22nd January, 2025

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

Sub: Transcript of Earnings Call with respect to Financial Results for the third quarter and nine months ended 31st December, 2024

Dear Sir,

This is with reference to the Company intimation dated 13th January, 2025 filed with the stock exchanges in terms of Regulation 30 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 regarding the conference call to discuss the financial results for the third quarter and nine months ended 31st December, 2024 scheduled for 17th January, 2025.

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

The same is also available on the website of the Company under Financials in the Investors section.

This is for your information and records.

Thanking you.

Yours faithfully,
for **Havells India Limited**

SANJAY KUMAR GUPTA

Digitally signed by SANJAY KUMAR GUPTA
Date: 2025.01.22 17:18:26 +05'30'

(Sanjay Kumar Gupta)
Company Secretary

Encl: As above

Havells India Limited

Q3FY25 Earnings Conference Call

January 17, 2025

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

Moderator: Ladies and gentlemen, good day, and welcome to the Havells India Q3 FY '25 Earnings Conference Call hosted by ICICI Securities Limited. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing star then zero on your touchtone phone. I now hand the conference over to Mr. Aniruddha Joshi from ICICI Securities Limited. Thank you and over to you, sir.

Aniruddha Joshi: Thanks, Steve. On behalf of ICICI Securities, we welcome you all to Q3 FY '25 Results Conference Call of Havells India Limited. We have with us senior management represented by Mr. Anil Rai Gupta, Chairman and Managing Director; Mr. Rajesh Kumar Gupta, Whole-Time Director and Group CFO; Mr. Ameet Kumar Gupta, Whole-Time Director and Mr. Rajiv Goel, Executive Director.

Now I hand over the call to the management for initial comments on the quarterly performance and then we will open the floor for question-and-answer session. Thanks, and over to you, sir.

Anil Rai Gupta: Thank you. Good morning, everybody and wish you all a very Happy New Year. Thank you for attending the call today. Hope you would have reviewed the results by now. Havells Consumer, Industrial and Infrastructure segments delivered healthy performance. However, commodity fluctuations impacted the domestic wire growth, resulting in moderate overall revenue growth.

With the new Tumkur cable plant easing out capacity constraints for us in power cable, we had a strong revenue growth during the quarter. Further, scale up of the plant and creation of additional capacity is underway.

While switchgear saw decent revenue growth, the margins declined with mix towards project business in Q3 and factory under absorption on account of plant relocation. We expect normalization in the coming quarters.

Lloyd continued to deliver steady growth and margin improvement. During the quarter, we announced a INR480 crores capex for new refrigerator manufacturing facility in Ghiloth, Rajasthan. This is a step towards becoming a full stacked consumer durable player.

Although our investments in brand building and talent remain elevated, we anticipate these spends to stabilize. Overall, we remain positive on better growth and margin scenario in the forthcoming quarters. We can now move to Q&A.

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

Ravi Swaminathan: Hi, sir. Thanks for taking my question. We had seen a bit of weakness in the profitability in the switchgear and the ECD business. Yes, you had mentioned that there is a bit of a mix-related issue and some shifting of plant. But was there any pricing-related action also which was there? Was there any pricing pressure because of competition or something on the ground?

Anil Rai Gupta: Not really because what happens is generally projects business comes at lower margins. And hence, you can say there was a pricing gap. Otherwise, in the normal trade business there was no issue on the pricing front. But as I said, there are two factors, even the plant relocation led to some under absorption of manufacturing overheads that should also normalize in the coming quarters.

So, switchgear we are quite confident that it remains under 38% to 40% contribution margin levels and it should come back to those levels.

Ravi Swaminathan: Understood. And with respect to lighting business, it has been -- I mean, there has been talks on the ground that the pricing should bottom out anytime soon or something of that sort, but still this quarter also I think there has been a bit of pricing decline which has been there. So, when do you expect this to turn around and what would have been the real volume growth that we would have seen in the lighting business?

Anil Rai Gupta: I think if we look at Y-o-Y, then there is a price erosion, but as we are now seeing that there is a bottoming out of the price erosion. But the volume growth has been healthy. It's around 13%-14% in lighting. So, we are generally positive about the lighting growth and overall, with the price erosion coming or tapering should also start showing back in profitability levels.

Ravi Swaminathan: Okay. And overall general demand wise say in the month of December, January so far, how it has been, are we seeing a bit of weakness or is it started to recover any sense on that?

Anil Rai Gupta: Mixed feelings about that because as we see a large part of the business also saw some destocking - which is wires. Overall, consumer trend was started off a bit slow, but it started gaining a little bit traction towards the end of the quarter. So I would say it's early days to comment, but there was some sort of a positive sentiment in the consumer demand.

Ravi Swaminathan: Understood sir. Thanks a lot.

Moderator: Thank you. The next question is from the line of Natasha Jain from PhillipCapital. Please go ahead.

Natasha Jain: Thank you for the opportunity. So, my first question is on the AC side. Now third quarter, I understand is a lean quarter for cooling products such trend, but on the appliances side especially water heaters, room heaters and even kitchen appliances, they have done well on the ground. So, I'm just trying to understand how that performed for you and what is the reason for such a sharp decline because some benefits should have flown in from your appliances category. So that's my first question, sir?

