IFB

IFB Industries Limited

Corporate Office

Plot No.-IND-5, Sector-1
East Calcutta Township,Kolkata-700 107
Telephone : (91) (33) 39849475/9524
Fax : (91) (33) 39849676
Web : www.ifbindustries.com

8th February, 2024

The Manager
Department of Corporate Services
Bombay Stock Exchange Ltd,
Phiroze Jeejeebhoy Towers
Dalal Street,
Mumbai-400001

The Manager
The National Stock Exchange of India Ltd.
Exchange Plaza, 5th Floor
Plot No-C/1, G Block,
Bandra Kurla Complex
Mumbai -400051

The Secretary
The Calcutta Stock Exchange Association Ltd.
7 Lyons Range
Kolkata-700001

Dear Sir,

Sub: Transcript of the earnings conference call for the quarter ended December 31, 2023 pursuant to Regulation 30 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015.

Please find enclosed the transcript of the conference call for the quarter ended December 31, 2023 for your information and records.

The above information is also available on the website of the Company at www.ifbindustries.com

Yours faithfully

For IFB Industries Ltd.

Ritesh Agarwal

Digitally signed by Ritesh Agarwal
DN: c=IN, o=Personal,
2.5.4.20=dd54e1f8b0776ce39c8e5c99465aecd6a7b49bfd9a6ea5f7e5
5a3bfe1514f153, postalCode=700026, st=West Bengal,
serialNumber=8a86ff8e60b669ceeb51cbc72e765649889bc3f0cdc90
2379eb74456df1f6a44, cn=Ritesh Agarwal
Date: 2024.02.08 19:12:44 +05'30'

Ritesh Agarwal
Company Secretary and Compliance Officer

Encl : As above

"IFB Industries Limited
Q3 FY 24 Earnings Conference Call"
February 02, 2024

MANAGEMENT: **MR. PRABIR CHATTERJEE – DIRECTOR AND CHIEF FINANCIAL OFFICER – IFB INDUSTRIES LIMITED**
MR. RAJSHANKAR RAY – MANAGING DIRECTOR AND CHIEF EXECUTIVE ORDER - HOME APPLIANCE BUSINESS – IFB INDUSTRIES LIMITED
MR. ARUP DAS – HEAD OF MARKETING, ENGINEERING DIVISION – IFB INDUSTRIES LIMITED
MR. ANAND REDDY – CHIEF EXECUTIVE OFFICER OF MOTOR DIVISION – IFB INDUSTRIES LIMITED
MR. BIKRAMJIT NAG -- CHAIRMAN -- IFB INDUSTRIES

MODERATOR: **MS. NATASHA JAIN -- NIRMAL BANG INSTITUTIONAL EQUITIES.**

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

I now hand the conference over to Ms. Natasha Jain from Nirmal Bang Institutional Equities. Thank you, and over to you, ma'am.

Natasha Jain: Thank you, Viren, and good afternoon, everyone. Nirmal Bang Institutional Equities welcomes you all to the Third Quarter FY '24 Results Conference Call of IFB Industries. I would like to thank the management of IFB Industries for giving us an opportunity to host the call. Management is represented by: Mr. Prabir Chatterjee, Director and CFO; Mr. Rajshankar Ray, MD and CEO, Home Appliance Division; Mr. Arup Das, Head, Marketing, Engineering Division; Mr. Anand Reddy, CEO, Motor division; Mr. Bikramjit Nag, Chairman of IFB Industries will also be joining us on the call.

I now hand over the call to the management for opening remarks, post which we will take questions from participants. Thank you, and over to you, sir.

Prabir Chatterjee: Good afternoon, Natasha. Good afternoon, everyone. I welcome you all for IFB Industries investors call for the third quarter FY '24. Joining with me today are Mr. Rajshankar Ray, MD and CEO of Home Appliance division; Mr. Arup Das, Head of Marketing, Engineering Division; and Mr. Anand Reddy, CEO of Motor division.

Before we start, with profound grief and sorrow, we inform that our Founder and Chairman, Mr. Bijon Nag passed away on 28th January. He was admitted to a hospital in Singapore for the treatment for past few months. He was 81 years and 6 months old. We have already communicated this to National Stock Exchange of India on 28th January 2024.

As the Founder and Executive Chairman of the company, he has played a pivotal role in the formation and growth of the company. Mr. Nag established Indian Fine Blanking Limited, which later changed to IFB Industries Limited and also the other companies that is IFB Agro Industries Limited, IFB Automotive Private Limited, etcetera. The company has immensely benefited from this vision and leadership.

He introduced fine blanking technology in India and also introduced state-of-the-art front-loading washing machine into India. He was the true visionary and firm believer of Make In India initiative from his early years. Mr. Nag's passing away is an irreparable loss to the company. We'll all remember him as an inventor and entrepreneur and a true business mentor. Now I'll start with the reporting.

The company has reported a total income of INR1,140.34 crores during the third quarter compared to INR980.79 crores during the same quarter last year. During the quarter, the revenue grew by 16%. During the third quarter, EBITDA was INR70.36 crores, 6.17% compared to INR33.07 crores for the same period last year, with an EBITDA percentage of 3.37%. EBITDA was substantially higher than last year, mainly because of lower reduction in material costs and revenue growth, which resulted in higher gross margin.

For the period up to YTD December, the year company has reported a total income of INR3,277.31 crores compared to INR3,131.98 crores for the same period last year. YTD revenue growth for the year was 5%. EBITDA margin for the YTD period is INR 185.87 crores, 5.67% compared to INR145.49 crores, that is 4.65% for the same period last year. EBITDA during YTD FY '24 is significantly higher compared to the same period last year. Improvement in margin is mainly due to reduction in material costs, better mix and reduction in exchanges. During the year, company net cash position also has improved.

With this, I request you to start the question answer session, please.

Moderator: The first question is from the line of Manoj Gori from Equirus Securities.

Manoj Gori: Condolences to Nag family and the entire IFB team. Sir, my question here would be on the presentation that you have uploaded, so where we have highlighted about the cost savings initiatives, which we would be seeing in the coming quarters. As highlighted in the second quarter earnings presentation, we were very number specific with regards to INR44 crores savings in input costs during fourth quarter and roughly around INR8 crores monthly savings from fourth quarter onwards. So can you -- now we are already into quarter 4.

So probably like are we on track on achieving this and probably what should be the benefit that we can expect in the current quarter and probably what it would be in the first quarter on the input cost and, secondly, even on the fixed operating cost that you have talked about, about INR6 crores to INR8 crores on a monthly basis and when it should be -- when it should flow? Whether it would be from the start of the quarter or we should expect somewhere around March onwards? So that would be helpful, sir.

Rajshankar Ray: Mr. Chatterjee, would you like to answer that, please?

Prabir Chatterjee: Raj, you answer this.

Rajshankar Ray: So as far as the fixed cost reductions are concerned, where we had indicated INR6 crores to INR8 crores savings per month, so we are on track to complete the work by March. In fact, even on a third quarter basis, we have saved money in this quarter from that head. So the full impact of this in Q1 of next year will be delivered. As far as the material cost reduction figure that we had given, maybe about 50%, 60% of that will accrue in quarter 4. And again, the full impact in quarter 1 of the next year.

