

12th February, 2025

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BSE Limited,
Phiroze Jeejeebhoy Towers
Dalal Street, Mumbai-400001

The Manager
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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

Symbol: **IFBIND** | ISIN: **INE559A01017**

Dear Sirs,

Sub : Transcript of the earnings conference call for the Quarter and nine months ended 31st December, 2024.

Pursuant to Regulation 30 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 and in furtherance to our letter dated 6th February, 2025 regarding the audio recording of the investor's earnings call for the quarter and nine months ended 31st December 2024, please find enclosed herewith the transcript of the said call. The said transcript is also available on the Company's website i.e. <https://www.ifbindustries.com/financial.phn>

This is for your information and record.

Thanking you.

For IFB Industries Limited

Ritesh Agarwal
COMPANY SECRETARY



“IFB Industries Limited
Q3 FY '25 Earnings Conference Call”

February 06, 2025



MANAGEMENT: **MR. BIKRAMJIT NAG – CHAIRMAN**
MR. P.H. NARAYANAN – MANAGING DIRECTOR,
ENGINEERING DIVISION
MR. C.S. GOVINDARAJ – EXECUTIVE DIRECTOR,
MANUFACTURING, HOME APPLIANCE DIVISION **MR.**
SOUMITRA GOSWAMI – CHIEF FINANCIAL OFFICER
MR. JAYANTA CHANDA – CHIEF FINANCIAL OFFICER,
ENGINEERING DIVISION
MR. KARTIK MUCHANDI – HEAD, FINANCE AND
ACCOUNTS AND MARKETING, HOME APPLIANCES
MR. RANJAN MOHAN MATHUR – NATIONAL SALES
HEAD, HOME APPLIANCES

MODERATOR: **MR. KRISHNAN SAMBAMOORTHY – NIRMAL BANG**
INSTITUTIONAL EQUITIES

Moderator: Ladies and gentlemen, good day, and welcome to IFB Industries Q3 FY '25 Earnings Conference Call hosted by Nirmal Bang Institutional Equities. This conference call may contain forward-looking statements about the company, which are based on beliefs, opinion and expectation of the company as on the date of this call. These statements are not the guarantees of future performance and involve risks and uncertainties that are difficult to predict.

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 phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Krishnan Sambamoorthy from Nirmal Bang Institutional Equities. Thank you, and over to you, sir.

Krishnan Sambamoorthy: Thank you, sir. On behalf of Nirmal Bang Institutional Equities, we welcome you all to the third quarter FY '25 results con call of IFB Industries. The management is represented by Mr. Bikramjit Nag, Chairman; Mr. P.H. Narayanan, MD, Engineering Division; Mr. C.S. Govindaraj, ED, Manufacturing, HAD; Mr. Soumitra Goswami, CFO; Mr. Jayanta Chanda, CFO, Engineering; Mr. Kartik Muchandi, Head, Finance and Accounts and Marketing; and Mr. Ranjan Mohan, National Sales Head, Home Appliances. Over to the management for opening comments, following which we will have the Q&A.

Soumitra Goswami: Good afternoon, everybody. I'm Soumitra Goswami, the Chief Financial Officer of IFB Industries Limited. I welcome you all for IFB Industries Limited Investors Call for third quarter for FY '24-'25. I have with me Mr. Bikramjit Nag, Chairman of IFB Industries Limited; Mr. P.H. Narayanan, Managing Director of our Engineering Division; Mr. J. Chanda, CFO of our Engineering Division; Mr. C.S. Govindaraj, Executive Director, Manufacturing of our Appliance Division; Mr. Kartik Muchandi, Head of Finance of our Marketing Division of Appliance Division; Mr. Ranjan Mohan Mathur, Head of Sales of our Appliance Division.

Now I will inform you about the quarter 3 result. Revenue for the quarter was INR1,232 crores against last year INR1,140 crores, with a growth of 8% and in value terms, the growth amount is INR 91 crores over last year. PBDIT for that period was INR 90 crores and its percentage to revenue for third quarter was INR 7.28 crores as compared to last year's INR 70 crores, which was in percentage term is 6.17%.

PBDIT amount came across a growth of 27% year-on-year, muted revenue growth in November impacted the margin a little bit for the quarter. Fixed expenditure for the quarter was well behind budget. PBT for the period was INR 45 crores against last year figure of INR 32 crores, which is a growth of 31%. Q3 PAT was INR 34 crores as compared to last year's INR 24 crores, which is a growth of 42% over last year.

Figures of YTD December 2024 period are the following. Revenue for the YTD period is INR3,665 crores against last year's INR3,277 crores, which is a growth of 12%. PBDIT for the period was INR255 crores and its percentage to revenue was 6.96% as compared to last year's INR186 crores, which was 5.67% on revenue. PBDIT amount came across a growth of INR69 crores over last year, which is a growth of 37%. PBDIT growth is attributable to higher revenue, which hits expenditures contained within budget.

PBT for the YTD period was INR142 crores, which is 3.9% on revenue as compared to last year's INR74 crores, which was 2.3% on revenue. Growth in PBT was 92%. PAT for the period

was INR107 crores, which is 2.9% on revenue in comparison with last year's INR55 crores, which is 1.7% on revenue. The growth in PAT is 94%.

