



“IFB Industries Limited Q2 FY25 Conference Call”

November 07, 2024



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MR. KARTIK MUCHANDI - HEAD OF MARKETING
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MODERATOR: MS. NATASHA JAIN – NIRMAL BANG EQUITIES
PRIVATE LIMITED

Moderator: Ladies and gentlemen, good day, and welcome to IFB Industries Q2 FY25 Conference Call hosted by Nirmal Bang Equities Private Limited.

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

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

Natasha Jain: Thank you and good evening, everyone. Nirmal Bang Institutional Equities welcome all of you to the 2nd Quarter FY25 Results Conference Call of IFB Industries Limited.

I would like to thank the Management of IFB for giving us an opportunity to host this call. Management is represented by Mr. Bikramjit Nag – Chairman, Mr. P. H. Narayanan – MD, Engineering Business; Mr. Soumitra Goswami – CFO; and Mr. Jayanta Chanda – CFO (Engineering); Mr. C.S. Govindaraj – ED Manufacturing (Home Appliances), Mr. Ranjan Mohan, National Sales Head (Home Appliances) and Mr. Kartik Muchandi – Head -Marketing Accounts (Home Appliances)

I would now like to hand over the call to the Management for their “Opening Remarks”, post which we shall open the floor for Q&A. Thank you and over to you, sir.

Soumitra Goswami: Good afternoon, everybody. I welcome you all for IFB Industries Limited Investor Call. I am Soumitra Goswami – the Chief Financial Officer of IFB Industries Limited.

I have with me Mr. Bikramjit Nag – Chairman of IFB Industries Limited; Mr. P. H. Narayanan – Managing Director & Chief Executive Officer of our Engineering Division; Mr. J. Chanda – CFO of our Engineering division; Mr. C.S. Govindaraj – Executive Director of Manufacturing of our Appliance division; Mr. Ranjan Mohan – Head of Sales of our Appliance Division; Mr. Ashish Singh – Head, Plant Accounts of our Home Appliance division; and Mr. Kartik Muchandi – Head of Marketing Accounts of our Home Appliance division.

Now I will inform you about the “Quarter 2 Result”:

Revenue for the quarter was Rs. 1189.24 crores against last year's Rs. 1074.12 crores with a growth of 11%. PBDIT for the period was Rs. 79.02 crores and its percentage to revenue was 6.6% as compared to last year's Rs. 74.83 crores which was 7% on revenue. PBDIT amount came across a growth of 6% year-on-year. Flat revenue growth in July and August affected the margin for the quarter, which later on improved in the month of September. Fixed expenditures for the quarter were well within budget. PBT for the period was Rs. 44.64 crore against last year figure of Rs. 38.20 crore. Quarter 2 PAT was Rs. 33.30 crore, which is 2.8% on revenue against last year 2.7%.

Now, the figures of YTD September '24 period are the following:

Revenue for the YTD period was Rs. 2,433.68 crore against last year Rs. 2,136.97 crore, which is the growth of 14%. PBDIT for that period was Rs. 165.57 crore and its percentage to revenue was 6.80% as compared to last year's Rs. 115.51 crore which was 5.4% on revenue. PBDIT amount came across a growth of 43% year-on-year. Fixed expenditure for the period were well within budget. PBT for the period was Rs. 97.04 crore against last year Rs. 41.75 crore, which is a growth of 132% over last year. PAT was Rs. 72.14 crore, which is a 3% on revenue, against last year Rs. 31.32 crore, which is 1.5% on revenue.

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

Moderator: Thank you very much. We will now begin the question and answer session. The first question is from the line of Viraj Mehta from Enigma Investors. Please go ahead.

Viraj Mehta: Sir, my first question is, if you look at last year's Q2 Presentation that you gave and reinstated it multiple times including when we visited you in the AGM, the savings that you talked about, most of those savings have not planned out the way you said, and it has been over three quarters now. Can you please explain where are we missing?

Bikramjit Nag: I think what has happened is if you see on the material cost side, the required saving has not come and we spoke about two odd quarters back that we were engaging with McKinsey, etc. And I think in the last call, someone raised the point that we have closed issues with them. So, the answer is yes, we have. But then the Board last week said that we need a counter quote, so we put Alvarez & Marsal into it also. All of this will be done by November 20th and then the contract will be given out. So, we believe on material cost, logistics, etc., the total saving we should get is a little over Rs. 200 Cr. and some amount has come into material cost, but what's happened is during the changeover of the washing machine introduction. So, the old model lineup went out, the new model lineup came in. And in that, there were some delays in introduction etc., so we've not got the full benefit out of it, which Mr. Kartik Muchandi will explain to you better. But broadly, the work has happened substantially. We've not seen the benefits as yet. I think from Q3, it will start picking up. We saw some benefit of this in October, but not fully. October results, however, which we just finished, was actually very good, and targets were achieved. But the question that we are asking ourselves is, is this sustainable in November, December, and going forward, especially in January etc. when AC season comes in, which is lower margin product, and the answer is that the work we've done on all this, I think will lead us to the required margins. That's our internal assessment so far.

