



“Havells India Limited
Q1 FY2023 Earnings Conference Call”

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- Moderator:** Ladies and gentlemen, good day and welcome to the Q1 FY2023 Earnings Conference Call of Havells India Limited hosted by InCred Equities. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing ‘*’ then ‘0’ on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Rahul Agarwal from InCred Equities. Thank you and over to you Sir!
- Rahul Agarwal:** Thank you, Rutuja, and hello everybody. Good morning. InCred Equities welcomes everyone today on this call to discuss the Q1 FY2023 results of Havells India Limited. We thank the company for giving us this opportunity to host the call. We have the senior management of the company with us today represented by Mr. Anil Rai Gupta, Chairman and Managing Director, Mr. Rajesh Gupta, Director of Finance and Group CFO, Mr. Ameet Gupta, Whole Time Director, and Mr. Rajiv Goel, Executive Director. I now hand over the call to Anil ji for his opening remarks and then we will get into the Q&A session. Over to you Anil ji!
- Anil Rai Gupta:** Thank you very much Rahul. Good morning we hope everyone is staying safe. You would have reviewed the results by now. There was steady growth in quarterly and three-year CAGR numbers. Overall contribution margin sequentially maintained except cable which was adversely impacted due to commodity cost fluctuations. We expect benefits from the recent cost moderation to reflect in a couple of quarters. The demand outlook is stable in consumer and residential segments with slight deferment in industrial and infrastructure segments. We can now proceed for Q&A.
- Moderator:** Thank you very much. We will now begin the question-and-answer session. Ladies and gentlemen, we will wait for a moment while the question queue assembles. The first question is from the line of Naval Seth from Emkay Global. Please go ahead.
- Naval Seth:** Thank you for the opportunity Sir. I have two questions first on channel inventory on cable and wire and other products specifically and second on Lloyd margins as your media interview suggests that Lloyd margins will normalize in ensuing quarters so will that get somewhat impacted by new facility, which will be again operational from this yearend or so?
- Anil Rai Gupta:** Thank you very much. In cables and wires generally the system inventory is lower and hence we believe whatever short-term pain of as the inventory would be there would be over in this quarter so from the Q3 we expect normalized large margin levels to come back in cables and wires. As far as Lloyd is concerned because the inventories are larger and then the season is also slower in the second and third quarter, we expect 100% normalized margins in the Q4. We do not see any major impact on margins because of the upcoming plan because by the time that gets ready we would be venturing into the coming season of air conditioners so both I think in cables and wires and Lloyd we should be expecting normalized margins in the third and fourth quarter.
- Naval Seth:** Followup on this inventory level for other B2C products is there any change there as well?
- Anil Rai Gupta:** No I think they have been stable over the last few quarters.

- Naval Seth:** Thank you so much. I will come back in the queue.
- Moderator:** Thank you. The next question is from the line of Latika Chopra from JP Morgan. Please go ahead.
- Latika Chopra:** I had just had a little more followup on the earlier two questions that were asked? The first one was on cables and wires, we did see another company also recording Q1 numbers and it seems the margins held up pretty well there so I wanted to understand when you expect margins to improve are we going to see sequentially improving margins starting with Q2 itself or there is something else which we need to make a note of here and the second bit was on Lloyd margins you said normalized margins? If you could help us with what is the definition of normalized margin any range that you have in mind and also if you could clarify what kind of incremental capacity is going to get commissioned and the timelines for the same? Thank you.
- Anil Rai Gupta:** So as far cables and wires are concerned generally when there is a sudden reduction in the raw material prices, it is very evident that when you are selling in the market you would be expected to reduce your prices especially in cables and wires because when there is a sudden increase also or when there is an increase we pass it on to the consumer in a short period of time as well as in a reduction also and obviously there will be system inventory, certain purchases which will continue to happen because there is some imported raw materials also which continue to happen hence there will be certain impact in the Q2 hopefully in a few days or a few weeks the system inventory will go down but there will be certain impacts on the past purchases. That is why I said by the Q3 we expect normalized margins to come back and to revive fully. As far as Lloyd is concerned, we have seen that pre-November or October before the sudden increase in raw materials started happening in the industry as well as for the Lloyd's did not pass on the entire cost increase in the market because the season was coming after two years and everybody was wanting to let us say retain or regain market shares so there were not full transfer of cost increases in the market. Before that Lloyd was making double digits contribution margins and we believe that we should be back to those margin levels by the Q4.
- Latika Chopra:** Perfect. Thank you so much.
- Moderator:** Thank you. The next question is from the line of Siddhartha Bera from Nomura. Please go ahead.
- Siddhartha Bera:** Sir thanks for the opportunity. Sir my first question is on the volume growth side so would it be possible to highlight if I just look at the electrical business X of Lloyd we have done about like a 50% growth in the current quarter how much you will be led by volumes and going ahead what do you expect in terms of volume growth so we did about 11% to 12% in FY2022 leaving aside Q1 because there is a base impact what kind of volume growth we should expect for the remaining part of the year?
- Anil Rai Gupta:** We have seen about a 40% increase in volume in case of Havells and about 10% to 12% in terms of value but again this is not the right comparison because it was a disrupted quarter last year.