With this, I will request to start the question-and-answer session.

Moderator: First question is from the line of Manoj Gori from Equirus Capital.

Manoj Gori: This question is for Mr. Nag. My question is, if I -- when we did our channel checks during the October, November month and when we spoke with some of the large format national chain players, they had indicated like sales were relatively good for IFB. In fact, they had also talked about some of the third-party market share data, where it said like IFB washing machine sales growth was into low-double digit.

And what we had assumed is like probably our primary growth should be higher than our secondary sales growth, given that we had pushed limited inventories or stock in the September quarter. But when I look at the presentation, probably that doesn't fall in place without channel checks. So just need some clarity over there, like why there is such a mismatch versus our number and third-party data aggregators?

Bikramjit Nag: Our understanding is that -- sorry, our understanding is October was good -- September, October was good, but November, December, things just -- they were like subdued. We are not able to understand why even from third parties. The reason why third-party was muted to such an extent, we are really not able to understand. Secondaries was okay, but primary just cooled off.

Manoj Gori: Sir, but if you look at, we did not push any stock in the September quarter because of the supply chain issues. So our primary sales for the festive season would have been more into October month where the festive season was well -- was actually...

Bikramjit Nag: So primary for November, December got hit and we are not able to understand why as yet. But if you speak to the same third parties, I think the report comes out every 2 months. I think...

Manoj Gori: No, I'm talking about October and November combined data, which shows low double digit growth for IFB in total washing machines, including your top loads and front loads. So I was just surprised like...

Bikramjit Nag: Our October was good, our October was good, very good, in fact. But September -- but November was an issue. November and December both have been an issue. So we are not able to really understand why, but it is across industry is what I'm told. That washer has been hit and the AC has seen stupendous growth. So I'm not able to correlate this.

Normally, they say during December period and all, a lot of the dealers, they switch their working capital and all, but that cannot be the reason -- that cannot be the reason alone. But for some reason, washer sales has been hit. And we are still analyzing the data, but we are not able to get a proper answer why. But it's across regions.

Manoj Gori: Okay. Sir, my second question would be on the margin side. So in the month of November, when we had our call scheduled for 2Q earnings, we were very confident that October month where

the growth was relatively better, we were expecting margins to be relatively stronger. Now it's 1 year since we have been talking about margin improvement, very limited visibility so far. And now we are talking about majority of the benefit to kick in by fourth quarter of FY '26?

Bikramjit Nag:

No, I'm telling you what has happened. October was very good. But November, December because the washer sales fell where the margins are high and AC sales went up where the margins are lower. Therefore, there was a mismatch.

If the washer sales were as per target, we would not have had a problem. The problem is what like surprised us was that AC sales that -- the washer sales fell. This is not something that we had expected. And we are just not able to understand why.

And if you see there were some commodity price increases, aluminum, copper, etcetera. I had also spoken, I think, about 2 quarters back regarding bringing in a consultant on this cost side. And we said we were talking to McKinsey and to Alvarez & Marsal, if you recall. And then I think one of the investors had said that it's better you close this fast. We did a lot of work internally also, but the commercials took a lot of time.

So Alvarez & Marsal was closed end of last week instead of McKinsey, we have chosen Alvarez & Marsal. And the cost down thing that we are working on is a pretty large target of approximately INR200 crores over a 18-month period with significant savings coming within the first 12 months.

This is in addition to whatever we do on our own. That sign-off has taken place and the project starts on the 15th of February. The Alvarez & Marsal team come into the headquarters, which is Goa on 15th of February, I think.

Manoj Gori:

Right. And as per your initial discussions with these agencies...

Bikramjit Nag:

17th of February, sorry, Monday.

Manoj Gori:

So as per your initial discussions, what are the key areas probably they have highlighted or identified where you believe that the cost efficiencies would be visible?

Bikramjit Nag:

One is the weight of the machine. One is weight of the machine, one is logistics. And weight, logistics, rationalizing of schemes, then they've also chosen -- then they've also spoken on certain issues on design optimization of certain things. Then they've also spoken on where we've over engineered certain things.

And they're all -- this both McKinsey and then Point, they have both benchmarked our machines vis-a-vis others and they've showed us in various areas where we have overdesigned -- over engineered. But these are things that have to go through testing and validation. But on a first cut basis, the work that they've done is good.

Manoj Gori:

Right. And sir, so obviously, as you stated, like there will be a lot of testing and obviously, it's a long process. So if any improvement, which we can expect because we have been hearing for a year of margin improvement. But -- so probably from when should we expect any sort of

improvement in margins on Y-o-Y basis, whether it should be during FY '25 or probably it will start from fourth quarter of '26?

Bikramjit Nag:

No, I think margin improvement, as we had discussed was supposed to happen by this quarter, last quarter, this quarter. And that has not happened because according to me -- according to us, the washer sale has fallen. If you see the margin drop, the margin drop is -- primarily the main reason for the margin drop is washer sales.

If washer sales stayed as per target, the margin would have been better. The margin might not have been double digit, but margin would have been better, much, much better than whatever we have like presented. So the issue is that the basic cost down things would have added further to the margin. I'm trying to say that.