Viraj Mehta: But sorry to correct sir, but even YoY our gross margins are down. So, and like, if I look at the engineering business, I mean, obviously we don't get gross margin for each division. But gross margins at an overall company level is down and engineering EBITDA is up. So, then the only takeaway I as an investor have is that YoY your gross margins in your appliances business are substantially down. So, which I mean then it begs the question that in the best quarter of the year if our margins are down YoY after which we have done so much work? I just don't understand

how the numbers are tallying to what you are saying like the commentary and the numbers just seem very different sir. Sorry to be honest and brutal about this.

Bikramjit Nag:

Understood. You see what happened with us is July, August was bad. But for us September was good and October has been very good because those things are kicked in. But Kartik, can you explain it better so that he understands?

Kartik Muchandi:

Yes, sir. So, in the appliance division, year-on-year, H1 last year versus this year, there is a 2% reduction in the gross margin. But in absolute terms, the gross contribution has expanded. The main reason for this is in washing machine, the market was flat and our revenues also what you have seen, the growth is muted. We have hardly 3% to 5% growth. The major growth is driven by cooling categories, which is AC and refrigerators. In these categories, the margins are positive but lower than the washer category. Since there is a change in product mix last year versus this year, percentage terms you can see a reduction. But in absolute terms, the margins have expanded.

In washer, the material cost has reduced by 100 basis points, which is 1% with respect to last year. That can be seen in this quarter. And apart from this, we are running a material cost reduction program. And our internal target is to reduce the material cost by Rs. 200 crores in the next 12 months.

We had an entire model changeover in Quarter 2. The entire old model lineup has been removed and the new model has been introduced from August. So, during this changeover we have lost substantial sales. If I were to quantify, we have lost Rs. 70 crores of sales in Quarter 2 because of this changeover and ramp up of the new model. But if you see September and October, we are experiencing a growth of 20%. Hence, we can say that, the new models have been received very well in the market.

Our gross margin in new models are better than the earlier because there are two reasons for this. One is our mix, better in the new model, our new models have taken well in the market and the high end is selling much better than earlier. That is why our overall gross margins have improved since September and October, and we see this trend to continue in the 3 quarters as well. And over and above this, we are working on a cost reduction project which I just explained which we have an internal target to reduce the material cost.

Bikramjit Nag:

And the new models have been very well received. In September, we were stock out. We had an issue with supply chain which is much lower than before issues that we had with supply chain but we were stock out both in top load and in front load. The same situation continued in the month of October, but the stock out situation was like less, but we were still like stock out, capacity was sold. November has started off strongly for us. The new model has been very, very well received, but in the introduction where the old models were taken out and new models were brought in, there was an issue there because the lower end models came in first and there was an issue there on the mix and on the new model introduction, the cost down was delayed by two

months. The effect of that has started coming only in the month of October. So, you will see the effect of that in Q3.

Viraj Mehta: Sure, sir. If I put all of what you said in terms of gross margin improvement and supply chain and you always keep mentioning that we have to get double digit margin, but at least by Q4, can we see high single digit margin? Can we go back to 8%-9% margin? Or that also seems a stretch?

Bikramjit Nag: I think in the month of September, we did far better than before. I am just answering sequentially. Month of October, I think we were close to the target.

Viraj Mehta: So, the target is double digit?

Bikramjit Nag: Correct. Month of October, we were close to target, if not on target. I am not going to say more than that now.

Viraj Mehta: Sure.

Bikramjit Nag: And we believe in the month of November, depending on how the volume span out. See, November, December, as you know, AC volume picks up because the dealer build up takes place. November not like so much. November production will go up. The dealer offtake starts from the month of December. The dealer stock like build up starts. And the new washing machine thing is very good. So, I think we'll be very close to that in Q3. We should be good in that in Q3 and by Q4, we are rather sure we should hit it. So, if we don't hit it, between 9% to 10%, we should be there.

Viraj Mehta: Sir, my last request would be that we have a very large gap between our results and our concall. It leaves a lot to be desired for a company of our stature because that leaves room for insider trading.

Bikramjit Nag: I agree with you. Soumitra, you will recall what I have said to you on this and Kartik on this. You have not done it and we have to hear all this.