- Siddhartha Bera:** So any outlook Sir if you can share how should we expect that type of trend of double digits to continue or do you see some risks because of the price hikes which have happened in the past?
- Anil Rai Gupta:** You are asking me to say to you what growth we are expecting in the coming quarters. Generally we do not give guidance. I think let us see how the market behaves. I think I have also mentioned on the media as well in the morning that in the month of second half of May and June there was some slight slowness in demand especially more towards the industrial and infrastructure segment but I also believe that it was due to the fact that there was high prices and raw materials were at an all time high. We believe that with these prices coming down we should expect that demand should also come back very quickly so I think going forward we are positive about the demand outlook.
- Siddhartha Bera:** Got it and Sir the second question is on the Lloyd so I think the rating changes were supposed to happen in July so any update on what has happened and are we looking at any price hikes because of that?
- Anil Rai Gupta:** That has happened already. The rating changes have happened so all new production will be on the new ratings so yes there is a cost impact on that and we are evaluating that depending upon the raw material scenario as well as depending upon the cost increase we will be taking certain pricing actions in the coming few weeks.
- Siddhartha Bera:** Basically with the current commodity fall and the price hikes which we will probably be taking so will that be sufficient enough to take us to the double-digit contribution margins in the current quarter or do you think that it might take some time more?
- Anil Rai Gupta:** As I said there is inventory in the system and the Q2 and Q3 is generally low in volumes for products like air conditioners so we will be carrying this inventory for some more time and you know we expect by the end of Q3 and Q4, we should go back to normalized margin.
- Siddhartha Bera:** Thanks a lot Sir. I will come back in the queue.
- Moderator:** Thank you. The next question is from the line of Achal Lohade from JM Financial. Please go ahead.
- Achal Lohade:** Good morning. Thank you for the opportunity. My first question was if you could explain in terms of the ECD margins, we see that Q-o-Q the ECD margins at contribution level were fairly steady while in terms of the EBIT margin there was substantial drop? Is it entirely to do with the A&P or is there anything else as well Sir?
- Anil Rai Gupta:** It is entirely due to A&P because generally A&Ps I would say you have to look at the entire year so yes most of it is due to ANP.
- Achal Lohade:** Understood. The second question I had is if you could give us some sense in terms of given the Q1 of FY2021 and FY2022 were impacted? On a three-year CAGR basis what would have been the volume growth across segments would that be in mid single digit, high single digits?

- Anil Rai Gupta:** It would be high single digits or close to double digits.
- Achal Lohade:** Understood and what I am trying to also ask is given the cost reductions what we are looking at, is it fair to say that part of this will be retained and part of this will be passed on and do you see the way it will behave will defer depend on the categories or it will be by and large get passed on?
- Anil Rai Gupta:** I have not fully understood your question. Can you repeat?
- Achal Lohade:** In terms of the RM cost reduction now what we are looking at this point in time would this be largely passed on? Will this be retained and would this be the extent of reduction in pass on will depend on the category?
- Anil Rai Gupta:** I think this will give us give us an opportunity to at least look at the long-term normalized margins of each business in each category so if there has been any reduction let us say in stable businesses like switchgears, PCB, and lighting so that will give us an opportunity to at least come back to those margin levels. As I said cables and wires & Lloyd is very acute in terms of the impact and that should normalize in the next couple of quarters so this reduction and this is very recent so you cannot take really a view on how long they will sustain and how much will it further go down or up so I think this generally happens over a few weeks rather than just an immediate decision of price hike or lowering price hike.
- Achal Lohade:** Got it and just last follow up is with respect to Lloyd's is it possible to share what is the market share we have in the AC segment for the season if we have for the season or for the quarter?
- Anil Rai Gupta:** We tend to believe that we have regained market share in Lloyd air conditioners and we would be among the top three players at least in the first half of the calendar year.
- Achal Lohade:** Got it. Thank you and I will come back for the follow-up. Thank you.
- Moderator:** Thank you. The next question is from the line of Atul Tiwari from Citi. Please go ahead.
- Atul Tiwari:** Thanks a lot. Sir just one question on this industry so now that we have seen Lloyd's operating at negative margins through this season and obviously the market share has gone up and in the response that some of the larger players have indicated that they are willing to work at lower margins at least temporarily compared to what they were used to in past to retain their market share so do you think that there is a risk of entire AC industry margins structurally settling down at lower level because of this fight for market share amongst key players?
- Anil Rai Gupta:** I doubt very much because last two years there was disruption in the air conditioning market. Ultimately it is a technology-oriented business in the product and hence it has to retain certain amount of margin levels to lead this back into technology and technology upgradation for the consumer so ultimately I think the entire competition should behave responsibly in this so we believe that raw material prices stabilizing over the medium term I do not see any major structural changes in the business.