Now we believe that washer sales should be back on track, but January was not back on track. January was not good. But we hope February and March will be good. We are not able to understand why suddenly washer across brands has taken a bit.

Ours news is back and the margin is in washers. But in AC, the cost down proposal in AC that we worked on, those things got delayed till February, that will come in on March. Kartik, am I right in saying that when does the AC cost down kick in?

Kartik Muchandi:

Yes, sir, it will kick in fully by March.

Bikramjit Nag:

So the AC cost down, which was supposed to be last quarter was postponed till February, I think. And so if that starts kicking in by February, March, then in AC, we start -- the volume will give us margin.

Manoj Gori:

Right. Got it, sir. Sir, one last question, if I can.

Bikramjit Nag:

But what happened is we need washer sales to come up. This has taken me at least by like surprise. Sales has to fix this.

Manoj Gori:

Understood, sir. Sir, last question from my end. So if we look at room ACs, how things have panned out with the channel in terms of association with regional retailers or with e-com players and even with pan-India retailers, how things have progressed and probably you would have got some commitments or probably visibility in terms of volumes for the upcoming summer.

Bikramjit Nag:

The difference that we have so far for this quarter and corresponding quarter, but our capacity should be sold for AC. Surprisingly, sorry, I'll just take a second. Surprisingly, we saw that in the industrial washing machine segment, we have a lot of orders which are hanging, meaning someone has given us an order, but it's not like lifting the material, etcetera, etcetera.

But in industrial, our margin has gone up, but the sales has also fallen. But the margin has gone to over 18% in the month of December and January. So we are just trying to analyze all of the data now.

Moderator:

Next question is from the line of Anand Mundra from Soar Wealth.

- Anand Mundra:** Sir, a large part of question is answered about the cost. Sir, one more thing, sir, we are still doing built-in dishwasher, oven, chimneys. These are very small segments with respect to the size of the company, and I'm sure they would be loss-making. Any thoughts of cutting down the small businesses so that we can focus on larger appliances?
- Bikramjit Nag:** No. These are good like margin products. We've not done well in that. We have to fix it. Because long term, we see that more and more buildings coming up in India, people will want fully equipped kitchens. And in-built becomes a huge segment going like forward. So we should be in it.
- Anand Mundra:** But sir, I'm looking at this segment from last multiple years, sir, this segment has not grown much for us, sir?
- Bikramjit Nag:** Yes. For us, it's not grown. But for others, it's grown. We've not done well. Now we made a separate team to really look at this, etcetera, etcetera. So we have to succeed in this -- just because we've not done well, it doesn't mean we keep giving up things. Management in this has failed, management has to succeed.
- Anand Mundra:** On the overall scheme of things, I was thinking at INR5,000 crores size of business, whether this will materially impact the financials of the company going forward?
- Bikramjit Nag:** Yes. Your point is correct. But we need to be in this and opportunities come up, suddenly maybe an opportunity will come to buy out someone or this that, we don't know what will happen in the future. But this is a segment that will grow and we must be in this segment with 15% share -- 15% to 20% share. That's a long-term plan.
- Anand Mundra:** Sir, one more clarification on cost reduction plan of INR200 crores. So this is part of the P&L item, which you are saying we will be able to reduce over the next 12 months?
- Bikramjit Nag:** Yes. That is -- no, it is 12 to 18 months I said, but substantially, it should come in, in 12 months.
- Anand Mundra:** So our P&L will reduce by INR200 crores in terms of cost, sir?
- Bikramjit Nag:** It should add to our P&L. But in terms of cost, yes, I have understood your question. In terms of cost, it should reduce adding to our P&L. Kartik, am I right in phrasing it?
- Kartik Muchandi:** Yes. Sir, up to quarter 2 of financial year '26, 15% to 30% reduction will come and 100% realization will happen by end of FY '26. But the annualized impact will come only after that.
- Bikramjit Nag:** Kartik, there are 2 parts to this. One is things like weight and all which they have identified. And one is things that we have identified over the last 7, 8 months. Correct?
- Kartik Muchandi:** Yes, sir.
- Bikramjit Nag:** So when we put both those things together, between now and March of '26, how much is going to come in? Because one is our internal thing and one is what we do with Alvarez & Marsal.
- Kartik Muchandi:** Yes. If we implement everything, then close to INR200 crores will come.