Viraj Mehta: Can you please make sure it happens next day or the same day please?

Bikramjit Nag: Next day may not be possible, because what is happening, I mean others are doing it that I am aware of. But the thing is after the board declares the results, it goes to a person who organizes the report. And that firm takes about a day and a half, two days. This time it took longer. But I think in 2 days it should be done.

Viraj Mehta: Sir, even two days will be great?

Bikramjit Nag: Yeah, we will try and do it.

Moderator: Thank you very much. The next question is from the line of Manoj Gori from Equirus Capital. Please go ahead.

Manoj Gori: Sir, my first question would be, so if we talk about supply chain issues that we have faced from July onwards, so I was just concerned like in the month of August, on 6th of August to be more specific, when we had our concall, probably I think even this should have been highlighted because obviously we were not aware of the thing and we were expecting that Q2 the margin improvement probably we are very much on track and in the presentation, it definitely came as a surprise that we had some supply chain issues during Q2 and September obviously things have improved materially because if you look at washing machine being one of our major category and the most profitable category if we mess up with the supply chain over here, our entire yearly profitability goes for a toss.

Bikramjit Nag: I will explain what happened. The new models being introduced together, all of them at the same time with different capacities, and the old models being tapered out. In changeover we actually sort of even mistook the pool of the new models. From the market, we did not expect the demand to be as overwhelming as it has been and we were caught unaware. The sales team was caught unaware. And we lost out as a result of this. And therefore in supply chain, some things are imported which has a 90 day cycle. You see, so there we got caught up. And also some things that come in from China, customs is taking longer. So, all these things just added up and we did not manage it well enough. So, internally we took stock of that but it's happened.

Manoj Gori: Right sir. In the month of October, productive season did come in October this year. We saw some impact in October but still what we understand from our channel is that the washing machine market or category would have grown by roughly around 20%. Are we in line with that because obviously we would have lost sales during Q2. So, ideally we should have done.

Bikramjit Nag: I think our October sales have been very good. We could not supply as I am saying. The supply loss was slightly less in October compared to September, but we were stock out. Company capacity was sold. So, we had that issue. But the good thing is we think there's possibly been a reset in the demand for the products that have been designed and introduced in the market. And we don't expect especially for top loader etc. the demand to fall much, which means September, October, if we take the average, I think that will be the demand, which is a substantial increase to before. And it's more than 20% increase.

Manoj Gori: Correct sir. Secondly, if you look at we have been talking about achieving better efficiency from the existing retail touch points. And we have been talking about this for a while. In fact for last 3-4 years, we have been hearing. So, what has been the progress, how we look at the extraction? In the presentation, we have also talked about market share gains in the coming times. So, probably it's not visible even on that front?

Bikramjit Nag: I think the market share gains have happened in September-October and what has happened is the market share actually companies look at a data, the data comes from an independent third party firm called GFK and GFK is the most widely used data service for the appliance industry. Now GFK and Nielsen have like merged, but GFK is the best like company for this. GFK data is directionally correct. It is directionally correct because it takes care of a significant portion of dealers, but it does not take care of the brand stores etc. It doesn't take care of E-com etc. But

directionally correct. GFK shows there has been a significant brand pull and the market share has been gained by IFB in the last few months as far as the washer category goes and we are feeling that because we are having capacity issues for the first time. We have not had this. Whilst we are saying this, I think we must also point out that had our planning been better, had we foreseen this, we would have built up stocks starting July for example. We did not do that. So, there was a small error in planning as well, but honestly, we did not see the market pull for our products to be as good as it has been.

Manoj Gori: Correct sir. Sir, secondly on the air conditioners, even there we have taken number of initiatives.

Bikramjit Nag: On the what?

Manoj Gori: On the air conditioners. So, if you look at from December onwards, there will be inventory built up on air conditioners as well from especially the larger format players. So, in this scenario, our cost obviously would be lower as compared to year ago as the percentage of sales. So, overall on a net-net basis from here on, we are just moving northwards on the margin side. Is that understanding correct?

Bikramjit Nag: Yes, and I think Kartik can answer this in a more eloquent manner. But we are confident of margins in this. Kartik, can you answer?

Kartik Muchandi: Yes, sir. On margin terms, last year we had a negative EBITDA of Rs. 31 Cr. This year we are at positive EBITDA YTD.

Bikramjit Nag: Going like forward Kartik, what's happening from now to March?

Kartik Muchandi: Now to March, we have further projects for reduction of material cost reduction as well as our sales volume is going to go up in Quarter 3 and Quarter 4.