- Anil Tiwari:** Sir following up on that as per your plan what will be the EBIT level normalized margin for Lloyd that you will be happy working with?
- Anil Rai Gupta:** I think let us not focus on that as of now but this has been a period where raw material prices have been up and down quite considerably so let us come back to normalize margin levels and we will continue to invest in brand building and distribution enhancement in the coming times so this is a long-term play for us and we will take it as it comes along.
- Anil Tiwari:** Thanks.
- Moderator:** Thank you. The next question is from the line of Rahul Agarwal from InCred Equities. Please go ahead.
- Rahul Agarwal:** Thanks for the opportunity. Sir one question on Lloyds just to get this right the base revenue last year was about Rs. 2200 Crores to Rs. 2300 Crores my sense is that we are utilizing almost 90% capacity so is the understanding correct that the incremental growth is all going to come from new capacity additions and the existing infrastructure is all fully utilized? Is this correct?
- Anil Rai Gupta:** No that is not true because Rs. 2200 Crores also includes other product categories where washing machines, refrigerators, and LED. In the last financial year we were not at 100% capacity but going forward the kind of growth that we are envisaging we would definitely need to enhance our production facilities in South and that would also take a sizable part of the entire demand.
- Rahul Agarwal:** FY2023 growth is there is still scope to utilize existing capacity to further grow on the last years number is that correct?
- Anil Rai Gupta:** That is right.
- Rahul Agarwal:** Lastly we have been hearing from some dealer checks that Reliance through the BPL and the Kelvinator brand rights they are trying to cause certain disruption into the similar product categories? Would you think it is going to be a meaningful play there or in terms of your own assessment of absorbing capacity for you know whatever new product launches we plan for Lloyd that should be comfortable enough?
- Anil Rai Gupta:** Yes generally in AC industry has seen at least 10 to 12 brands and there would be top four to five brands and then there are a host of other brands as well so there will be brands but I think ultimately it depends upon what the consumer goes for technology, brand, and distribution so lot of factors in building success for brand. It is not really that I would say that price elastic where suddenly market shares change a whole lot.
- Rahul Agarwal:** Got it Sir. Thank you so much. I will come back in the queue. Thank you.
- Moderator:** Thank you. The next question is from the line of Aakash Javeri from Perpetual Investment Advisors. Please go ahead.

- Aakash Javeri:** Good morning and thank you so much for the opportunity. I have two questions. My first question was when would the mandatory BE ratings for fans kick in and the second question was that out of the entire fan market how do you see it evolving over the next three to five years especially in terms of the BLDC penetration?
- Anil Rai Gupta:** The BE ratings change from the first of January and going forward there will be market for the BLDC market fans and the ranges will continue to enhance and generally industry has seen over a period of time that products transition towards more energy efficient products and if the cost difference continues to reduce in this we will definitely see more of BLDC penetration in the business.
- Aakash Javeri:** Thank you so much.
- Moderator:** Thank you. The next question is from the line of Rahul Gajare from Haitong Securities. Please go ahead.
- Rahul Gajare:** Thanks for the opportunity. Some of my questions are answered but on Lloyds could you give us a sense on what is the price hike that you would have taken in this particular quarter if that is something that you have done because you have taken about 10% price hike in the last year so in this particular quarter or till June if you could give us some sense?
- Anil Rai Gupta:** I would say that we would have maintained the prices what we would have continued in the Q4 in the Q1 as well.
- Rahul Gajare:** The second question is in terms of the shortages of raw material, supply chain issues is all of it behind or are you still seeing shortages of certain raw material or those kind of things?
- Anil Rai Gupta:** I think generally speaking it is all behind. The noise is more about chips wherein now we are in the process of having a long-term planning schedule, which means we are planning for the next year but the supply chain disruption did not really affect us in the past as well and it is not really affecting us now.
- Rahul Gajare:** My last question is you indicated that you have got about 40% increase in the volumes in this particular quarter. Is there a particular category that has seen significant rise in volume because lighting we have seen about 70% plus growth. Most of other were in the range of 30% to 40% so any particular category which really stands out in terms of the volume growth that we have seen in this quarter?
- Anil Rai Gupta:** Yes it is across lighting has seen better growth in this quarter also because of the fact that it also has an industrial and professional component which was majorly disrupted last year because of the second wave of COVID, but generally speaking it is across.
- Rahul Gajare:** Fair enough. Thank you very much.