- Anand Mundra:** Sir, how much salary cost salary would be part of this cost? Or which is the largest cost for this INR200 crores?
- Bikramjit Nag:** It is not salary. We have not touched that at all as yet. We are looking into that on how to rationalize. So for example, let us say, in Goa, which is the head office in a certain department, we have 33 people spread between the 2 plants, which is AC and washer. So now with them sitting together, that should come down by maybe 40%. So all those things will be rationalized by like 31st of March, decisions will be taken.
- Anand Mundra:** Okay. So if salary is not the largest, and which is the largest...
- Bikramjit Nag:** And for that work, we are also using E&Y for certain aspects.
- Anand Mundra:** Okay. So sir, if you can give a breakup of this INR200 crores, which is the largest cost, sir, which will be saved?
- Bikramjit Nag:** Mr. Kartik, Mr. Govindaraj?
- Collegal Govindaraj:** Yes, I can answer that. The material cost will be about INR140 crores. On that, the weight reduction and then the electronics sourcing and then the benchmarking with other competition and taking ideas from that should reduce the material cost by INR140 crores. The logistics cost about [INR20 crores 0:23:24] so we have got a clear breakup of INR200 crores. Out of INR200 crores, we have got about INR160 crores to INR170 crores.
- Anand Mundra:** Okay. Understood, sir. Sir, last question on refrigerator plant. Are we at breakeven level, sir, at the subsidiary level or there are losses?
- Bikramjit Nag:** No, there are some losses. We are not -- because we have to be -- EBITDA-wise, I think we are okay, but PBT-wise, we are not okay. So we need more sales. And hopefully, by April, we should be at about 35,000 to 40,000 a month. And hopefully, by June, we should be close to PBT breakeven.
- Anand Mundra:** Okay. And sir, what is the capacity sir there?
- Bikramjit Nag:** About 1 million.
- Anand Mundra:** About 1 million per year.
- Bikramjit Nag:** Yes. 1.1 million...
- Anand Mundra:** So at 50% utilization, we would be PBT breakeven, you are saying?
- Bikramjit Nag:** We should be -- yes, correct.
- Moderator:** Next question is from the line of Natasha Jain from PhillipCapital.
- Natasha Jain:** My first question is on the opening remarks that you made. So you said that washers, the demand has been slowing down and we're not able to gouge. Sir, we've also observed on the ground that

people are postponing their spend for other white goods to buy AC. So is that a trend that you're likely seeing? And will that actually harm the other white goods in the coming season because people will switch to AC? And having said that, do you see your AC demand increasing?

Bikramjit Nag:

I mean, hopefully, we don't see that because if that happens, we have a problem. Having said that, the fact that AC sales are growing, logically should have nothing to do with somebody wanting to buy a washing machine because washing machine is a need. AC is much more of a luxury item. Fortunately not. So this has taken us by surprise.

We are not able to understand this fully, but we are really studying this. But to answer your question, if AC sale goes up, can we cater to the demand, et cetera, et cetera, we are looking into that. We actually believe our capacities will be sold. And we are also working out for next year, taking into account if present trend continues, do we need to do some things for enhancement of capacity.

Now our capacity is about 500,000 a year. And if we are close to that, therefore, next year, we have to think. And then this thing on cost down and all that we are working on for AC, which comes into effect from February, March this year, this will really help us to make margin in AC. And the good thing is that in AC, the product which was not doing well for a while has now taken off.

Natasha Jain:

Understood, sir. I mean, I agree to your point. But like you mentioned that washers is a necessity, while it is, the only challenge I see is probably we have more of premium offering. So in times when the demand slows down...

Bikramjit Nag:

No, I don't think so. If you see LG, Samsung, et cetera, they are all doing premiumization. LG is giving up the 7 kg segment, et cetera, 6.5, 7 kg segment. So I don't think the issue is that. The issue is people have postponed purchase, but we are not understanding why or maybe we are not able to market it as effectively as we should in order to entice people to buy. Maybe we should spend more on that.

Natasha Jain:

Fair enough, sir. So while you touched the point on marketing, a related question on that, I remember a couple of quarters back, we had suggested that while the products are very good, the company lacks a little on the marketing side.

And probably that feedback has been taken positively because when we went on the ground, we did see greater improved traction for marketing for IFB compared to previous quarters. Just wanted to know, sir, where are we in that leg? And are we at the closing end of the...

Bikramjit Nag:

We are going to come out with the brand and the product campaign maybe in the next 2 weeks, both for washer and for AC and for refrigerators.

Natasha Jain:

And sir, will this be a pan-India --

Bikramjit Nag:

It will be a pan-India thing. But okay, whilst I'm saying that, whilst I'm saying that I think tactically, we may focus on the top 10 states for us...

- Natasha Jain:** And sir could you quantify your geographic revenue mix?
- Bikramjit Nag:** I think you mean north, southeast, west like that? Or you want it state-wise? When you're talking geography mix, are you talking north, south, east and west or are you talking state-wise?
- Natasha Jain:** I'm talking north, south, east and west. Yes, broadly revenue contribution from those 4.
- Bikramjit Nag:** I think Kartik can give that better, if you can, Kartik.
- Kartik Muchandi:** Yes. Sir, I'll provide it offline.
- Moderator:** Next question is from the line of Resham Jain from DSP Asset Managers.
- Resham Jain** So I have three questions. First one is with respect to washing machine. So we have launched multiple new products over the last 3, 6 months in higher kg products. And obviously, market has been a little subdued. So one is macro factor, which one can understand. But on the company side, given that there are certain product gaps earlier, I presume that, that could have offset some of the growth factor to some extent. So that is my first question, sir.
- Bikramjit Nag:** So the question is whether we have product gaps or the question is whether the product gaps have been done away with?
- Resham Jain:** No, I'm saying that despite filling the product gaps over the next 3, 6 months -- over the previous 3, 6 months, despite macro not being favorable, which is for the industry, IFB per se could have done better.
- Bikramjit Nag:** Yes. So we have done better, but we could have done a lot, lot better in some of the capacities. The data shows on certain capacities, we've not done as well as we should have done. So that micro analysis is leading us to reassess state-wise what are the missing points and those are being plugged. But doing the capexes and launching those models have actually helped us, yes.
- Resham Jain:** Okay. Got it. And sir, the related question is between top load and front load, obviously, we are leaders in front load. But in top load, which is the largest pie of the washing machine market, if company need to grow much faster, then probably top load is where the faster growth would come in. Is that the right understanding?
- Bikramjit Nag:** See, the top load market is a much, much bigger market than the front load automatic market. The top load fully automatic market is a much, much larger market. So if you look at that, our internal assessment tells us there is no reason why we should not do 50,000, 60,000 a month versus today's present about 30,000 a month -- 30,000, 32,000 a month.
- During the October period, I think we touched close to 40,000. But -- so our internal assessment is that. So we have to do a lot more work on the ground to really ramp up volumes in top load. And the investments we made already in the design, et cetera, et cetera, and the models are out, the more we sell, the more money we make eventually and the margins will go up. So we need to do a better job on the ground.