Manoj Gori: And sir, lastly, if we look at so currently, what are the plans for the CEO position that currently is vacant for Home Appliances? Any progress over there?

Bikramjit Nag: Yes, so we have interviewed a number of people. And we have still not zeroed in on someone. The reason is that, I am not able to find someone who has complete 360-degree knowledge on all aspects, including balance sheet control and we are wanting that. It's not only someone who will lead for sales and marketing, for example, but he should have good control over factory and other balance sheet matters. So, we interviewed a lot of people, shortlisted some and the process is on.

Moderator: Thank you very much. The next question is from the line of Pritesh Chheda from Lucky Investments. Please go ahead.

Pritesh Chheda: So, can you give some color on the categories, industry category performance in the festivals? So, basically, whatever post shradh or half of September, major of October, so in that period,

the main category is washers, AC, wares, what in your opinion should have done in the market. And for us, where will be there any market share changes?

Bikramjit Nag: The washing machine we have answered both top load, front load, we had capacity sold out and we couldn't supply to the market as per the demand of the market because we had supply chain issues and the planning in July was not to the extent that it could have been, but we underestimated the demand for the product launched.

Pritesh Chheda: So, market would have grown at what rate in your opinion? It will be like 15%-20% more than that?

Bikramjit Nag: I am not sure how much market has grown by per se, but we have grown substantially.

Pritesh Chheda: Any differences within the washer that you would have seen in the top load and the front load?

Bikramjit Nag: See, for us, the top load has grown, the top load demands we see with the new model we have is actually tremendous and we may have to take up capacities. As far as the front load goes, I think with the work we started quite some time back on numerical reach and extraction etc., I think it started paying dividends and I think we'll be close to capacity selling, which is a substantial growth from last year's average. And the growth is more than 20% to answer your question.

Pritesh Chheda: Okay, is there any loss of market share?

Bikramjit Nag: No, I just answered sometime back, two minutes back, that we have gained market share as per GFK data.

Pritesh Chheda: You could give the same comments for other categories.

Bikramjit Nag: Other categories we feel with the work we are doing on AC etc. We should be able to achieve or at least be close to our budgeted target. And in refrigerator, we have our internal target of around I think over 40,000 a month and we are now at about 28,000 to 30,000 a month but refrigerator is a EBITDA positive business.

Pritesh Chheda: But how about the category sir? Would it have grown just like, has it grown in the festives, the ref and microwave?

Bikramjit Nag: I am not sure of the category growth in ref and microwave, but we have grown, but then in ref, our base is small. So, the growth is not something that we really look at. You see, because if we were doing let's say 20,000 ref and it would go to 28,000, that is not a correct representation of the category.

Pritesh Chheda: Okay, I will sum up here. Let's say as a festive, was it a really good festive versus what last couple of years the category was good?

- Bikramjit Nag:** Our festive was good and we could have done much, much better especially in the refrigerator etc. And washing machine, as I said, and I am repeating, we had issues of capacity. As far as margin goes, we were towards our target.
- Moderator:** Thank you very much. The next question is from the line of Shreyansh J from Swan Investments. Please go ahead.
- Shreyansh J:** So, my first question is on the AC front. AC, our base also is comparatively low versus last year. And I think the PPT you have mentioned, we could have done better sales in ACs. And I look at other players who have done 20%-20% odd growth rates at their base. So, I am just trying to understand what went wrong for us in ACs in this quarter sir?
- Bikramjit Nag:** We still have not got distribution end all right. The team is still not right as far as AC is concerned. We fixed it substantially for the washer. But what we realized was that in every branch, we need further depth as far as AC and ref goes, which means within a branch, we need more number of individuals to focus on these categories. And that team is being built up.
- Shreyansh J:** So, my second question is we've hired Mr. Govindaraj. So, can you just help us understand?
- Bikramjit Nag:** No, Mr. Govindaraj has been in the system for a long time. He was managing the industrial business and his background is manufacturing. So, all manufacturing units of IFB have been put under him and the industrial business is in anyway with him. He used to head LG factories before.
- Shreyansh J:** So, he's been with us since 2018.
- Bikramjit Nag:** He was with us before. Then he left for a few years and then he like came like back when we all bought this company in Bangalore, which is the Industrial Laundry company because he had wanted to relocate to Bangalore from Goa because of his mother. So, now the structure is, in Mr. Ray's absence, yes, we don't have a CEO, but Mr. Govindraj manages manufacturing fully along with industrial business. Ranjan Mohan Mathur, who's on this call, manufactures end-to-end sales and marketing and finance is managed separately, which is Soumitra manages finance.
- Shreyansh J:** So, what exactly is the responsibility for Mr. Govindraj in the appliance?
- Bikramjit Nag:** Manufacturing all factories of Home Appliances.
- Shreyansh J:** So, he's been tasked with the gross margin improvement that we are looking at about 200 odd crores.
- Bikramjit Nag:** Correct. So, material cost reduction, quality issues, warranty reduction, etc. That is all like with him apart from industrial business, which is also with him.