Manoj Gori: Right. So probably, we continue to stick with the numbers that we have highlighted and probably on a trend basis, we'll continue to see margin improvement even on a sequential basis. Is this understanding correct?

Rajshankar Ray: Yes, yes.

Manoj Gori: Yes, sir. Sir, my second question would be on the top line performance. So this quarter, obviously, shift of festive season also would have aided to strong top line performance. Can you throw some light like how the things are progressing on the initiatives that we have taken with regards to placement of sales promoters and probably we have been targeting for better extraction in the existing outlets. Also, we were looking to scale up our presence into alternate channels like modern format retail, regional retailers and e- comm. Probably how things are panning out there? And when should we expect industry outperformance by IFB on a consistent basis?

Rajshankar Ray: So on the last part, in terms of fixed time line on the completion of the actions resulting in the kind of performance that you have spoken about, as we have earlier committed our internal target was to complete everything by the end of this financial year, so that we are able to show the performance the way we want in the quarter 1 of the next year. As far as the progress is concerned, on the work on the key accounts, the large format retail, the distribution, all that is WIP.

So let's say, if we have to finish everything by March, we are on track. If there is a spillover, it will be completed within the quarter 1 of next year in any case. So those actions internally are on track and they are on a weekly review bucket now. They are being driven and changes in the sales team that need to be made to ensure that we get the results on the ground, those are also being made in parallel. Does that answer your question, Manoj? Or is there something specific that...

Manoj Gori: Sir, if you can throw some light probably how things are shaping up in room AC for our branded business and even for the other brands where we are doing contract manufacturing, so that would be my last question, sir.

Rajshankar Ray: So room AC in quarter 3, we actually did much better than the previous year in line with our own expectations. So after many quarters in terms of what we decided as volumes have been able to deliver that on the brand side, the OEM side has been lesser in quarter 3. As far as quarter 4 is concerned, we are quite confident of getting the numbers because the channel work is maturing and the introduction of the refrigerator is also helpful for the air conditioning channel related work.

So as I said, the numbers for the quarter 4 on air conditioners, we are confident of delivery because the channel related work on the AC piece is maturing and the channel for the refrigerator is also complementary to the air conditioning-related volume targets we have. So that is the result of the confidence that we have on the numbers for quarter 4.

Moderator: The next question is from the line of Rakesh Wadhwani from Monarch AIS.

Rakesh Wadhwani: Like in the last few years, we have scaled up other businesses or other segments, other product categories like air conditioner, microwaves. In the last few years, we have scaled or grown those business very well, just wanted to know where are they on the -- with respect to profitability? Because whatever profitability we are seeing currently, it is a combined profitability. We are not able to know what is the profitability across the -- in each product segment. If you can give some color on that, that will be great, first question.

Rajshankar Ray: So actually, in our investor reports, if you see some of the previous investor reports -- we've been -- we've actually put out the losses on the AC segment in terms of figures in the reports. And that segment till now is not profitable, so with the material cost reduction that is being made, one of the targets that we've committed to is the profitability of the AC segments. And internally, we hope to deliver this in quarter 4 and that is very helpful to the overall company profitability. As on date, the AC segment for us has been losing money.

Rakesh Wadhwani: Okay. And what about other segment like microwave ovens that is also doing around INR300 crores sales, dish washer, but lower among the sale, but other segments like the microwave ovens.

Rajshankar Ray: Microwaves are profitable for the company. Microwaves is profitable for the company. And in fact, IFB sales has a very high percentage of convections in the market, if you see the solo, grill and convention are the 3 categories. IFB's percentage of the convection series is much higher as compared to the industry and the convention series is quite profitable.

Rakesh Wadhwani: Okay. you can, sir, go ahead. Sorry, to disturb you. Sir, can I go for another question?

Rajshankar Ray: Yes, please?

Rakesh Wadhwani: Sir, one more point. Where do you see the margins on the room AC business in the coming years, not quarters, I'm not talking with respect to 1 quarter, 2, 3, 4 quarters. In next 2, 3 years, where do we see -- because we see currently industry players, leading players are doing a 8% or 8.5% or 7%, 9% operating margins. Do we also see that margins will go up for us also?

Rajshankar Ray: Mr. Chatterjee, would you like to answer that?

Prabir Chatterjee: Yes. Going forward, our effort is towards that only. The entire exercise of increasing revenue, material cost reductions and fixed cost reduction will lead us to grow towards that.

Rakesh Wadhwani: Okay. Any short-term nor near-term like the 1-year guidance on the AC business with margin?

Prabir Chatterjee: We normally do not give the guidance on margin. But see like Mr. Ray said a few moments back that this quarter will be better.

Rakesh Wadhwani: And sir, coming to the capacity for the room AC business, what is the current capacity we have? How much more revenue we can do from the room AC business?

Rajshankar Ray: So this, the plant that we have here on a single shift basis can go up to 500,000 per annum. And incremental increases beyond that are in terms of additions of minor capacities at supplier end, running a second shift instead of a first shift. So that is the capacity that we have around.

Rakesh Wadhwani: You talked about INR500 crores to INR1,000 crores revenue potential from the plant in Goa for RAC.

Rajshankar Ray: So 500,000 numbers will translate to roughly around 1,500 crores, if you take roughly about 30,000 for each.

Rakesh Wadhwani: And sir, coming on to a new venture that is refrigeration business, so when are you expected to launch that product? And what will be the price and where we be pricing our product in the market: Entry level, mid-premium or premium? Like for washing machine, IFB is always considered as a premium. For rest, what we are thinking?

Rajshankar Ray: So the products are already in the market and the commercial launch of the product was in June last year. And currently, we have in the phase of the ramp-up and in terms of getting our share in the counters where we are placed and increasing replacement. The range that we have is from 193 liters to 306 liters currently in Phase I. This includes both direct cool and frost-free models.

The positioning of the products is benchmarked to the relevant competition in a counter. And I would call the positioning in the mid- to premium range. We will not be the least priced in the counter for sure. And we would be benchmarked to the good players that are there in the market. Does that answer your question, please?

Rakesh Wadhwani: Yes.

Moderator: The next question is from the line of Pritesh Chheda from Lucky Investments.

Pritesh Chheda: Amongst the appliances range that we have mentioned in the presentation, which are the categories where we today have a lower margin? So we have washers there, we have dryers, ACs, microwaves. So any category, which has a fairly lower margin for us, which pulls down the company-level margin?

Rajshankar Ray: As we've shared previously, the single category that has the largest impact on the margin is the air conditioning category. So the rest of the all other categories are healthy and for us to fix profitability and report something, which is sustainable, the air conditioner category is the category that we have been...

Pritesh Chheda: So that's a category where you're losing money?

Prabir Chatterjee: Ray, we can't hear you.

Rajshankar Ray: So the air conditioning category is the category...

Pritesh Chheda: I got your answer, sir. Then in the AC today, we are largely OE supplier or we -- the number that you report includes largely brand sales?

Rajshankar Ray: Largely brand sales. And on specific numbers splits, etcetera, if you want some detail, you could speak to Mr. Chatterjee separately.

Pritesh Chheda: And the other question -- 2 questions that I have. One, when you are indicating this INR8 crores per month saving, this INR8 crores per month saving is under which head?