- Resham Jain:** Understood, sir. Sir, the second question is with respect to IFB Points. And we visited some of your IFB Points in some cities, and we felt after interacting that some of the IFB point doesn't have significant footfalls. So according to you, out of -- I don't recall the exact number of IFB Points, but how many of the IFB Points on a stand-alone basis, let's say, are profitable and how many are not? Do you have that data?
- Bikramjit Nag:** Yes, we have that. I think for us, I think about 25% -- 20% to 25% is an issue, but it's an issue because of some local state level management issues which need to be solved vis-a-vis IFB point running and functioning. Now we've had a change in management and IFB point has been given to someone else and some restructuring is taking place. And we've seen traction. I think, Kartik, please let me know. I think December, January for IFB Points as a percentage has been better.
- Kartik Muchandi:** Yes, sir. It has improved over last year.
- Bikramjit Nag:** Yes, it has improved, and we need to do a lot, lot more. And see, IFB point, apart from anything is a very good marketing tool for us. But we need to do a much, much better job at marketing this. What is happening is in many of the markets, you will see and since you've gone around the market, I'm like stating this. One of the reasons for lower footfall is you have a bigger store next to an IFB point.
- And in a bigger store, the same product is being sold at INR500 cheaper. Now that logically should not happen. That logically should not happen. But if our own company does things like that foolishly, then these things will happen. So we have to clamp like down all this and promote IFB Points and that's the direction that I have given to Mr. Mathur, which you must carry out.
- Resham Jain:** Okay. Understood, sir. Sir, the last and the final question is with respect to AC, where we heard that there has been certain issue on the compressor sourcing side. Some of the brands and OEMs were facing some issues on the compressor sourcing. So how are we prepared for the same, let's say, for the current upcoming summer season?
- Bikramjit Nag:** This you're talking on the BIS matter.
- Resham Jain:** No, sir, the compressor, which are being sourced from China.
- Bikramjit Nag:** This is because of the BIS rules. Are you talking within...
- Resham Jain:** I'm not fully aware, sir, but what we heard is that compressor sourcing is a little challenge.
- Bikramjit Nag:** I think that we have covered. I think Mr. Govindaraj, you can answer that.
- Collegal Govindaraj:** Yes. I will answer this question. Of course, we are also expecting a demand supply gap in compressor, but we have already taken care of that. We are totally covered up till end of March. And month of April also, we have started working. Compressors from China, there are some issues to some manufacturers in India. But I think we are covered up till May and June. We have already placed the orders. And our person is there to monitor this and we don't foresee any shortage.
- Moderator:** Next question is from the line of Nisarg Vakharia from NV Alpha Fund.

- Nisarg Vakharia:** Two, three questions. The first question is that long back when our AC sales had not ramped up, we used to say that the AC sales are the sales because of which we lose margins. Now all set aside, if I see this quarter, Y-on-Y, your EBITDA has expanded from INR65 crores to INR89 crores. And this is despite the fact that you have sold lower washing machines and higher ACs. So is it safe to assume that your losses in the AC business have completely stopped and you are now profit making there?
- Bikramjit Nag:** AC, we are not having losses. I think can you answer that, Kartik?
- Kartik Muchandi:** Yes, it's EBITDA positive. From negative, we have moved to EBITDA positive in...
- Nisarg Vakharia:** Okay. Second is that Y-on-Y, the EBITDA margins have expanded because of 2 reasons. One is there is a reduction in unallocable expenses. So INR11 crores is that number. And second is INR6 crores of depreciation has increased Y-on-Y. Can you please clarify on both these points what these are?
- Soumitra Goswami:** This is Soumitra Goswami. The increase in depreciation cost, I will be explaining. Depreciation cost for the quarter has increased by INR6 crores as compared to corresponding quarter of last year. This increase is due to the fact there are 2 things which has happened in this quarter. First of all, we have added lease asset of around INR55 crores and this has contributed around INR4.3 crores of depreciation.
- And also there are some addition of fixed asset during the YTD period, which is amount around INR61 crores. This has increased the depreciation figure by around INR1.7 crores. The INR4.3 crores and INR1.7 crores taken together, depreciation cost has increased by INR6 crores as compared to last year. And the interest cost also has increased marginally that is INR1 crores only that is also due to addition of leased assets, because our borrowing has gone down so interest cost in relation to borrowing has gone down drastically in both quarters as well as in YTD period.
- Nisarg Vakharia:** Yes, sir, I was actually referring -- so thank you for explaining the depreciation increase. I was referring to the unallocable expense, which has reduced Y-on-Y.
- Soumitra Goswami:** Unallocable expenses in relation to what -- which category or at the company level?
- Nisarg Vakharia:** Sir, you give product, you give segment level margins. Below the segment level margin, there is a column called unallocable expenditure. Now if you see that, that is reduced by INR11 crores.
- Soumitra Goswami:** But Kartik, in the segment profitability, in segment-wise profitability, there is no unallocable expenditure, everything is allocated, including depreciation, finance cost, everything is allocated, including our overhead expenditure also. The product profitability statement is coming to me every month, for the month and also for the YTD period.
- Nisarg Vakharia:** Let me explain my question better. I understand. I'm saying that if you look at the unallocable expenses, FY '24 for the full year, that number was INR44 crores, okay? In FY '25, that number has become half. So it is a good thing, I am trying to understand how has that happened?