Shreyansh J: Sir, looking at your presentation, we do about 150 odd crores of services and out of that, 50 crores is some IFB products that we sell. So, I am just trying to understand what is the balance, 100 crores of service revenues that we do, sir?

Kartik Muchandi: These are out of warranty spare sales and AMC. These are also essentials which are liquid detergent and other accessories like trolley for the washing machine etc. AMC income is there. AMC income is a big part. In the service revenue, AMC income is there, sale of spare, sale of accessories and sale of essentials.

Shreyansh J: So, AMC would be the larger portion out of this 150?

Kartik Muchandi: It is around Rs. 35 to Rs. 38 crores.

Shreyansh J: And essentially this Rs. 50 crores?

Kartik Muchandi: Essential is there, accessory is there and also sale of spare.

Moderator: Thank you very much. The next question is from the line of Navid Virani from Bastion Research. Please go ahead.

Navid Virani: I was just asking that I understand that there is a lot of growth in the industry which could be captured but at the same time there are some internal affairs that we have to get right first, right? So, keeping both these things in mind, can you share some examples of the initiatives which we have taken to avoid situations like stock-outs or avoid situations where we don't have the right kind of sales representatives present at the counters? If you can give a couple of examples that would give a better clarity on how strategically the company is moving in terms of addressing this issue?

Bikramjit Nag: I think on the supply chain matter, we need better visibility from projected sales for market so that we can plan supply chain. Because in supply chain, you have to tell a vendor to produce something and sometimes parts are imported which is a 90-day cycle for example. I think this thing between front end and back end integration, I think we need better visibility, which is a factor of how we look at the market and also some IT integration that we need in supply chain. And we are working on that. On the point of what else we need to do on the ground, this point we've discussed many, many times and we've not done a good job on this, which is to have each area manned well by a competent person who is able to manage that area. Now, have we completed this? I think on the senior management side, this is done. All the regions are manned. All the branches are now manned. On that front, there is no gap. That gap has existed before, but that gap is by and large closed. Are all the people up to a certain standard? Answer is no. Answer is no, we still have to work, work on that. Now with every territory manned competently, answer is no. Is it better than before, answer is yes. Now this is a constant thing that we have to work on and that work is going on, I can only say is going on with a lot more rigor and I think the branches and the regions are very well sensitized to this now. This work was started by Mr. Ray. He only started it. It's taken a very long time. I am aware of this. And I have been the most

impatient on this as well. But this work was started. It's really taken enormous time. But I think we are coming to a situation where the branch and factory have understood that there is that we are not going to relent on this. And I think it's working now. I think we'll see the upside fast at least hopefully from my side.

Moderator: Thank you very much. The next question is from the line of Jhalak Rathi from Agility Advisors. Please go ahead.

Jhalak Rathi: So, my question is, what is the traction that we are seeing from IFB Point? Is it giving revenue visibility?

Bikramjit Nag: Is it like giving us?

Jhalak Rathi: Revenue visibility increased? Any incremental revenues?

Bikramjit Nag: IFB Point in September, October has done much, much better. We are doing some management reinforcements there and that work is on, but October sales from IFB Point was actually good. It was good and hopefully that will be carried forward and IFB Point is going back into expansion mode.

Jhalak Rathi: So, as we are expanding this from 215 stores to 465 stores.

Bikramjit Nag: No, we have 465.

Jhalak Rathi: So, what's the revenue growth that you are expecting from this stores?

Bikramjit Nag: I think I will not give a revenue target now, but I'd like to say we want IFB Point to be maintained at least 15% of our sales. We don't give guidance on sales, but we would like it to be at about 15% of sales. It had slipped earlier, but now it's coming back up.

Moderator: Thank you very much. The next question is from the line of Vignesh Iyer from Sequent Investments. Please go ahead.

Vignesh Iyer: So, basically, interacting with a few other players in the industry, there is a general understanding that Quarter 2 of last year is not really a straightforward comparison because of the festive days shifting from Quarter 2 to Quarter 3 in few occasions. So, just to get more understanding on the sales part, can you help us understand how the festive season has spanned out this year versus the festive season that was there in last year to get an increase in the sales volume as such?