Rajshankar Ray: So there were 2 heads of savings that we specifically put into the investor report a previous time, this INR6 crores to INR8 crores saving is on all the indirect expenses. There could be office costs, there could be logistics costs, there could be cost of compliances on the EPR regime. And the target that we took was a reduction on the average sales of the last year and a significant reduction, which is this amount. The remaining figure was the impact of the cost reduction on the material cost side.

Pritesh Chheda: Material cost side, I understood. So when you're saying referring to last year's sales, which means that if your sales are supposed to expand from here, then on the absolute basis, we'll still see rise in costs, but as a percentage of sales, we'll see drop in cost. That's how the interpretation should be?

Rajshankar Ray: Yes, so these are reductions on an absolute basis, basically, that...

Pritesh Chheda: Irrespective of the rise in sales?

Rajshankar Ray: Yes, that is the target that we have taken internally.

Pritesh Chheda: And lastly, one clarification I wanted, the EBITDA that you report in the home appliances division in your presentation for the quarter at INR57 crores or the full year -- 9 months at INR137 crores is materially higher than what you report in your segmental performance for the Home Appliances division. So where you have the EBIT number, which is significantly different from the EBITDA, so what is the difference here, sir?

Prabir Chatterjee: I would come back to you on separately.

Moderator: The next question is from the line of Abhishek Ghosh from DSP.

Abhishek Ghosh: Sir, just in terms of -- just picking up from your investor presentation, what you have spoken about that a lot of the new models both in front load and top load are getting introduced, and that should help you gain market share in -- from 4Q and 1Q onwards. If you can help us understand how has been the acceptability of these models and what's the confidence levels in terms of the market share gains in both these categories separately. That's my first question.

Rajshankar Ray: So the front load and the top load washing machine segment, new product introductions will start from April, and the transition is from April to let us say, June and July. So you will see the impact of those introductions in the next fiscal year. Currently, there are still not in the market, they're in various stages of field trials, ramp-up tests, etcetera. The new model range for the air conditioner is already out there in the market and the impact of that will be seen in the quarter 4 itself.

Abhishek Ghosh: Okay. Sir, is it fair to assume that FY '24, at least in 9 months, your market shares have been largely stable and the increase will only be seen in '25. Is that one should work with?

Rajshankar Ray: Yes, that's right. And as for the internal data that we've seen in the last 2, 3 months, we have been regaining shares on the front load segment. So we expect that trend to continue and that is definitely an internal target that we have.

Abhishek Ghosh: Okay. So in front load, you have gained market share, top load is still flat?

Rajshankar Ray: Yes, top load is still flat. That's correct.

Abhishek Ghosh: Okay. And sir, just to -- you spoke about this material cost improvement, the fixed cost reduction, all of that benefit, you're saying, it will come in by March end. So when you launch these newer products, which we assume is of higher capacity and having much more product efficiencies. Should one assume higher gross margins on those products? How should one look at it?

Rajshankar Ray: I think the best answer to that is we still have to work out the final details on it. But as far as the washer segment is concerned, as I said, the final pricing details, etcetera, we still have to work out. But as far as the company is concerned, our gross margin structure on the washer is quite healthy.

So the challenge that we have to deliver is a complete plant utilization to full capacity and a gain in the market share or say there is no real need for the gross margin structure to be improved on the washer side. The profitability agenda on the air conditioner has definitely to do with increasing the gross margin and limiting the losses. Does that answer your question, please?

Abhishek Ghosh: Yes, sir. Sir, just in terms of this market share gain, now there are 2 levers to it. Either you fill in a product gap by introducing higher capacity washers? Is that the only lever, which will help you gain market share? Or are there strategies beyond it in terms of pricing, product features, sales automation that will also drive market share?

Rajshankar Ray: There are 3 parts to the market share gain and I can share it with you. In terms of specifics, I think that will illustrate the agenda we have to drive. One is that in the front loader, there is a specific 9 and 10 kg capacity segment, which we would call the highest capacity segment as on date and we didn't have a product there.

We introduced a product roughly about 4 or 5 months back and that volume is ramping up. So just by introducing that product category, there is a market share that has to be delivered. And some part of the market share gain that we are seeing over the last 2, 3 months is on account of that. So this is the first part.

The second part is that if you really go account by account, every account has a specific action that needs to be taken. So in some case, it is a change in the products, which are displayed in some place. There is a manning that needs to be put into the counter, which will help the sales to consumers. So there is a ground level detailing account by account that has to be done by our sales team and that is the second agenda for the increase in the market share.

And the third agenda is the introduction of the new models from April onwards, which would cover gaps, which might be a price point gap or it might be a feature gap. And that third part is what enables the second part, basically. So the market share gain agenda would be on these 3 specific action heads. Does that answer your question, please?

Abhishek Ghosh: Yes, sir. It's very helpful and very clear. Sir, just one other thing. What we have been seeing is commodity prices are on a downward trend for some time now and that's still kind of continuing at this moment. Given this, should the benefits also come in because the competitive intensity is also stable or are peers and you passing on this benefit of lower commodity prices, how should we look at it from that aspect, sir?

Rajshankar Ray: So some part of the material cost benefit that we have enjoyed in this fiscal year, specifically has been a result of the benefits of the lower commodity prices. So that's already in the material cost percentage reduction that you see. If you look at the last 2 quarters, the commodity prices have been, by and large, stable with a slight upward trend. So if you look at steel, for example, there is an agenda that the steel industry has to drive up the prices, even though they've not moved up significantly, but there is a pressure for them to move up.

Going forward, as far as we are concerned, we see commodity prices neither going up, not going down, but in a particular controlled range. The benefits that IFB has now, which is a part of the material cost agenda is that if we were buying a particular part with a related commodity price, and we were buying it for a front loader and then for an AC, if we combine the purchases of all the product categories that IFB have now, the consolidated purchasing power has significantly increased.

And therefore, the ability or the agenda to find alternate sources and hence, the related material cost reduction, which could also be a design-led reduction basically. So going forward, whatever material cost benefit we deliver, will not come so much from commodity prices, it will come from the other agenda items.

Abhishek Ghosh: All right. Very helpful. So just one last question from my side. How are you seeing the overall demand at the ground level? Not just for you, just from the industry perspective. Is there any pickup that you see or is it still kind of muted?

Rajshankar Ray: Until December, the market has been either flat or has degrown, so the washer segment had degrown. Air conditioners has a growth in the range of about 10% to 15%. The refrigerators until, let's say, 2, 3 months back was having a significant degrowth. So the market is flat and stressed. That trend continues.

We don't anticipate a significant change in the quarter 4 on that. But the way we look at it internally is our own agenda at expanding our numeric reach and ensuring that we get much better extraction because now as a sales team when we are going into the market to a particular counter, we are going with a much larger basket of products than what we were doing before.

And therefore, it logically should be much easier for our teams to extract more out of the counter. So our revenue-related goals have lesser to do with what's happening in the market and more to do with how receptive and implementation we have of this increase in numeric reach and increasing extraction. That is the agenda that internal we are working on.

Moderator: The next question is from the line of Natasha Jain from Nirmal Bang Institutional Equities.

Natasha Jain: Sir, you mentioned to the last participant that till December the growth -- there was a degrowth, and especially the washer category saw some kind of stress. Now when I look at your front load growth, it has been a healthy growth now. Do I assume that this growth was even if it is at 29%. Now is this a tepid growth and had -- could this growth be higher if the season was better?