- Moderator:** Thank you. The next question is from the line of Vishal Biraia from Max Life Insurance. Please go ahead.
- Vishal Biraia:** What will be the key driver for this improvement in margin that we are targeting to double digit contribution by Q4 so will it be the lower discounts that we were offering to the dealers or will it be just the correction in commodity prices because that would impact everybody else as well so could you elaborate a bit more on this? Thank you.
- Anil Rai Gupta:** I think as I mentioned before that the raw materials went up and the entire cost increase was not passed on so when the raw materials go down there will be an expansion in margins going forward and that is what we are expecting by the Q4. I do not know whether I have answered your question or not, maybe I have not fully understood?
- Vishal Biraia:** Sir I was coming from the perspective that we have been more aggressive than the industry maybe in increasing our market share?
- Anil Rai Gupta:** I did not say that they were more aggressive in the industry. I mentioned that the industry did not take the entire price hike as commensurate to the cost increase, so I mentioned that we have also not done it and we believe that the industry has also not passed on the entire cost increase.
- Vishal Biraia:** Now you mean that now that the commodities have corrected so the incremental price hikes are not required and so the margins for the industry as a whole should bounce back will that be fair?
- Anil Rai Gupta:** Yes.
- Vishal Biraia:** Okay in terms of the market share further incremental market share growth that we are targeting in the air conditioning business what will be the key drivers? One is the brand building that you are already focused on but incremental, will it be more incentives for the new distributors more working maybe better credit terms?
- Anil Rai Gupta:** Long term market share development requires product development, technology, manufacturing, leads, distribution, brand building and quality perception of the consumer. So I think incentives to the dealers and all play a very I would say a very, very short term role and many times it is counterproductive also so Havells has not practiced this in the past and we do not envisage this happening. I think I keep saying this Lloyd is a long-term play and something what Havells has done over the last 20 years that we will continue to build. Reiterating, brand, distribution, manufacturing, and technology.
- Vishal Biraia:** Lastly to what extent do we outsource air conditioning?
- Anil Rai Gupta:** Pretty much it is now manufactured in-house maybe to the extent of certain models that we do not produce but then maybe maximum 10% to 15%.
- Vishal Biraia:** Okay and what will be the contribution of refrigerators and washing machines in this quarter?

- Anil Rai Gupta:** We do not give a breakup in this. We look at the overall.
- Vishal Biraia:** Approximate percentage roughly maybe 5%-8% single digit still?
- Anil Rai Gupta:** I will refrain from answering this please.
- Vishal Biraia:** Okay fair enough. Thank you.
- Moderator:** Thank you. The next question is from the line of Abhijit Akella from Kotak Securities. Please go ahead.
- Abhijit Akella:** Good morning. Thank you so much for taking my questions. The first one just on the cable raw material procurement I was just hoping to understand the sourcing model a little bit better if you could just help us understand how much of it is imported versus procured domestically and also whether there is any kind of embedded derivative or any such time lag between the time you book the order for the metal versus the time that you actually make the payment?
- Anil Rai Gupta:** We have various businesses and you are specifically talking about any particular business.
- Abhijit Akella:** Cables in particular
- Anil Rai Gupta:** Cable generally speaking we buy most of the raw materials from the country but there are certain raw materials for wires like copper we import part of it and it depends upon availability as well as pricing at that particular period of time. It could vary between 20% to 40% the extent of imports and there are no derivatives that we believe in because we believe in the fact that there are not high levels of inventory in the entire system and generally the cost increase or reduction is passed on to the market.
- Abhijit Akella:** Okay so if I understood you correctly Sir you are saying that the price is set on the date that we signed the contract itself? It is not set at a later date and time.
- Anil Rai Gupta:** I would not like to get into these details on this but there are no derivatives.
- Abhijit Akella:** Understood and second part I just had was on some of the cost items on the advertising and promotion line? Is there a ballpark number for the full year that you could help us with in terms of guidance and also the rough seasonal pattern that you expect in that?
- Anil Rai Gupta:** We usually spend close to about 2.5% to 3% in a normal year other than the disrupted COVID years but generally about 2.5% to 3% and yes it does vary seasonally but over the entire year it is about 2.5% to 3% of the revenues of the entire company.
- Abhijit Akella:** Understood Sir and one last thing the employee cost has picked up a little bit just wondering if there are any one-off items within that or whether we should use this as a good number for modeling purposes going forward?