Bikramjit Nag: Last year, festive happened in November. Diwali was in November.

Vignesh Iyer: But because of what I understand, there was Pitra Paksha that 14 days came in Quarter 2. So, there was less sales. That is when told about the industry. That's why I am asking, did it impact us in?

- Bikramjit Nag:** I think our understanding is from September onwards, we've seen an uptick because of the products launched. I would like to stick to that point. I think the product launched has been very well received. And the work done on the ground on putting the right product in the right counter etc. which is the model mix etc. That work has been done relatively better. We've seen impact of that in September and October, and we are confident that this will do better November, December also. As far as the other product categories go, our share is very, very small in terms of number, and we expect to see uptick in that as well. So, as far as we are concerned as a company, we think we'll do much better. And to answer your specific question on the season, I think we are better off compared to last year. But I don't know how we've done vis-à-vis others because we've not seen, we have not reviewed the results of others even though Blue Star has come out today. I am aware of that but we don't know the others' results.
- Vignesh Iyer:** Got it. Also on the refrigerator part of the business, so we've done around 70,000 units production in this quarter and we have a target of monthly sales of 50,000 units. So, what is the strategy behind it now? What is the timeline that we see trying to achieve the same?
- Bikramjit Nag:** Our target is February, March we should achieve it.
- Vignesh Iyer:** February-March 50,000 units per month?
- Bikramjit Nag:** We should be close to that, yes.
- Vignesh Iyer:** That's our internal target is that?
- Bikramjit Nag:** But if you see, now we are hovering between 25,000 to 28,000, 30,000 and I think we will get there. That is what my Sales Head's prediction is or rather assurance to me.
- Moderator:** Thank you very much. The next question is from the line of Natasha Jain from Nirmal Bang. Please go ahead.
- Natasha Jain:** So, just follow up on the last participant's question. In terms of refrigeration, are we on track to achieve the 6 lakh guidance that we said earlier, or should we land somewhere that is around the corner?
- Bikramjit Nag:** No, because the first six months has passed. So, we are not going to be there, but going forward, we hope that by February, we should be achieving close to what we need to be achieve. And then going forward, we will achieve that. But I don't think we will achieve guidance of 50,000 monthly for the year.
- Natasha Jain:** Got it, we should be landing somewhere around 4-4.5 lakh units for FY25?
- Bikramjit Nag:** Somewhere like that, I think.
- Natasha Jain:** And we have broken even at EBITDA level, right, for refrigeration?

- Bikramjit Nag:** Yes. We have broken even at EBITDA level.
- Natasha Jain:** And sir on AC, I may have missed out. So, have you called out the volume number sold in 2nd Quarter?
- Bikramjit Nag:** Volume in 2nd Quarter has not been good for us. For AC you are talking about, right? Are you talking air conditions?
- Natasha Jain:** Only AC sales I wanted to know the volume growth for 2nd Quarter.
- Bikramjit Nag:** What's the exact volume growth, Kartik? No, in terms of growth, how much are we, Kartik?
- Kartik Muchandi:** Growth of IFB Brand AC is 80%.
- Bikramjit Nag:** But again, because our base is small, this is irrelevant. It is absolutely irrelevant and we have to get into starting now the build up to the season whether we can supply or not and all of that work is going on now and if we can do what we are supposed to do between now and 31st of March, then we will be achieving our budgeted number.
- Natasha Jain:** Which would be ideally 5 lakh units for FY25?
- Bikramjit Nag:** Close to that, yes.
- Natasha Jain:** And sir we are already at EBITDA positive level, right for room air conditioner categories?
- Bikramjit Nag:** Yes, by and large, Kartik.
- Kartik Muchandi:** YTD September EBITDA positive.
- Moderator:** Thank you very much. The next question is from the line of Keshav Garg from Counter-Cyclical PMS. Please go ahead.
- Keshav Garg:** Firstly, I wanted to know that the rupees depreciating and we are importing roughly one third of our raw materials and cost of goods sold. So, whatever you are talking about Rs. 200 crore cost savings, it is adjusted for the rupee depreciation or we will realize this in the subsequent quarter that why we haven't been able to achieve 10% margin because the rupee is depreciated?
- Bikramjit Nag:** Whatever rupee depreciation takes place now, etc. Let's say we will have it compensated either by price increase or like whatever. But the thing is internally, when we did the budget for the year, we never thought rupee will be at say, 84, whatever, now, so soon. So, that has been an issue. But we will overcome this. I don't think this will affect what's our targeted EBITDA numbers, EBITDA percentage numbers.
- Keshav Garg:** Sir, now if we see that there are so many global giants in every single category that we are in, like for example in ACs, there are so many people like Daikin, even Blue Star from India, O