Rajshankar Ray: Internally, we believe that our growth needs to be much, much more and the opportunity is still there waiting to be harnessed. So we are not satisfied with the growth that you are seeing because we believe that there is much more that we can extract. So the answer to your question would be a yes.

Moderator: The next question is from the line of Dhaval Mehta from Aditya Birla Asset Management Company.

Dhaval Mehta: Sir, my first question is with respect to the AC division. So out of INR106-odd crores revenue, which we did this quarter, would you like to quantify what was the OEM sales and what was our branded sales, which we did.

Rajshankar Ray: Mr. Chatterjee?

Prabir Chatterjee: 25% is around the OEM and 75% is the domestic.

Dhaval Mehta: Okay. And so I'm assuming the larger part of the losses will be on the domestic branded sales, the OEM business will be making profit for us, right?

Rajshankar Ray: Mr. Chatterjee, would you like to answer?

Prabir Chatterjee: Yes, we are making marginal profit from OEM, but the major loss is in the domestic.

Dhaval Mehta: And what will be the losses in the domestic business?

Prabir Chatterjee: The YTD EBITDA loss is around INR 42 crores.

Dhaval Mehta: Okay. So out of roughly around INR250 crores business, which we did in domestic, we are losing around INR42 crores. Now how this number will change, let's say, in FY '25 or let Q4 or, let's say, next 2 years because what changes we are going to do that we will be able to break even in the domestic business.

Rajshankar Ray: So this is Rajshankar here. The change in the profitability will come from 2 agenda items that we have. The first is the material cost and maybe 80% of the work to ensure profitability is on the material cost side. That is the first part. And the second part, which is the 20%, 25% is the volume level to ensure that the plant runs to a minimum volume and, therefore, the overhead absorption is distributed over that many numbers.

Dhaval Mehta: Okay. So what is the overall value if you would like to share, like what is the plant capacity in terms of value?

Rajshankar Ray: So the plant capacity, like I shared a while back, is 500,000 with the assembly line running at a single shift with a little stretch. And if we are able to do volumes in the range of 350,000 to

400,000, then this segment will have healthy profitability along with the material cost reduction, which we have to complete before March. Does that answer your question please?

Dhaval Mehta: Got it. But any thoughts on ramping up the plant via increasing our OEM shares? Any thoughts over there?

Rajshankar Ray: The OEM is an agenda that we have been working on. But per se, the OEM market has a particular price point expectation and the product quality and the product build that we have on the air conditioner is tuned to what the IFB brand requires.

So the platform per se is not an OEM platform in that sense. So we have people who have -- who still buy from us because that quality level and that build level, they are able to defend it in terms of price point in market. But how much the OEM segment will grow is difficult to commit because it is somebody else's call. I think for us, we have to keep looking for those 2, 3 selected OEM partners, who can pick volumes. We have to definitely do a lot on our own IFB branded sales and there is an opportunity of exports that we are looking at very seriously, especially for models like the hot and cold models, which we have introduced into the market starting last month.

And the expansion in that also gives us an export opportunity. So I think we have to continue to pitch, but whether we get it or not, not completely in our control. The second and third piece, which is our own volumes in India and the opportunity to harness exports, these 3 are the levers to load the plant full.

Dhaval Mehta: Got it. Got it. And is there any other category apart from AC in our portfolio where we are making losses?

Rajshankar Ray: No. No.

Moderator: The next question is from the line of Vivekkumar from Bestpals Research and Advisory LLP.

Vivekkumar: Given that our platform is for mostly the domestic consumption when it comes to ACs, so how long do you think you will be able to fill the large capacity with branded sales and a related question is with respect to and you are also hinting that the major work is on the material reduction, so how far are we like...

Rajshankar Ray: The material cost work will be completely over by March this year, in line with what we have completed -- committed, sorry. So the full benefits of that come from quarter 1 onwards. Hello, can you hear me?

Moderator: He is disconnected, I think, sir.

Rajshankar Ray: Okay. So I'll wait for him to join back.

Moderator: Okay. Okay.

Rajshankar Ray: We can continue with the other questions until he can come back.

Moderator: The next question is from the line of Keshav Garg from Counter Cyclical PMS.

Keshav Garg: Sir, I'm trying to understand that in our third quarter home appliance division revenue of INR914 crores, approximately what was the percentage of revenue that came from contract manufacturing and exports.

Rajshankar Ray: Mr. Chatterjee, would you like to answer that?

Prabir Chatterjee: The first quarter revenue was around INR45 crores from the OEM.

Keshav Garg: Sir, so any plans to demerge the company into a branded business and a contract manufacturing side wherein the branded business can place orders just like any other OEM with the contract manufacturing side of the business? And to begin with, sir, why don't we start reporting another segment in our segment results showing EMS sales.

Rajshankar Ray: Any -- this is Rajshankar, here. Any particular reason that you think that will help?

Keshav Garg: Because the real opportunity is on the EMS side and that opportunity is going by as we try to increase our own branded sales. And sir, it's a totally cluttered market with all kinds of multinationals behemoths. So whereas in the contract manufacturing side, we already have the infrastructure on the ground.

So we can just ramp it up if we get the orders like other players in the industry like Dixon, etcetera, who used to be far smaller than us have now become bigger than us, and so that is the main opportunity. So what are the plans to capitalize on that opportunity of contract manufacturing?

Rajshankar Ray: Okay, so that's an interesting viewpoint. And I would just share with you what we had explained some quarters back. Is that the way we look at it? Is that the primary opportunity is the brand sales? And even though the market is very cluttered, if we look back since we began production here in India, there is a set of customers who have given value to the air conditioner we produce for the price point we have and for the performance we've delivered.

And especially with the work that we are doing on the network side and the AC and the refrigerator riding together, the volume play is quite large. This is the primary goal because at the end of the day, it is the IFB brand that we want to grow.

The OEM piece, the way we had wanted to execute it is that filling up the plant capacity is helpful to absorption of overheads and it also helps the material cost side because you purchase much more. So the agenda is that, let's say, if we have 500,000 as the current capacity, if 350,000-odd is filled by the brand and 100,000, 150,000 is filled by the OEM, not working with multiple players as buyers, but with 2, 3 players who lift sizable quantity from us, then it gives the plant the full volume.

But as far as IFB is concerned, we are not in the same play as far as, let's say, a Dixon would be an Amber would be because the ACs that we are producing are a completely different platform. They are made for brand in terms of reliability, durability, performance, etcetera. So that is the pitch. Yes, an Amber or a Dixon has had terrific growth, but as of now, that is not the direction that we have. Does that answer your question?

Keshav Garg: Sir the point being that sir -- sir, all said and done, we are still making 4% operating margin on our branded home appliance business, which Dixon is making on the same margin being contract manufacturing with stupendous growth. So I mean, had we been making some kind of double-digit margins, then also it would have been understandable.

And sir, in any case, we can continue with our marketing efforts on the IFB-branded business and we can still do the contract manufacturing part. Because in any case, we are not operating at full capacity utilization and I'm not talking about only the AC division, I mean, even the rest of the appliances. Sir, so what is stopping us from really ramping up the capacity utilization by doing contract manufacturing?