- Rajiv Goel:** Actually there is a if you see sequentially there is no significant growth. I think there were certain maybe adjustments in the last year so I think that is on the base it is looking higher otherwise this is normative in nature.
- Abhijit Akella:** Okay understood. Thank you so much. All the best.
- Moderator:** Thank you. The next question is from the line of Yashika Chopra from JP Morgan. Please go ahead.
- Latika Chopra:** This is Latika again here. I wanted to check with you to get some flavors on the demand outlook. I understand you said you have witnessed steady trend on the distribution side, but Q2 the high inflation did you sense any moderation in consumer sentiment as you progressed through the quarter and when do you anticipate this commodity deflation benefits to start getting passed on to consumers particularly for the ECD category and any color on consumer behavior towards upgrading? Has that got affected? Any sense on rural versus semi urban versus urban trends any thoughts Sir. Thank you.
- Rajiv Goel:** I think starting with the last question on the rural, urban or the upgrading I think we have explained this in the past. We have not seen much consumer behavior changing in terms of the high inflation. Also, I think not all the costs have been passed on also to the consumers so it is not that he has borne the entire brunt of the inflationary pressure. Yes I think as we just mentioned that towards the latter half of the last quarter we did see some moderation. I think maybe it was largely also due to the trade being cautious because when the commodity falls they believe that there will be some price benefits being passed down so they hold so there have been some may be destocking at the dealer level. Cable wires may be higher than other product categories. We do believe there is destocking and that is why the channel inventory is extremely low in our view so I think the consumer we believe continues to sort of purchase and that is why on the consumer side we are more sort of confident. Infra and all also we really there is a moderation but hopefully as the deflationary or the commodity benefits are passed on in the let us say this quarter going forward may be that demand also should revert back. That is why I think we continue to be sort of cautiously but positive about the demand scenario going forward.
- Latika Chopra:** Thank you and the last question that I had is we discussed a lot of a lot about air conditioners and Lloyd but any milestones to talk about in the refrigerator or washing machine side even in terms of innovation, consumer acceptance, distribution outlet expansion, etc.? Thank you.
- Anil Rai Gupta:** I think the washing machine business where we started development much ahead is really taking up a good shape. The consumer acceptance and the trade acceptance is strong and we now believe that we have a complete portfolio in terms of washing machines. Refrigerators which were started last year we believe that by the end of this calendar year we should have a complete portfolio but the initial reactions from the trade and the consumer are strong but to have a complete play of refrigerators we need a larger range which hopefully should be fully in operational by the end of this year.
- Latika Chopra:** Thank you so much.

- Moderator:** Thank you. The next question is from the line of Keyur from ICICI Prudential Life Insurance. Please go ahead.
- Keyur:** Thank you. Sir I just want to understand on the Lloyd side if you look at the calendar 2022 and if I do the back of the envelope calculation probably our facilities were utilized fully. Now in that context the incremental margin improvement should be driven by pricing basically price hike or lower commodity prices or are there any other lever so here the assumption is that since the facilities are fully utilized the operating leverage part has already been there in these numbers?
- Rajiv Goel:** I think we as we explained earlier also right now we are we are anticipating the lower commodity cost benefit to reflect in the margins and that is why we believe it should be in the later half rather Q4 because the season also starts late Q3 early Q4 so therefore we expect the benefits to flow in and largely it is predicated on the falling commodity cost.
- Keyur:** Understood. Sir second question I mean historically we have seen this cycle of destocking and restocking in at the time of say sharp commodity moves in wires and cables? Does similar trend happen in ECD as well or it is less prone to this kind of cyclicality or any other segment which are prone to this kind of cyclicality?
- Anil Rai Gupta:** So less prone. Some degree of the destocking would be there but yes it will be more pronounced in cable environment.
- Keyur:** Sir just last question that is on the I think we have at least the commentary phase from many of the players or OEMs that there is slow down in the lighting so what is your view on that because I would just consider lighting as more of say utility product so what is driving slowdown in lighting if there is not any?
- Rajiv Goel:** So we have not seen any slowdown. Actually our business is more consumer and professional. We are not doing government orders and all. So our business continues to hold pretty well. Even margins continues to hold steady because lot of our business is now innovation driven and also very deep distribution driven so we have not perceived much slowdown. we are not dependent upon any single order or two large orders and then this will create the havoc when those orders go away so that has not seen any impact.
- Anil Rai Gupta:** Lighting is not seeing any impact as such as of now.
- Keyur:** Understood Sir. Sir thanks a lot and all the very best. I will get back in the queue. Thank you.
- Moderator:** Thank you. The next question is from the line of Ashish Jain from Macquarie. Please go ahead.
- Ashish Jain:** Sir I had one question on the switchgear segment so can you just talk about what is the growth now we are seeing because this quarter the growth was exceptionally strong so does it have like any one-off kind of nature or by and large we are seeing very strong demand on the ground as well?