- Soumitra Goswami:** No, I am telling you only one thing. I think there is some mistake in understanding, you can call me offline. There is no unallocable expenditure in the product profitability statement. Nothing is there. I don't know where you have got the INR40 crores figure. So if you can call me offline, then we can discuss in detail. There is no problem. There is no unallocable expenditure.
- Nisarg Vakharia:** I will call you offline, sir.
- Soumitra Goswami:** Yes, no problem.
- Moderator:** Next question is from the line of Shreyansh Jain from Svan Investments.
- Shreyansh Jain:** So my first question is on the AC business. So you're saying we are EBITDA positive. And also in the presentation, we are talking about improving our market share from, say, 3% to 6%. And in our previous calls, we had also guided for, say, about doing about 4 lakh, 4.5 lakh, 5 lakh units of ACs in FY '25. Now if I just go back and calculate the 9 months for ACs, we would have ideally done about 2 lakh, 2.25 lakh units of ACs.
- So I think Q4, we -- I don't know how much we can do in Q4, but you slightly be behind your guidance of 4 lakh, 4 lakh, 5 lakh ACs for FY '25. So how are we looking at this whole piece? And when you're targeting 6% market share, do we -- I mean, I'm just trying to understand qualitatively the product acceptance? Or is it just the industry tailwind that's there that's helping us? So can you...
- Bikramjit Nag:** I think it's the tailwind that the industry has, but the products have been received well over the last few years. And I think that has obviously helped because if your product quality was bad, then the tailwind would not help you. As far as the volumes go, in the first 6 months, we never did in the first 7 months, we've not done as well as we should have done. But the last 2-odd months has been good, 2 to 3 months, 3 months, if you take January also. And looking at February, March, we will be below our overall thing that we had given earlier.
- But if you see why we are saying our capacities will be fully sold out is if we take a 5-month period, etcetera, going forward, whatever we see, our view is that if you look at it from now till June, I think we'll have an issue on -- we will -- I think we'll be near about full capacity. And of course, the product quality has played a part in that apart from tailwind.
- Shreyansh Jain:** Okay. And sir, how are we priced versus competition in the AC?
- Bikramjit Nag:** So our pricing is, I think, higher than -- see, we are relooking at our overall strategy on this and we are trying to take prices up and sell more of 2-tonne inverter and all of that. And whatever cost down, et cetera, we are having, we are not going to pass on. And I think we want to play to a brand rhythm. And we don't want to discount vis-a-vis LG higher end, et cetera. But today, if you take a like-to-like model, then LG higher end is priced higher than us. But we would like to bridge that gap over time.
- Shreyansh Jain:** Okay. And my second part is...
- Bikramjit Nag:** Vis-a-vis Samsung and all, I think we are okay.