Rajshankar Ray: Yes, it's a fair point you have. And at the end of the day, if we don't deliver a healthy financial performance, the question that you have asked is quite valid. Therefore, our primary agenda of ensuring that we fix this profitability issue, which we have committed in terms of the actions, etcetera, which are also a part of the investor report, is a primary agenda we have.

Now a product approach or a product build approach for an OEM and a product build approach for a brand, especially the position that the IFB brand enjoys are actually quite different.

So theoretically, yes, you could fill the plant with either an OEM or brand, but practically, you can't because the product we build is built for the IFB brand. And therefore, a large chunk of the OEM market, which essentially wants a box at a particular price is not something that we can service. I think your question will be answered if we deliver good profitability and, therefore, then what's happening with the plant in terms of capacity is a question that gets settled. And hopefully, we'll do that soon.

Keshav Garg: Yes, sir. And sir, lastly, sir, in last call, you mentioned that we were planning to clock around 10% operating margin in the Home Appliances division by first quarter of FY'25. Sir, are we on track to achieve that goal?

Rajshankar Ray: Yes. As we've shared that is a commitment we have signed off internally as well. And the entire senior team is fully on this and we just have to deliver the agenda and which is something that you all should see as a result.

Moderator: The next question is from the line of Ankit Minocha from MRLR Capital.

Ankit Minocha: Firstly, my condolences on the passing away of Mr. Bijon Nag. I just wanted to firstly understand how involved was he in the strategic decision making of the company over the last 3 or 4 years? I mean how was the responsibility managed between him and Mr. Bikramjit Nag over the last -- say, the last 4 or 5 years?

Rajshankar Ray: I actually couldn't hear you clearly. Sorry.

Ankit Minocha: Yes, so I wanted to understand how involved was Mr. Bijon Nag in the strategic decision-making of the company over the last 4 or 5 years. And how were the responsibilities managed between him and Mr. Bikramjit Nag currently? And wanted to express my condolences on the passing away of Mr. Bijon Nag.

Rajshankar Ray: I think Mr. Bikram Nag is on the line. Would you like to answer that, please? Okay. So Rajshankar here, I'll try and answer that. As far as our operations are concerned, we have been led by Mr. Bikram Nag for quite some time. And therefore, the transition is quite smooth. And I think he was on the call, he's got a little disconnected. So once he connects back, your condolences, I will definitely convey to him. Yes, Mr. Nag is on the line. Mr. Nag, the question was related to transition and...

Bikramjit Nag: Sorry, I did not hear the question. Would you like to repeat, please?

Ankit Minocha: Yes, Mr. Nag, the question was that -- firstly, condolences for the passing away of Mr. Bijon Nag. But...

Bikramjit Nag: Sorry, I can't hear you again. Can you just...

Ankit Minocha: I wanted to understand that how involved was Mr. Bijon Nag in the strategic decision-making of the company over the last 3 or 4 years? And how were the responsibilities managed between him and you, Mr. Bikramjit Nag.

Bikramjit Nag: He was involved intermittently, not on a daily basis, but say, major strategic things, for example of, for example, buying off the industrial washing machine company or, let's say, the backward integration into steel, which still has to do better, etcetera. We had discussed everything with him and so he was involved from that angle, but not on a day-to-day matter. Refrigerator plant, he said, IFB should get into this product category, etcetera. So he was involved, but not in a detailed manner. He was involved more in a broader sense as to what needs to be done, but not the nitty gritties.

Ankit Minocha: Right. Sure. And my second question is on the pricing environment anticipated when we see some -- are we seeing commodity costs kind of coming down for all players? And do we think that the pricing environment would be more competitive and the competition intensity would improve in terms of the pricing?

Rajshankar Ray: This is Rajshankar here. If you look at the last two quarters, like I said a little while back, the commodity prices are in a range. We expect that flattish kind of a range to continue. As far as the pricing environment is concerned, over the last, let's say, 2-odd years, both LG and Samsung have been extremely aggressive as far as pricing is concerned. We don't see any change in that going forward.

So we expect that aggression to continue. As far as the Air Conditioning segment specifically is concerned, it is a segment which has extreme aggression on the pricing side, and we expect that also to continue. So on a specific measure of what will happen going forward compared to what has happened in the previous year, we expect it to be the same. We don't see any change. Does that answer your question, please?

Bikramjit Nag: Look, can I just say something? Mr. Ray?

Rajshankar Ray: Yes, please.

Bikramjit Nag: I think the major issue is the point you raised earlier, I mean, the point that came out earlier on AC sales, etcetera. And my own view my own take on this is, unless we sell more, we'll have a lot more pressure on everything.

The basic question, are we going to face competitive pressure? Answer is, yes. But as I said in the earlier quarters also, our problem is that the sales team for what we want, a significant portion is not geared to deliver and the changes are being made. Only thing is getting people takes a lot of time because I'm being very, very -- we are being very, very specific in what we want in terms of intellectual ability and that is taking time to fill up these sort of gaps.

And I think no company can shine unless the organization is up to the requirement that -- and I think that's the gap. I think all the points that are being raised on competitive pressure on cost, etcetera, etcetera is all actually a function of management in the sense that if the management is very capable, you will overcome this.

And if the management is not very capable, then you'll have the issues that we are having. If you see, for example, engineering division also, we've done good on margin, but not at all good in terms of revenue growth. And we've taken steps on that. We are making changes, etcetera. So I think marketing sales across our IFB is an issue. We have identified this as a key weakness, which we must fix. And I think if that is fixed, the other things will fall in place.

That's my view. And that this is a function of people and nothing else.

Moderator: The next question is from the line of [Nirvana Lah], an individual investor.

Nirvana Lah: Yes. So my first question is what is the overall capacity utilization in the Appliances division for IFB. And how does it benchmark against the other leading branded players?

Rajshankar Ray: If we look at the Washer segment, then our capacity utilization will be in line with the other players -- benchmark players. If we look at the Air Conditioning segment, we will be much lesser in terms of capacity utilization compared to the other players.

Nirvana Lah: Can you quantify how much lesser?

Rajshankar Ray: Yes. So if I take the air conditioner for an example, and our current volumes in the range of, let's say, 250,000 to 300,000 on the capacity of 500,000, then we are roughly around 60%. Whereas benchmark capacity utilization will be in the range of 85% and above.

Nirvana Lah: And for Washers, where are we at?

Rajshankar Ray: For Washers...

Nirvana Lah: 80% Okay. And therefore, what is the EBITDA that we do -- EBITDA margin that we do for the Washer segment because ACs we're clear, we discussed the numbers that we are still not EBITDA positive. For Washers, how are we sir?

Rajshankar Ray: So what we don't normally give out the figures by segment. But if you want some specific information, you could speak to, Mr. Chatterjee separately. I mean that is the better way to handle this.

Nirvana Lah: Just a question from my side. For Q4, with the volumes going up in AC and with the material cost coming down because earlier stock has been used up by and large. The question is on that, would you be EBITDA positive in Q4 and in Q1 of '24, '25.

Rajshankar Ray: That is the commitment that we have made...

Management: I think they are interested in knowing that.

Nirvana Lah: So again, to continue. So this INR6 crores to INR8 crores per month fixed cost reduction that you've spoken about, I am not exactly clear on the exact nature of the intervention. You mentioned sales a couple of times. So I'm not exactly clear what part of the fixed costs are we reducing, can you explain this?