- Rajiv Goel:** Switchgear actually if you see last three years because that will be more relevant sometime on the lower base it may not reflect but I think we are very actually to some extent excited that we have almost 15% to 16% CAGR in three years which has been if you see the trend before that has been almost single digits so we believe this property upcycle and the construction cycle which has now kicked in and which we believe is sustainable that I think should further support the switchgear business so we continue to be confident about the switchgear and the switchgear segment.
- Ashish Jain:** Sir what is the mix of retail versus institution on the switchgear?
- Rajiv Goel:** Our business is largely retail. It does not mean there will not be much institution, but largely we are distribution-based brands and that is why we believe there's a lot of construction happening in smaller towns as well as the urban and we are not much builder driven business. I think you are aware of that.
- Ashish Jain:** Sir second on Lloyds I know lot has been asked about it but I just had one question so historically in Lloyds when we were seeing a double-digit contribution margins we are also seeing 6% to 7% EBIT margins as well so shall we think on similar lines or given Anil ji spoke about higher advertising spend and higher focus on distribution and all there could be a variance between contribution versus segmental margins in Lloyds for the next say few quarters and all?
- Rajiv Goel:** That is why as you rightly said our first priority is to get to the contribution margins and you see the rest of the things are strategy dependent and our strategy will continue to invest behind this. We see a very large opportunity in this segment and I think we see a fairly long-term play with Lloyd into the consumer appliances segment so I think we will continue to take long term calls for the health of this business.
- Ashish Jain:** Got it Sir. Thank you so much.
- Moderator:** Thank you. The next question is from the line of Pulkit Patni from Goldman Sachs. Please go ahead.
- Pulkit Patni:** Sure Sir. Sir thanks for taking my questions. Sir my first question is bookkeeping. We have spent Rs.56 Crores in capex in the Q1? What is the ballpark number for the year that we should be taking?
- Rajiv Goel:** I think we are because of some I think things do take time so I think we are expecting Rs.700 Crores to Rs.800 Crores.
- Pulkit Patni:** Okay so that number stays intact. I was surprised with the Q1 number? Sir my second question is when we look at our portfolio you know we have got premium products say for example switches and Crabtree and then you have got economy products under different brands? Have we seen a difference in terms of demand trends where the premium products have sold a lot more relative to the economy products any trends that you have seen based on different income levels because we've got a portfolio which spreads across different, different pocket lines so anything on that?

- Anil Rai Gupta:** I would say the products which are affordable in nature are a recent entry in Havells maybe just about five or six years old so hence there is a lot of distribution reach enhancement which is in progress right now, so we have actually not seen any variation in terms of demand but if we see a little bit of higher growth in affordable segment that is primarily because of distribution reached enhancement which is happening whereas our premium products have already been well placed in the market for many years, but otherwise generally thinking the demand is equal throughout.
- Pulkit Patni:** Understood and if I may take the liberty of asking I am assuming margins would be similar in both categories?
- Anil Rai Gupta:** The premium products the margins are definitely higher but we definitely do get advantage of operating leverage with increased numbers
- Pulkit Patni:** Got it. That is helpful Sir. Thank you.
- Moderator:** Thank you. The next question is from the line of Gopal Navaldhar from SBI Life Insurance. Please go ahead.
- Gopal Navaldhar:** Sir thanks a lot for the opportunity. My question is in the last two years despite COVID we have seen a very healthy growth of 15% CAGR for this quarter and I think even organized industries also has seen a very healthy growth and the last few years have been challenging for unorganized players and now the things are reversing in terms of commodity prices, supply chain issues and all are you seeing unorganized player coming back into the system and disturbing the businesses?
- Anil Rai Gupta:** No we do not see that trend.
- Gopal Navaldhar:** Sure Sir and the second question is on the how are the inventory in the AC for us and for the system and how long it will take to liquidate these old price inventories?
- Anil Rai Gupta:** Generally in this system the inventories are not very high but obviously because of the manufacturing facilities we do keep inventory levels and we continue to build inventory even in the low seasons so as we have already mentioned that there are high-cost inventories in the system so it will take a couple of quarters because this is low selling season any way so to come back to normalize margin levels.
- Gopal Navaldhar:** Okay sure Sir thanks a lot.
- Moderator:** Thank you. The next question is from the line of Vishal Biraia from Max Life Insurance. Please go ahead. As the participant has placed the call on hold, we will move to the next question is from the line of Prasheel Shah from CapGrow Capital. Please go ahead.
- Prasheel Shah:** I have two questions both of them are regarding the competition. So one of the most competitive industries right so how do we differentiate ourselves when it comes to lighting, fans, and consumer durables how do we differentiate ourselves from the competition and the second question is

regarding the distributors now how do we approach a distributor? What is our strategy of when we are going and trying to win new distributors and how do we sort of keep them and maintain them?