- Shreyansh Jain:** Okay. And my second part to this AC business is, as we target 5 lakh ACs next year and somewhere in the call, we mentioned that we are EBITDA positive. So next year, should we actually look at 4%, 5% of EBIT margins for this segment? Or how should we look at the profitability piece?
- Bikramjit Nag:** Kartik?
- Kartik Muchandi:** Yes, we could be near that.
- Shreyansh Jain:** Okay. Sir, my second question is on the refrigerator business. So I think you gave volumes in terms of production, but if you can help us on what kind of revenues we're doing in this business or some sense on the...
- Bikramjit Nag:** We give this to you offline because that's another company, as you know. Amount of sales we do within IFB is less. But IFB Refrigeration Limited is a separate company. How much IFB selling exactly, we will give it to you offline.
- Shreyansh Jain:** Sure. Sir, my last question is on the washing machine piece, right? So October, you said we did fairly well. So can you just quantify what kind of growth rates we would have witnessed in October? And also somewhere in the presentation, you've mentioned that we faced a situation where we couldn't cater to the demand.
- Now I think when I go back, this is happening a lot of times with us where there's a very strong demand, we've not been able to cater to that demand and probably because there we lose some bit of sales. So how do you look at this whole thing, sir? Because when demand...
- Bikramjit Nag:** Yes. So there is a trade-off. So let's say, now we built up stock for washer and AC. AC we sold, washer, we have not sold and we are stuck with inventory. Okay. So we always make an assessment 3 months, let's say. And we all buy raw material, we convert to finished goods, et cetera.
- But if sales and purchase don't work hand in hand, then either you lose some sales or you're stuck up with inventory. So I think better planning has to go into this. I think -- but as I said earlier, we are not able to understand why sudden slowdown in washer. And now we are stuck with stock. So there's an issue there.
- But for the AC season, we started building up stock. You see -- so if you see our figures now, the inventory has gone up substantially because of AC and some bit because of washers which were not sold. But AC is a planned stock buildup, but washer is not
- Washer is a failure to do sales because of market issues, which we are not able to understand why. So to answer your question again, maybe I can use the term better year planning, but why this has happened this time, honestly, I just don't know for the washer part.
- Shreyansh Jain:** Okay. Sir, my last question is, we've seen -- we've noticed that there is some layoffs in the employee front. So there is about 60, 70-odd employees that have reduced. So I'm just trying to understand, is there -- you also mentioned the 2 plants now that you're going to look at 40%

leverage coming in from there. So this 9.9% employee cost as a percentage of sales, is there leverage here?

Bikramjit Nag: Percentage of sales can come down in 2 ways. Suddenly, sales grow by 30%, 35% -- percentage will come down, okay? But in absolute terms, it should come down.

Shreyansh Jain: I'm just trying to understand, is there space there? I mean, are we looking at...

Bikramjit Nag: There is always space to look at things in absolute terms. We need to be more innovative in consolidating roles. And I keep telling my team who is on this call that they should do it. And if they see what is happening in the U.S. and the way certain things are done, we should learn from that. You see, we are having 2 plants a kilometer away, 2 sets of accountants sitting, 2 sets of purchase people sitting.

This is not needed. This is just not needed. And if you take the refrigerator plant, which is separate company also, certain things can be done like together. So I think we will restructure this. We are using E&Y for a finance transformation thing and we will come up with this within the next 2 weeks.

Shreyansh Jain: Okay. And sir, just last one on the accounting front, sir. When we open IFB Points, what is the cost that we have to incur, say, in terms of CapEx for inventory and CapEx?

Bikramjit Nag: About -- no, I mean a lot of the cost is borne by the franchisee -- if it is franchisee side, franchisee led. If it's done by us, it comes to around INR20-odd lakhs approximately.

Shreyansh Jain: Okay. So out of the INR475, how many are on our books and how many are on franchisees?

Bikramjit Nag: I think about -- Kartik, how much is it? I think 170...

Kartik Muchandi: 180 our CoCos sir.

Bikramjit Nag: 180 franchises?

Kartik Muchandi: CoCos, sir. Company...

Bikramjit Nag: So it's 300 and 180, let's say.

Shreyansh Jain: Okay. And incrementally, all of this is coming on CoCo?

Bikramjit Nag: Yes.

Moderator: We have a follow-up question from the line of Manoj Gori from Equirus Capital.

Manoj Gori: Sir, just continuing with the previous question where you said like you are stuck with washers. Is it alarming enough that probably you need to give incremental discounts to the channel because if you look at next washing machine season will be into monsoon and we are too far away from that?

- Bikramjit Nag:** No, we don't need to -- no, we don't need to do all that too much, but we are looking at what can we do to directly entice the customer and not the challenge.
- Manoj Gori:** So some sort of schemes might be launched for the customer.
- Bikramjit Nag:** We are looking into that, yes. We may do that. Again, that to in select markets, not across the board.
- Moderator:** We have our next question from the line of Moksha Shah from Agility Advisors.
- Moksha Shah:** So I just had one question. In previous calls, the company has mentioned plans to manufacture products for the railways and also under the electronics division. So can you please share some more thoughts on this side? Are there any acquisitions which we are specifically targeting for the same?
- Bikramjit Nag:** No. On acquisitions so far, whatever we've got so far and work is going on is on the auto components side. In railways and electronics, we've not found suitable company as yet. But we are doing work to develop products for both railways as well as the electronic industry, we are talking to the customers directly, some of the customers, well-known brands to whom we can supply certain things. That work is progressing well, but it's taking time because of the development cycle, etcetera.
- Moderator:** We have our next question from the line of Vivekkumar from Bestpals Research.
- Venkatakesava Turaga:** Sir, I wanted to ask a question on this both refrigerator and AC. We already have market shares in microwave oven and front loader. So what is it -- how are you going to garner market share? Because when you go to big retail outlets, you see too many people competing for this AC.
- As of now, we have tailwinds, but let's say, tailwinds or growth rate stops a little bit and how will we still manage to fill our capacities because you already told your capacities are filled now because of the tailwinds and also product being good.
- But if you see there's a lot of competition, both ACs and refrigerators. So how are you going to think about over the long run that when growth rate normalizes, still we will fill our capacities and get our margins and maintain some market share. So if you can better guide us what are you thinking about?
- Bikramjit Nag:** I think as far as AC growth, I think we are on the right track, and we struggled for nearly 5 years, 4.5 years. As far as refrigerator goes, we just launched a marketing thing in the market -- I mean, a marketing campaign for customers, wherein we have increased the warranty on our refrigerators, etcetera. We are the first ones to offer a 4-year warranty on refrigerator. And that has created a noise in the market.
- And we have done that because we believe that the quality of the product is good. The company -- factory people and the development people really believe in that. And while your refrigerator, everyone gave by and large 1 plus 1 warranty, et cetera, I think we've gone for a 4-year clean warranty. Correct, Mr. Govindaraj?