Rajshankar Ray: I can give you a few examples. So let's say, we have a head of cost for warehousing and logistics. And associated with that is a warehouse that we run ourselves versus a warehouse that is run basically by a CNS and the nature of the transportation agreement. So are we using vehicles – three-piece loadings or are we ensuring proper milk runs, are we combining freight and tendering it and negotiating it hard?

What sort of agreements do we have SLAs in place? So the agenda here to be completed is to really take every single warehouse we have, look at every agreement we have and just go through it a fresh, tender it and drive the cost down, including looking at usage of old vehicles with higher cost versus new vehicles with lesser cost. So if there is an x cost that we are incurring, which is our fixed nature in logistics, then we just reduce that. So that is one type of an example.

So second type of an example are basic office-related costs in terms of the cost of travel and how well it has been planned, whether we are giving tickets in advance or not. And then there are office costs of the EPR regime. So are we just fulfilling the EPR regime, buying scraps from the market or are we actually taking machines back, recycling them properly and therefore saving money.

So this is typically those little heads under the head of indirect costs, which are very often ignored and definitely not optimized. So the internal project that was given to us was to take any single head of the indirect cost go through it, [inaudible] with a toothpick and drive the cost down and that is the commitment that we made, which we also put into the investor report.

Nirvana Lah: Got it. And last time I said this was -- yes. So last time, I think you said that this was also done internally and you were not working with any outside consultant on this, right?

Rajshankar Ray: Yes, that's right, that's right.

Nirvana Lah: That's right. Sorry sir. So the question is to Mr. Nag here that do you think that's the right approach? And what's your view on getting external experts in for this versus letting the internal...

Bikramjit Nag: I'll tell you. We saw certain things on freight, for example over [thermometer] basis, say, between one hypothetically city and another city on the same vehicle. We've seen the rates can defer as much as 25% to 30%, for example. Now to fix this on an all-India basis, outside support is required to some extent, and we are talking to Accenture for this. But significant work we are doing in-house. Certain things like these where some intervention is needed for a short period, we are open to talking to others, and we've started talking to Accenture for about the past 1.5 months.

Nirvana Lah: Okay. And do you think that mandate might start sometime in FY '25?

Bikramjit Nag: The mandate meaning? Giving them the things? Giving them the mandate. No, no, no. This will start immediately. I think maybe in the next -- all the negotiations are like going on. Once it's done, it will start immediately. It will be before March end.

Nirvana Lah: Okay. Okay. All right. Clear. So I have two more questions. Can I ask or should I come back and...

Bikramjit Nag: No, no. You can ask.

Nirvana Lah: So IFB point, I wanted to understand what percentage of total appliances sales are we driving through IFB point and do we calculate our ROCE on IFB point, the kind of sales you are doing what is the ROCE you are driving on IFB point?

Bikramjit Nag: Actually, on retail business, you should normally look at a return on net asset and not -- and ROCE we can look at also and we have -- I think in IFB point, total Mr. Ray, we're doing about 10% to 11% or something like that about 10-odd percent.

And we need to improve throughput in this. And we need to have a proper team. Again, it comes out to organization building, we need to have a proper team to run IFB Point as a retail venture. That is still WIP for us, sadly. But this is a very, very key thing for us.

So for example, in many areas where we couldn't penetrate we opened an IFB point and people start coming and then the other dealers start like talking to us. So it's very, very lucrative for us from that angle. But at this point, our ROCE, I don't have the figure. We've not looked at it like that to the best of my knowledge. Mr. Ray?

Rajshankar Ray: Yes, the current -- so we have two types of IFB stores. One is which the company is running on a rented premises. The other is which is run by a franchisee. So ideally, our franchisee should get a 20% ROCE, but currently, that is not the case. Figures are between 5% to 10% currently. We have to work to give the franchisees the return in excess of 20%.

Moderator: The next question is from the line of Sanjay Ladha from Bastion Research.

Sanjay Ladha: I have two questions. So first is, sir, we are spending 67% on the advertisement. So sir, can you throw some light on where we spend on marketing? And what is our strategy for that? And what are the benefits, will it be accruing in the coming years?

Prabir Chatterjee: Actually expense for the qtr. was 6.78% & YTD 7. 2 % on revenue , out of that sales promotion is around 3.5%. And rest is on the counter sales representatives.

Sanjay Ladha: Sir sales promotion is 3.5%. Then sir -- so my question would be we also subtract from the sales amount the discount amount right? Sir then what is the difference between that discount amount and this sales promotion amount?

Rajshankar Ray: Yes. So the scheme is what is subtracted to come to net sales. This head that you see is, as Mr. Chatterjee said, of two types. One is that you have people in the counters who are actually selling. That cost is also reported as a part of this head that is cost of basically the salaries and the incentives for the people who are explaining to customers about IFB products and making sales.

The remaining 3.5% are the -- is the money that you spent on doing exhibitions, marketing IFB points, payments to agencies, those sort of hedges. So neither of the two which is reported in ad and promotion is related to the schemes. Does that answer your question, please? Or do you want some other clarity?

Sanjay Ladha: So sir, I just wanted to have a clarification on that we also in the previous calls and presentation mentioned that we are looking to increase our sales guys in the direct channel, right? Because right now, we are not present on direct channels. Our sales guys are not present. So for example, in the Vijay Sales if I talk about the sales guys from IFB is not present.

Rajshankar Ray: Yes, that's right. So what we have said is that we have gaps in many, in counters where we require a promoter to be inside the counter and currently the promoter is not there. Those are gaps and those gaps are to be filled up. And that is also something that generates incremental sales for us basically.

Sanjay Ladha: So sir, we are increasing on that front, right? And also, I will ask you that is the sales promotion that we see of 6% to 7% would be maintained over a period of time as well going forward?

Rajshankar Ray: Yes, yes. Yes, yes. That percentage should reduce because if we get the proper extraction from the places where we have manpower, that percentage should reduce and you we need to reduce actually. So this percentage will not increase going forward.

Sanjay Ladha: So okay sir. The fixed amount will be maintained at a similar level of INR200 crores, INR250-odd crores. But since we get a higher sales, then this percentage will keep on reducing.

Rajshankar Ray: That's right. That's right.

Sanjay Ladha: Sir, my second question would be on -- a bookkeeping question from the presentation. So in the Page 20, we see our quarterly product-wise spread.

This is actually same as Q2, which we have reported. And if I go over and above 19, 18, we also mentioned product-wise sales in the figures, value of sales in crores. So if I match that figure and if I match that percentage because that does not come out the same numbers.

Prabir Chatterjee: So I would request you to talk to me separately. I will clarify to you.

Rajshankar Ray: We will get back to you.

Moderator: The next question is from the line of [Prolin Nandu], an individual investor.

Prolin Nandu: Condolences for the loss to the family and the company. First question would be on the air conditioner side. So just to understand it correctly, there is an INR42 crores loss in 9 months, right? Had that not been there, our EBITDA from home appliances segment would be close to INR180 crores, right, which is around 6.9% kind of EBITDA margin. Is that a fair number? I am just clarifying that.

Prabir Chatterjee: Yes.

