we believe comes with a lag effect once the construction is completed and handed over. So, since these are initial trends, we hope this will be sustained. And this has been our expectation as well that normally after 12 to 18 months, there is a demand you see for the late-stage products into the residential segment. So, as of now, I think it started, but I mean, we believe this should be something maintained now for the next quarter.

Manoj Gori: Sir, my second question is on the room AC industry. So, we are obviously going through one of the best demand environments in the current season, though North is yet to pick up. And given that the RM prices have been moving on the higher side, do we expect that industry based on your assessment, obviously, that we expect industry to go for price increases during the month of May. Because again, post-season, it would be very difficult to take price hike. So, how do you read the current scenario on the pricing front?

Rajiv Goel: I mean we need to watch it out. You said May. So, let's wait for the time. I think very difficult to comment right now on the same.

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

Bhavin Vithlani: Congratulations for a great set of numbers. So, I have 3 questions. The first is with past interactions, we understand Havells is relatively under-indexed in the B2B channel and as what you had alluded in the past calls. Could you qualitatively talk more about the efforts that you would have put to beef up our exposure in this channel because last 2 years, this channel has actually seen significant growth. That's one.

Second is, in the past, you have spoken about disruptions in the end channel where GT (General Trade) Havells stronghold actually seeing a decline when we do our checks and modern trade, and e-com are growing exponentially. Could you talk about the growth that we would have seen in the alternative channels like modern trade and e-com? And the connecting question here is because of the dominance of MT (Modern Trade), which are larger buyers, are we seeing a greater profit pool of the industry shifting to the modern trade versus the brands?

Last question is we've kind of seen a lot of product introduction in the premium segment in the air conditioning space like the heavy duty. And recently, you launched something which is embedded with lights. Could you qualitatively talk about how the share of these premium products have increased? And how do you see the market acceptance of these recent launches? These are my questions.

Rajiv Goel: So, on the B2B, Bhavin, I think the things have only improved. And I think that's why we said even in cable, we see a bit of a capacity constraint. So, I think there is a greater focus for not just for last 2 years but for the last 5 years. We were doing a lot of projects which is B2B. And I think if you look at our professional lighting, that business has been really well because of the way we are approaching this industry. And I think where we are also creating a lot of sectoral expertise.

So, I think these initiatives are only now assisting us not only on the B2C or on the B2B side as well. But look, these generally will continue to be there. And I think we continue to sort of support this with further investments into this segment.

You talked about the channel, yes, I think there has been shift from GT to non-GT. GT was a very large part of any business in India. But I think let's go right of GT. We have a strong belief we see in the Indian distribution and how the Indian retailers and you see the wholesalers can make a mark. So, I think we are very, very bullish, and we are also looking and evaluating options, how we can empower them and also help them in digitization so that they can continue to sort of thrive. At the same time, we have to be aligned with the market realities. And I think we will determine more as an omni-channel. And I think we have got a good presence across the spectrum, whether it is MT, whether it is RR (Regional Retail) or whether it is online. But we believe ultimately, the brand sells. So, these are just new ways of distribution and new ways of approaching the customer. The customer is looking ultimately to latch on to the brand because this is where we get the assurance not only of procurement but also the lifelong servicing of the same. So, I don't think those parameters have changed, which brings us to your third question on greater profit pool.

We do not see eventually there is a much difference. You see sometimes you have a higher contribution in some channels. But on the net-net basis, we do not experience a significant difference among the channels. And on the premiumization journey on the AC side or we believe, again, this is a journey I don't think it's fair to now start asking how much is the percentage. But clearly, we believe the consumer deserves a better, improved and a good-looking product, and that's what we have done in Havells successfully over long years. And that journey, I think, has started in Lloyd also.

Bhavin Vithlani: Could you qualitatively talk about the acceptance of the recent launches?

Rajiv Goel: We just started, but I think they're fairly encouraged because we thought that all ACs look the same and people do not expect anything different. But I think like anything else, people are very encouraged when they see something new.

Bhavin Vithlani: Sure. Just last follow-up. What would be the growth that we would have seen in e-com and modern trade?

Rajiv Goel: We won't go into a number, but this is disproportionately high. And I think our market share are converging and even higher in MT and RR.

Moderator: The next question is from the line of Rahul Agarwal, an Independent Analyst. Please go ahead.

Rahul Agarwal: Just 2 basic questions. Firstly, on the lighting segment, should I assume that the lighting pricing pressure is now gone by and the upcoming years, fiscal '25 should reflect largely volume growth. Is that fair to say?

Rajiv Goel: I think we could only argue maybe in the final stages, but we never know because these are really impacted by the global ranks. This is not something which a local phenomenon. But let's hope we are at the fag-end of this.

Rahul Agarwal: So, because my channel check suggests that the bulbs and battens are done with, but now it's getting percolated to also the professional luminaries. is that true? Would you agree to that?

Rajiv Goel: So, professional luminaries, actually what we are concerned, is innovation and very bespoke in that sense. So, I think there the pressure would be slightly lower because it's not commoditized. And even in consumer, our entire endeavour is towards providing more value and not run off the mills. Because run off the mills is in sort of Red Ocean. And I think at least if you've followed our margin journey, you would have realized that this is only possible with a significant focus on innovation and providing value-add products.

Rahul Agarwal: And secondly, on cable and wire, why the plant has been delayed, like whatever, I understand 3-4 months here and there is not such a big problem. But just wanted to understand why this delay and any changes to the project cost?

Rajiv Goel: No, there is no change in the project cost. And I don't think there is delay. To get it operationalized and all, as you said, 2 or 3 months, it does happen. And I think to get it on stream, it does take some time. But there is no project cost escalation.

Rahul Agarwal: Okay. And no meaningful reason for the postponement.

Rajiv Goel: There is no postponement.

Moderator: As there are no further questions, I would now like to hand the conference over to the management for closing comments.

Anil Rai Gupta: Thank you very much for joining and thank you once again. Look forward to a great year.

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