- Collegal Govindaraj:** Yes, sir. Yes, we are going...
- Bikramjit Nag:** This has been launched only -- this was launched, I think, on Monday, Saturday or Monday. And it's being received very well by customers also by the retailers. And it is helping us gain a lot of traction to sell. So we have to find innovative ways to sell our product to the same channel to whom we are selling front load, top load and AC. Now with or without tailwind, we have to succeed. There is no choice for us. And we have to keep finding innovative ways on the ground to like do all this.
- Venkatakesava Turaga:** So because why I'm asking is, let's say, you go and buy a -- customer when he goes to buy a refrigerator, there's only so much space the retailer will have for refrigerators. You can't have like other products where you can put 10 brands, 15 brands. So you need to get that space means customer needs to ask for your product like fast-moving only will be put by the retailer because he can't take risk of putting all the brands that are on...
- Bikramjit Nag:** Correct. So we have to create demand for our brand.
- Venkatakesava Turaga:** Sir, and lastly, in the AC, you said we have struggled and -- but now you are very confident of linear capacity. So what did you do differently that we have struggled and now we are no more struggling like what steps did we take in the last 2, 3 years?
- Bikramjit Nag:** We struggled for 4.5 years. We've lost a lot of money. And we did a lot of work in the market on the ground with our team, with the retailers and that is paying off now. But it's been very, very slow and a very tedious process for us.
- Venkatakesava Turaga:** Even if the tailwind on the growth rates subside, you will still be able to build your capacities, you are confident...
- Bikramjit Nag:** I think so. I think more than anything, I think the team is very confident of the product and so are the retailers. The retailers have gained a lot of confidence in this.
- Venkatakesava Turaga:** So any region where you see all the more like -- your market share is more in one part of this country. Okay, sir. This will be the last question. Any area where we are doing much better in AC.
- Bikramjit Nag:** No, in both AC and ref, we are doing better in the east. We are doing well in the east. We are doing well in north too, which is the Chandigarh, Punjab region, et cetera. We are doing very well. So it's in pockets. And in some places, we are not doing well at all. For example, Andhra Pradesh, Telangana, we are not doing well at all. So we have to go state by state and fix things and improve things. And in certain states, it's fixed.
- Venkatakesava Turaga:** And you are confident over the long run, you will do it in the 2 states -- in these kind of states also Andhra, Telangana kind of states also?
- Bikramjit Nag:** Do we have a choice? We have to do well. We have no choice.
- Moderator:** We have our next question from the line of Abhishek Ghosh from DSP Mutual Funds.

- Abhishek Ghosh:** Just in terms of the finalization of the CEO for the Home Appliances division, just wanted to understand where are we in that?
- Bikramjit Nag:** That's a very good question. We've gone through close to 400 CVs and we shortlisted a few. But at the final thing, it did not happen, not for anything else, but because we did not think they were suitable for an end-to-end role.
- The problem we are facing, which I think I touched upon last time, but I do not remember, is that the ones who are good at sales and marketing have come across as being weak on the factory side and the development side. And our products are actually technology products. So we need someone with a care for both. And that is taking some time, but I hope to close it soon.
- Abhishek Ghosh:** Okay. But you want just one CEO who will take care of the both and you don't want to split the responsibilities in terms of marketing and the factory part of it.
- Bikramjit Nag:** That is already done. So sales and marketing is run by Mr. Mathur. Factory is run by Mr. Govindaraj, but the CEO must understand overall business, which means he must have some knowledge of everything. Otherwise, we'll have a problem.
- Abhishek Ghosh:** Okay. Sir, the other question is in terms of the new models that you have launched and how...
- Bikramjit Nag:** Washer or AC?
- Abhishek Ghosh:** Washer, sir. You have launched in October. How is the channel feedback for that and...
- Bikramjit Nag:** Very good. I think what I would request all of you to do is to go into the market and give us this feedback whatever you honestly see or hear from the market. But the feedback that has been given to me at least is that the channel feedback on the models is very well received. But why this sudden slowdown has happened, there, I'm not getting an answer at all. That has surprised me on the washer side.
- Moderator:** Ladies and gentlemen, that would be the last question for today and I now hand the conference over to the management for closing comments. Over to you, sir.
- Bikramjit Nag:** Soumitra, anything you have to say?
- Soumitra Goswami:** Thank you, everybody, for participating in this call. We'll meet again after quarter 4. Thanks once again.
- Bikramjit Nag:** Thank you.
- Moderator:** Thank you. On behalf of Nirmal Bang Institutional Equities, that concludes this conference. Thank you for joining us and you may now disconnect your lines.