Prolin Nandu: Okay. Okay. And secondly, you mentioned that the capacity that we have in plant is 500,000 units and we will reach breakeven at somewhere close to 350,000 to 400,000 units. And right now, we are at 60% capacity. Am I correct?

Rajshankar Ray: No, please. After the material cost reduction is over the breakeven drops substantially. So the breakeven will come to something like 240,000. The breakeven will drop significantly.

Prolin Nandu: Okay. So breakeven will drop. So what is the current run rate? Let's say, for example, in Q4, what is the run rate at which we are producing here in this plant?

Rajshankar Ray: Our Q4 run rate is planned at roughly about 30,000 to 32,000 to 35,000 per month, it's about 110,000...

Prolin Nandu: Okay. So this is more of a seasonal thing, right? Q1 would be the heaviest, right -- if I understand it correctly.

Rajshankar Ray: Yes, I think one agenda we have is to deliver these Q4 numbers. And then the second agenda would be that typically in the Q2 and Q3 period, we have to be able to maintain a bare minimum volume.

Prolin Nandu: Correct. So that's where I was coming from sir, that when you said that 80% of the work needs to be done on the material side and you briefly mentioned about some of the contracts and tendering, right? So I mean, have we significantly changed the gross margin number for a unit of air conditioners because of all the changes that we are making in material costs, let's say, by the end of Q4, will we have achieved that significant and sustainable change in material cost?

Rajshankar Ray: Yes, yes. That's right. That's right.

Prolin Nandu: What -- can you double click a little bit on this material cost just to understand that whether it is sustainable or not, not from the tendering part, is it something that we are sourcing it from India versus outside? Are we bringing something in-house -- can you give us some more...

Rajshankar Ray: The bulk of the air conditioning material cost reduction -- we had gone back to the drawing board and we are dealing with the electronics, and also redone the supply chain for the electronics. So it is design and sourcing lead, not so much consolidation or tendering. So it has nothing to do with commodities, and therefore, it is definitely sustainable.

Prolin Nandu: Great. Great. And there was a question on Dixon and Amber and somebody told you to report the EMS segment differently. So just I mean, some of these companies like Amber also sell to some of the brands, right? So for us the way these have built up the plant or the way our customers are on the OEM side of the business, is it like significantly different, lesser example, we have an assembly line.

So in terms of material that goes into the AC which we make for our own brand versus what we do for an OEM is it like -- I mean, does it start from material being different for what we do for our brand? How is the difference? I just want to understand how is the correlation or interdependence between the two segments within the Air Con.

Rajshankar Ray: So the basic material composition that we are making for the IFB brand or for the OEM is not different, but the features, etcetera, will be different. But the inherent quality that comes from the platform is the same. But if you compare the platform that IFB is making versus the platform that a traditional OEM supplier is making. Of course, there is a very large difference between the two platforms.

Prolin Nandu: I understand. So it's like more about the features, right? Let's say, for example, hypothetically you would be making something which will be connected to a WiFi, right? I can connect it through a mobile and some of the other brands might not be doing it. This one feature, right? And sometimes.

I mean significant value add will come from something which is similar in both the segment of the business, right? So what we are trying to understand here is that until unless we don't increase our brand presence at the ground level or our market shares, is this not a route to increase our utilization in the plant right in terms of OEM because this segment is getting -- I mean, good traction.

And there are a lot of players in India who are branded, who are established, who have a very good market share. And they are now looking at backward integration, and they are now looking at partnering with some of the EMS player that we have already mentioned on the call. So what is your thought on that, that at least in the interim, will we reach a significant market share in the market to use this as a utilization tool so that our plant reaches utilization quicker rather than later?

Rajshankar Ray: So my answer to you will be on two heads. One like Mr. Nag just shared a few minutes back. At the end of the day, there is a sale that has to be delivered and it has to be delivered tomorrow and that is the primary agenda.

Now having committed to that, which we have to deliver in any case, yes, for the partners who are wanting to buy from a source and if the IFB product platform fits in with their own requirements in terms of the platform quality that they want to represent. Yes, we have to go out and search for partners and fill the plant capacity.

So whichever way we do it, the primary agenda being the IFB brand sales and the complementary agenda is basically the supplies to partners and OEM capacity. At the end of the day, if we fill 450,000 next year for the plant, we've been able to deliver our agenda.

Prolin Nandu: Understood. Understood. Fair point.

Rajshankar Ray: I just want to reiterate the point that the primary agenda and the product platform we have, including the company's level profitability, it is the brand sales that are the most important.

Prolin Nandu: Sure, sure. Fair point. I take your point. Sir, now coming on to your engineering side of it, right, which constitutes close to 80% of the revenue and margins at least compared to our home appliances side for 9 months are better, right? So what is our plan there, right?

I mean as Mr. Nag mentioned that there also margins are good, but we are not able to grow the top line. So within some of the segments where we are present, right? What is our plan there? And have we -- I mean, somewhere in one of the slides, I also mentioned that we are looking for an acquisition which should be of the size of around INR700 -- INR600 crores to INR700 crores. So which is the segment where we are looking to acquire something in engineering side of it. And what is an overall plan for the B2B side or non-B2C side of the business?

Arup Das : [Inaudible] your question. As far as the Engineering business is concerned, you are right, where Mr. Nag made this statement, but top line growth hasn't happened the way it should have. So there are twofold strategy; one, grow the existing business with maximum presence in all the segments wherever we are, increase our share of business there that is at the 4-wheeler, 2-wheeler, 3-wheeler, commercial vehicles, etcetera. So that is a normal growth, which the market -- as the market drives off, you also grow with the market or a little better than the market.

Then as far as the M&A is concerned, we are looking into opportunities for businesses, which will be futuristic in nature. That means we'll have prospects, not the businesses which will go into disruption like the non-EV businesses where the ICE, et cetera, 2-wheeler ICE, lower CC engine makes. So that sort of business, we'll try to avoid.

We are trying to find out businesses, which has, number one, synergy with our business; number two, it has a growth potential; number three, it will be shielded against the disruption of the forthcoming technological changes which might happen.

Prolin Nandu: Sure, sir. So I mean, what -- I mean, do we have any proposal already on the table...

Prabir Chatterjee: It's under discussion. Three, four companies are already under discussion. So once things get shaped, preliminary discussions have happened. So once it takes up shape, we will definitely inform ourselves.

Prolin Nandu: Great. And last question would be on this motor division, right, where we only report the sale of BLDC motor, which is to the external customers. There, the number right now is -- I mean, 9 months for INR50 crores, maybe we'll do around INR70 crores, INR80 crores. But in terms of capacity of motors that we can sell it to the outside other customers. What does the capacity look like? Or can this number be close to INR150 crores or that annual run rate just from the capacity point of view? From a BLDC motor specifically?

R. Anand: Okay. This is Anand's here. The installed capacity of BLDC motor for washing machine is 1 million units per annum and for air conditioner is another additional 1 million. Both put together can give us a revenue of around INR150 crores when fully utilized.

Prolin Nandu: Okay. And this is external sales, right? Am I correct?

R. Anand: It includes both external and internal.

Prolin Nandu: Okay. So out of this INR150 crores, how much would we be utilizing internally?

R. Anand: Internally, we'll be utilizing 50% of washing machine capacity and 20% to 30% of air conditioner capacity.

Prolin Nandu: Okay. 20% to 30% of Air con and 70% of Washers? Okay. Great.