General and Carrier. So, they do only air conditioning and they focus on that and globally they are giants. But somehow we think that we can compete with all of these global giants in each of the categories. I mean, sir, if you look at some of our verticals, so they are totally miniscule like I think in modular kitchen, we did Rs. 1.4 crore revenue in one quarter. So, I am sure that this vertical must be loss making, our inventory would have been stuck the management. Bandwidth is going over all these small segments. Similarly, if we see the built-in-oven chimney hob, it is less than Rs. 6 crore revenue per quarter. Again, this would also be, I am assuming, loss making. So, why don't we just focus on few major categories so that we can really scale up our numbers?

Bikramjit Nag:

I think the fact of the matter is we compete with LG, Samsung, Bosch in every product category. So, I would not single out air conditioning from that angle. So, let's say with washer, you will always compete with LG, Samsung, Bosch for example, plus now Haier etc. In AC, you will compete with whoever you are talking about. Refrigerator, everyone. I think this is part and parcel of the game. And I think there's no company that can really, over time, I think will do well with a single-minded focus on one like product. The reason why in AC, the companies you are talking about are doing relatively okay is because of the industrial segment helping them. The Blue Star has a large industrial segment. Voltas has a large industrial segment and so does Daikin. We are not in that. We just prefer to be in the home thing, in the room thing. And our internal strategy document formulated long, long back basically said we should make all products for the house, electronics for the house, in terms of white goods etc. and brown goods. So, we are just progressing on that. In certain things, we have not done well, it is a fact. In certain things, whether we should close it down or not, we keep evaluating it. And as and when we take a decision, you will get to know. But as a company, our aim is to grow faster and to achieve the required margin. We are very focused on that. And I think in Q3 and Q4, hopefully, you will see substantial difference.

Keshav Garg:

This is such a hyper competitive market, this home appliances market and also now there are free trade agreements and duty fees are coming from Thailand, sir please correct me if I am wrong. So, our competitors are global in scale and manufacturing and sir they are global leaders in technology. So, basically I am trying to understand that what is our USP? What is our right to win over you?

Bikramjit Nag:

So, I think to answer your question, we must be doing something right for people to buy IFB and for you having invested in IFB. Something you must have seen in it. I don't know what you saw because I don't know you personally. But you must have done your homework. So, I think I don't dwell much on this. As far as I am concerned, I talk to my team on one single matter. Please make a very good product and sell it in every corner of India. Now on that, on the selling part, we have failed. We have not done as well as we should have done. And for that, whatever management changes are required, are being made, the reinforcements are being introduced etc., the project was started by Mr. Ray, it just took too long. But I think we are on the right track. And I think you will see it in the results soon.

Moderator:

Thank you very much. The next question is from the line of Shubham Jain from NV Alpha Fund. Please go ahead.

- Shubham Jain:** Sir, I just wanted to re-ask this question. I know the first participant asked this. And you mentioned that what is the reason for the gross margin decline of 200 to 230 bps? I understand that there was a transition period that was happening in washers. But could you just help quantify how this impacted us from an RM procurement point of view?
- Kartik Muchandi:** The first part, you already know, washer category, we lost 70 crore sales, which would have definitely...
- Bikramjit Nag:** So, they are asking why, how, how has it happened?
- Shubham Jain:** My focus is more on the gross margin. So, if you've lost 70 crore sales, so all that procurement has happened and is that sitting on the RM, is that the reason?
- Kartik Muchandi:** No. The 70 crore sale, what we lost is washer where the gross margins are very high. So, that is the first point. And the second point is that in quarter one, our washer sale was flat, but we got 80% growth in AC. So, what happens is that the gross margin in AC is relatively lesser compared to washer. That is why in absolute terms, you will see our gross margin has expanded. But as a percentage to sale, it is reduced.
- Govindaraj:** So, if I compare 2Q 2024 to 2Q 2025, our washer sales are flat. We have done 378 crores in front load, 133 crores in top load, which is more or less flat in 2Q 2025. And AC sales have gone up only by 12 crores. That too, our own brand sales have increased. So, I would assume the gross margins are higher. So, this still doesn't explain why our gross margins have fallen from a YoY perspective.
- Kartik Muchandi:** No, this is the point for the quarter. For Y-on-Y if you see, our growth in AC is more than 100%. I will just give you the numbers. It is exactly 100% growth in AC. But the washer sale growth is less than 10%. So, that is the reason why percentage gross margin is lower.
- Bikramjit Nag:** Yes, but Kartik, please tell him what was that because of July, August in washer, because of the changeover plan, etc. What happened in washer in September, October?
- Kartik Muchandi:** Yeah, in September, October, the trend has reversed completely. We have more than 20% growth in topline. And whatever we produce, everything is sold in washer. We could have sold more, but we did not have stock or neither we had capacity. So, had we sold the washer enough, then the gross margin would have been better than last year's same quarter, even in terms of percentage.
- Shubham Jain:** So, I am going to repeat this question. AC sales, again, 51 crores have gone to 63 crores. And on an overall basis, it's not a very high number. Does it can impact the gross margins? So, it doesn't seem to be an AC thing. And if you can just help me understand this, washer, what happened in July, August for our gross margins to get hit?
- Kartik Muchandi:** Yeah, in July, there was a changeover. So, in changeover, the new models were coming in. So, initially, we introduced the low-end model.