Anil Rai Gupta: I would say that this is not a quarterly analysis question on the call so I would suggest if you can spend some time with our team in the IR team and maybe that will be a better way to understand the strategy of the company.

Prasheel Shah: Thank you.

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

Shrinidhi: Thank you for the opportunity and congratulations on strong topline performance. Anil ji I have just one question here. Sir we have seen some senior management exits from Havells and joining competition so in that topic I just want to know that these are the just few exits which gets reported from competition or are you structurally seeing a lot higher attrition rate in senior management?

Anil Rai Gupta: In fact, we have seen a very low attrition rate in senior management over the last few years. There are a lot of reasons for people to stick to Havells. In fact our attrition levels beyond the VP levels are low single digits, I would say so I would not say that there are higher attrition levels. Yes there were some challenges last year wherein we saw some sort of attrition in the technology side, IT side and the R&D side for which the company has taken various other steps also for example employee ownership plans and ESOP plans to give long term wealth creation opportunities for the employees, but at senior levels our attrition levels are extremely low single digits.

Shrinidhi: Sir that was my question Sir. Thank you for answering them and all the very best.

Moderator: Thank you. The next question is from line of Rakesh from Indsec Securities & Finance Limited. Please go ahead.

Rakesh: Sir how much price hike we have taken in Q1 Sir? Good morning Sir. Sir my first question regarding Sir how price hike we have taken in Q1 Sir and any price hike?

Anil Rai Gupta: Sorry any particular business you are asking.

Rakesh: No overall Sir?

Anil Rai Gupta: It depends on business to business maybe in switchgear we have seen certain price hikes in the first half of the quarter but otherwise generally there were no prices hikes.

Rakesh: Okay Sir. Sir my next question is regarding Sir any impact on demand of especially for window AC after some new energy norm implemented for July because this will increase the cost of say window AC?

Anil Rai Gupta: Yes we will see this in the coming quarters because this is a very recent phenomenon.

- Rakesh:** Okay Sir. Sir my last question is Sir any plan to add new product or portfolio in your Lloyds business Sir?
- Anil Rai Gupta:** This is an ongoing process in various businesses whether it is appliances, fans, and consumer durable there are constant product innovations and additions happening so I would say it is a continuous process.
- Rakesh:** Okay Sir. Sir how much rural contribution to overall revenue Sir ours Havells Sir?
- Anil Rai Gupta:** I would say it is about 5% of the overall consumer business.
- Rakesh:** Thanks a lot.
- Moderator:** Thank you. The next question is from line of Keyur from ICICI Prudential Life Insurance. Please go ahead.
- Keyur:** Thanks for the opportunity again. The question is on if you can just give breakup of the capex either by product or by say growth capex and maintenance capex and second on the Lloyds side we have earlier highlighted that basically just want to understand what are we doing under the PLI or the scope of in-sourcing that we would be doing under PLI and earlier we have highlighted about export of AC as well so you can throw some light any tentative timelines whether it would be white label or under the brand Lloyd if you can touch upon these aspects. Thank you.
- Rajiv Goel:** The breakup we normally not provide but we can tell you the large amount of capex will be accounted for by the new AC facility which is coming in the Southern India and as far as the export of ACs are concerned I think they we are getting good response and this will be both in our own brand as well as the white label opportunity on a global basis. The third question was. What was your other question?
- Keyur:** So basically scope under the PLI what would be the scope of our manufacturing?
- Rajiv Goel:** PLI is largely a component based so we have also participated on few of the components which currently will be done both in the existing facility as well as a new facility in Southern India.
- Keyur:** Any specific key component that you would like to highlight?
- Rajiv Goel:** No nothing. We are not doing compressor if that is the question so we are not doing that.
- Keyur:** I am saying generally see AC unit generally we have seen many of the brands doing subassembly but there are too many components so a specific few components which you would like to do internally versus you used to outsource it two to three year back?
- Anil Rai Gupta:** We do not believe in sub assembly concept. If anybody has seen our manufacturing facilities we are very integrated manufacturing facilities.