Moderator: The next question is from the line of Abhishek Ghosh from DSP.

Abhishek Ghosh: I just have a question on the engineering part of the business. In the presentation, you have mentioned that you are under discussion for INR350 crores of business with customers, which is under negotiation. So just wanted to understand, is it -- is it more like it's a given contract and only the pricing has been kind of talked about? Or is it the contract is still not firm in nature?

Prabir Chatterjee: The contract has not firmed up yet because we are in discussion -- detailed discussion about the business sales, sales plan for the, future product line, which they have for future in store. So a lot of discussions are yet to happen. It's under discussion. But once it takes up shape, we will inform.

Abhishek Ghosh: And this should be more like executable in a couple of years, this kind of an order.

Prabir Chatterjee: No, no, no, running business.

Abhishek Ghosh: Okay. Running business. Okay. Got that. And sir, one other question to Mr. Nag, in terms of more from a 3- to 5-year perspective, how do you want to navigate IP industries and more towards the home appliances segment, it is like you have a certain market share in mind or you have more product addition like ramping up of a refrigerator, what are one or two parameters, which is most important to you? Is it market share, return on capital? How are you looking at IFB industries in your scheme of things?

Moderator: The next question is from the line of Gopal Kandelwal, an individual investor.

Rajshankar Ray: There was one question which was not answered. Should we answer that?

Moderator: Sir, you can answer.

Rajshankar Ray: Yes, just one second. Mr. Nag, are you on the line?

Moderator: No, sir. Mr. Nag is not...

Rajshankar Ray: Just hold on a second. Okay. I think we can continue with the next question. As soon as he joins back, we'll answer this question. Is that okay?

Moderator: Yes, sir. Mr. Gopal, please go ahead.

Gopal Kandelwal: Yes, sir, I wanted to understand what is your total contribution of sales from e-commerce currently for home appliances?

Prabir Chatterjee: E-commerce is now around 17% YTD.

Gopal Kandelwal: Sir -- if I may wrong, but what I recollect, I think in the last call or last to last call, we were kind of saying that we are pretty much focusing on increasing the penetration in our retail store. But are we in parallel to that? Are we also taking some steps to increase our penetration of e-commerce websites as well? And if we are taking those steps, what are those steps?

Rajshankar Ray: Yes. So actually, the extraction from, let's say, distribution network and an extraction from the e-commerce platforms, both are parallel agendas, right? So there's no conflict between the two. Yes, we can definitely do much better as far as the e-commerce platform extraction is concerned. And that improves through continuous product planning, price point, planning -- for example, if you see, currently, our sale of air conditioners from e-commerce is zero. We haven't listed so far. But starting from this quarter onwards, we will retail air conditioners to the e-commerce platform.

Similarly for expansion in areas like microwaves, top load or front load. Yes, there is definitely agenda that we are pursuing for increasing the e-commerce extraction as well.

Gopal Kandelwal: Okay. So lastly, I just have one suggestion. I think I've shared this suggestion a couple of quarters back as well. I'm not sure if we have a dedicated team who can address the queries or concerns, people raise as a part of review on e-commerce website. Usually, what happens when a person goes and buy -- try to buy an air condition or washing machine, people have a habit of reviewing the reviews.

And if you look at the reviews, there are certain negative reviews as well.

So if we can have a dedicated team, who can review those reviews and address those reviews on the e-commerce website, so that would usually increase the confidence on the consumer that, okay, there are teams actively looking at the reviews and certainly responding to those reviews.

So if you get time, if you go to the e-commerce website, we can see there are certain negative reviews. But if we -- as a company or as a marketing team, if you can respond to those reviews and what action we have taken and then I think it will boost up the confidence of the consumers who are coming to those e-commerce website.

Rajshankar Ray: Yes, it's a very, very correct point that you are making. And in fact, we did take the suggestion. We have a dedicated team now. And in the last quarter, we've actually improved our review ratings. But we have to do much better on this, and that is an agenda we've taken as a dedicated team on this place, and we will work on this. Thank you for the suggestion which you've given earlier as well.

Moderator: Thank you -- that was the last question for today. I would now like to hand the conference over to the management for closing remarks.

Rajshankar Ray: No, could you just wait a second because there was one pending question left. Let me just see, just hold on a second please. Just hold on. Yes. Could you just repeat that question, please? And Mr. Nag will just answer that. Just a second.

Bikramjit Nag: Sorry, but my line keeps like getting cut -- I just don't know why. Go ahead please... Sorry, you had asked a question, please. My line keeps like getting cut. Hello...

Moderator: Sir, he is not there in this call sir.

Bikramjit Nag: What was the question, do you remember?

Moderator: No sir.

Rajshankar Ray: Hello. There was a gentleman who was asking about a 3- to 5-year horizon picture for IFB industries for Mr. Nag. Could we have a repeat of the question, please? Hello.

Moderator: Sir he has left the queue, sir.

Rajshankar Ray: He has left the queue. Okay fine. But I'll just give the phone to Mr. Nag, he will just answer it, please.

Bikramjit Nag: Sorry. I've understood the question. No, sorry, that my line keeps like getting cut off. I think we have very clear appliance business sorry, auto component business, ideally, you would like to grow it by 2.5 to 3x in 3 years. We are working towards that. As far as appliance business grows -- goes, it should grow by at least 30%, 35% a year but more importantly, it's not the revenue growth. We need to fix markets, and we need to move to double-digit margins fast, which is by end of this quarter to early Q1.

I think the first point in appliance is that. But in auto component, I think margin should stabilize at about 18-odd percent, and we must look at growth. And for the year, we don't give any guidance per se for next year, I'm talking '24, '25. But I think we need to substantially grow and therefore, M&A is important, and we are looking into that and they are about INR500 crores plus just on the M&A side. Thank you very much. Thank you. Hello.

Rajshankar Ray: Yes please, you can continue.

Bikramjit Nag: Hello. Hello, Natasha?

Moderator: Sir, the lines for Ms. Natasha is disconnected sir. Should I reconnect the line sir?

Rajshankar Ray: Yes, you can reconnect her please. Hello?

Moderator: Yes sir, I am reconnecting her line sir. We have the line for Natasha Jain connected sir.

Natasha Jain: Sorry sir. I am getting disconnected again and again for some reason. Hello? I apologize, I am getting disconnected again and again for some reason.

Prabir Chatterjee: Anybody else is in the queue.

Rajshankar Ray: Yes, Natasha.

Natasha Jain: Yes, sir.

Rajshankar Ray: The gentleman who had just asked a question to Mr. Nag related to the 3 to 5-year horizon. If you could just send across his name and number to Mr. Chatterjee since he had disconnected from the call we can organize for the answer to be given to him.

Natasha Jain: Sure sir. Yes, let me get back. Actually, I got disconnected at the same time, but I will get that detail and I will send it to you.

Rajshankar Ray: Yes, you could just send it to Mr. Chatterjee.

Natasha Jain: Okay. Thank you, sir.

Rajshankar Ray: Okay. Mr. Chatterjee, would you like to conclude, please?

Prabir Chatterjee: Yes. Thank you all for joining the call.

Moderator: Thank you, sir. On behalf of Nirmal Bang Institutional Equities, that concludes this conference. Thank you for joining us and you may now disconnect your lines.