- Bikramjit Nag:** And the old models had to be taken out. So, the new model coming in and the old model taken out, we could not do a one-to-one replacement.
- Shubham Jain:** So, in the new model, we made a lower gross margin?
- Bikramjit Nag:** No, the new model did not go into the extent required, first and foremost, so sales got hit. And new model, the cost down was two months delayed. The BOM cost was not achieved in the models when it was launched. That came two months later. That affected the GP.
- Shubham Jain:** Out of the 375 plus 130, almost 500 crores of washer sales that we have done in this quarter, how much was new models and how much was old models? Like a broad sense.
- Kartik Muchandi:** Yeah, exact numbers we don't have, but maybe 60% old model and 40% new model.
- Bikramjit Nag:** But we could give you the exact thing.
- Shubham Jain:** So, if I could just request if I could take this offline and clarify some of these numbers with you. If I can just have, I just reach out and we can have this clarified.
- Bikramjit Nag:** Yes, you can reach out to Kartik, Kartik and Ritesh.
- Moderator:** Thank you very much. The next question is from the line of Aditya from Sowilo Investment Managers. Please go ahead.
- Aditya:** So, my question was more on the washer. So, is it like a particular region where it's being grown? Or is it Pan India? I mean, I am just trying to understand what is the driver for such a good offtake when you say that you are out of capacity to produce so I just want to understand what is the exact reason?
- Bikramjit Nag:** Sorry, what was the exact reason for?
- Aditya:** Exact reason, is it like did you like find a new geography where you expanded because of which?
- Bikramjit Nag:** I think the new models if you go into the market and see, it has been very well received. The looks are very good, the pricing is right. I think we just got the whole thing right including dealer by dealer planogram has been right. What should go and how it should, I think that whole 360 work has been done very well. So, basically, if you look at it that way, then it's like saying that in Mahindra, let's say the XUV700 has been received very early. Why? Because it's a very good car. It looks good, it feels good. Customers have liked it. I think what has been launched by this team, by the R&D team and the manufacturing team together, this was overseen by like Mr. Ray has been very, very well received by the market. That's my point.
- Aditya:** I mean, you gave the example of Mahindra. There we've always, I mean, we've been speaking about it for the last 3-4 years, right? The preference of customers towards SUVs overall has gone up. So, it's not just a Mahindra thing. You know, everybody, all brands, the SUV sales have been

picking up. And added to that, you had a good line of cars from Mahindra and their SUV sales has only picked up. So, there you had this whole theme of the premiumization, the buyer wanting to...?

Bikramjit Nag: It happened in the washer as well. In front load washer, it happened, premiumization, higher end models are selling more and our models are now really contemporary and people have liked it more than competition.

Ranjan Mohan: And that growth is across.

Bikramjit Nag: Yeah, growth is across India, yeah.

Moderator: Thank you very much. As there are no further questions, I would now like to hand the conference over to Ms. Natasha Jain for closing comments.

Natasha Jain: Thank you. I would request the management to give closing comments if any.

Management: Thank you everybody for participating in this call. We'll meet again in quarter three earnings call. Thank you everybody again.

Bikramjit Nag: Yeah, one more point from my side, Bikramjit here again. We as a company are acutely aware of the fact that we should be doing better across product category, namely washing machine front load, top load, air conditioner, refrigerator, apart from the smaller ones. But these are the four major categories. Microwave also I think. And we are acutely aware that we not hit the required margins, neither have we done as well as we should do in terms of revenue. And it's not something that we are happy about or proud about. And every day we are looking at this seriously and making the necessary changes to achieve required results more than satisfying shareholders. It is something we need to do for ourselves internally. So, I can only say that a lot of focus is going into it. Thank you.

Natasha Jain: Thank you, sir. That concludes the conference. Participants can disconnect their lines. Thank you.