- Keyur:** Got it. Thanks a lot Sir and all the best.
- Moderator:** Thank you. The next question is from line of Devang Patel from NAFA Asset Managers. Please go ahead.
- Devang Patel:** Sir I had some queries around why we do not hedge our copper requirement using derivatives? Is it because we do not find the cost benefit favorable? Have we hedged in the past and if we expect high volatility would we change our mind in future?
- Rajiv Goel:** No hedging is, you see our policy is not to do the hedging so this is part of the policy and these things keep coming up but we have seen in the past that ultimately these do not provide any tangible benefits. I think one event cannot define the long-term strategy. We believe that the real hedging is that we pass it on to the market maybe with a lag effect and it has been working well almost for a few decades now.
- Devang Patel:** So consistently we have not been hedging in the past also?
- Rajiv Goel:** No.
- Devang Patel:** That is all. Thanks so much.
- Moderator:** Thank you. The next question is from line of Hitesh Taunk from ICICI Direct. Please go ahead.
- Hitesh Taunk:** Thank you for the opportunity Sir. Sir my question pertains to the distribution network? Can you please quantify what is your distribution network of Havells and Lloyd separately because earlier we had a target to increase the town penetration almost double? I just wanted to understand on the distribution point of view for the Havells and Lloyd separately?
- Rajiv Goel:** On the Havells side we have indicated we have almost 14,000 dealers and on Lloyd side more than 1000 direct distributors.
- Hitesh Taunk:** 14,000 for Havells and Lloyd?
- Rajiv Goel:** Dealers and for Lloyd more than 1000 distributors.
- Hitesh Taunk:** What kind of growth are we seeing in the distribution network in the Lloyd front Sir?
- Rajiv Goel:** Lloyd is multiple channels like regional retail, like MFR, like online so all the channels we would argue that we have been well penetrated.
- Hitesh Taunk:** Thank you. Thank you very much.
- Moderator:** Thank you. The next question is from line of Vishal Biraia from Max Life Insurance. Please go ahead.

- Vishal Biraia:** Thank you again. My question pertains to fans as to how was the performance in 1Q? We have again lost the market share and this is overall for fans and also within the premium fans. Thank you?
- Anil Rai Gupta:** Can you repeat the question please.
- Vishal Biraia:** My question pertains to ceiling fans and fans overall as to how was the performance for us in the Q1 in the June quarter or could you comment also on the market share and the outlook for demand? Would we have seen some amount of down trading here as well?
- Anil Rai Gupta:** No, I think Q1 the fans performance was quite positive. Again growth over a very disruptive quarter but in the second half of the quarter we did see some slow down in the purchasing which has to be seen whether it is in the coming times whether it was structural in nature or is it just because of high raw material prices and high costs and hence dealers destocking with the season going away. If you look at market shares, I think our growth if we compare over last five years CAGR has been the highest in the industry and hence we have been continuously gaining market share in fans category over the last five years. Quarter and quarter there can be various comments but otherwise whether it is lighting, fans, or Lloyds our CAGR over the last five years has been the highest in the industry so I would say that we have gained market share.
- Vishal Biraia:** The other question is on the small appliances do you see a scenario of increasing competitive intensity in the space?
- Anil Rai Gupta:** No, it is already there. It is a highly competitive business so we do not see any increase in competitive intensity.
- Vishal Biraia:** This will be also a place where the price hikes would have benefited us but we have not seen enough price hikes so would that also be just largely because of competitive intensity that others have also not taken enough price actually would that be the only factor?
- Anil Rai Gupta:** I think this was again similar to Lloyds. It is a very, very consumer-oriented product. I would say that the industry has taken a view of not entirely passing on the entire cost increase. So yes over a period of time this raw material abatement or decrease would actually help the margins come back.
- Vishal Biraia:** Thank you.
- Moderator:** Thank you. The next question is from line of Ashish Jain from Macquarie. Please go ahead.
- Ashish Jain:** Sir I had just one housekeeping question? Can you quantify your markets within AC on 1H basis or 1Q basis?
- Anil Rai Gupta:** No.
- Ashish Jain:** But is it safe to assume you are 15% plus kind of number?

Anil Rai Gupta: No when I say I do not want to give a number. I believe we are amongst the top three players in the first six months of the calendar year.

Ashish Jain: Great Sir. That is helpful. Thank you.

Moderator: Thank you.

Anil Rai Gupta: I just want to make one comment on the market share. It is like investment bankers giving their tables. Everybody tries to give numbers which are suiting them and comes from very different sources. There is no one particular source which people use for market share hence I would say normally the way we look at market shares is the CAGR growth over a longer period of time and again quarter-on-quarter or half yearly market shares do not mean much. We have to look at the actual performance which is happening in the market and long-term performance.

Moderator: Thank you. Ladies and gentlemen this was the last question for today. I would now like to hand the conference over to the management for closing comments.

Anil Rai Gupta: Thank you very much for joining on the call. Thank you.

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