Anil Rai Gupta: Yes. I think for us we saw a very strong quarter in domestic appliances business. We also saw a stronger quarter in water heaters, though not a very high growth because it is coming after a couple of years of flattish growth in water heater business, but we saw a very positive quarter for water heaters also.

There is some amount of, I would say, restabilization and repositioning of our appliances business which is also leading to this growth. But overall if we compare the appliances business, the contribution margins are lower as compared to products like fans and water heaters. And hence, there a sharp growth here (appliances), we saw a little bit of a dip in the overall contribution side.

But I think there's a lot of work going on towards that. The other businesses like fans, water heaters, they are all still going strong on the margin front. So, we are confident that overall ECD should come back to normal levels of margins in this quarter and next quarters.

Natasha Jain: Understood, sir. And sir, second question a follow-up on the lighting side. Now I understand that because of the driver on board, there was ASP compression, but a new trend I picked up on the channel it is also a compression that has started on chip-onboard technology. Now I understand this is primarily used for premium lighting and because Havells is a premium player, does this impact you or has it impacted you in the third quarter?

Rajiv Goel: No, I think look the deflationary trend you see in the pricing is across the board. So, you are right the COB also has not been sort of spared on that side. So yes, I think that's why while we focus more on premium and the emerging technologies, you should appreciate that when there is a deflationary trend in the LED chips, I think it will have impact.

Now the impact extent could vary. You see on the commoditized business it will be far severe than it will be on, let's say, the innovative product, but the effect definitely will be there. So, I think that pricing trend pressure we have seen across the board including COB.

Natasha Jain: Got it. And sir, if I may, just one last question. In terms of copper prices now we've seen a flattish trend, but January onwards, it started to pick up slightly. So given that the channel has destocked heavily in the third quarter, can we expect a rise in wires in the 4Q plus cables being a seasonal quarter for 4Q, should we see like a good momentum in this category in the upcoming quarters?

Anil Rai Gupta: Yes, you are right on both fronts. We will see restocking happening in domestic wire business. Also, rising copper also helps, but that is a bit of overstocking that does not necessarily mean that the consumer demand goes up, but that is a very temporary phenomenon. And you're right, the fourth quarter is generally high for underground cables as well.

Natasha Jain: Got it. Thank you so much sir and all the best.

Moderator: Thank you. The next question is from the line of Rahul Agarwal from IKIGAI Asset Management. Please go ahead.

Rahul Agarwal: Hi, sir. Good morning. Thank you for the opportunity. Sir, just one clarification on the earlier question. On Switchgear, just wanted to understand the need for relocation of the plant and what was the relocation cost booked for the quarter?

Anil Rai Gupta: So I would not be able to give you the costs on this call, but the need for relocation is strategic reasons. We want to combine certain manufacturing activities and that's a constant strategic evaluation which keeps happening between manufacturing facilities.

Rahul Agarwal: So, it's gone from where to where, the shift has happened from which location to which location?

Anil Rai Gupta: So, we had a small very old plant in Faridabad which has now moved to Sahibabad which was also our industrial switchgear facility. So, two facilities are now combined into one.

Rahul Agarwal: Got it, sir. So should I attribute the entire 3%-4% lower contribution margin to entirely relocation or is there anything else you said industrial...

Anil Rai Gupta: As I said, I think there was also a product mix issue or a channel mix issue between trade and projects business. So that is also contributing partly to this decline in contribution margin.

Rahul Agarwal: Got it, Anil ji. And lastly on the "other" segment like post-COVID, I think this is the first time you reported EBIT loss, additional investment could you elaborate what is the thought process and when will it normalize?

Rajiv Goel: The additional investment in these emerging categories is on the new channels where we are investing to grow these businesses further. And you have seen a good growth in this segment which we want to continue to sustain. And sometimes, what happens that it just gets captured in a quarter. So I mean these things we believe will get normalized in next quarter.

Rahul Agarwal: Okay. So incremental investments will continue, but it should not result into any cash burn is what you're saying, right?

Rajiv Goel: Yes, that's right.

Rahul Agarwal: Perfect sir. Thank you so much. I will get back in the queue.

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

Sonali Salgaonkar: Sir thank you for the opportunity and wish the entire team a great 2025. Sir, my first question, sorry for checking on this again on the switchgear margins. And I would like to check if I look at the EBIT segmental margin of switchgears, it used to be about 28% about a year back and we have now come to about 18%.

So I understand the interim reason of the plant relocation in this quarter, but is there anything structural in your view which is plaguing this segment as in product mix or higher competition or do we think it is transitory and we might get back at those 28% margins, EBIT?

Anil Rai Gupta: The margins varies between the quarters, which are the quarters where we are investing in brand building for a certain product category. But I think overall we should be around 24%-25% in switchgears. 28% is also abnormal and 18% is also abnormal. I think 24%-25% is a decent number to expect.

Sonali Salgaonkar: Got it, sir. Sir, my second question would be any thoughts on the impending summer season because much of our product portfolio is also summer-centric. How are the channels reacting to that? I mean, I know it's a bit too early, but are we expecting a good summer and is there any restocking ahead of that already?

Anil Rai Gupta: I think generally once you come after a good summer season there is a positivity in the channel, but that does not necessarily mean that it will translate into a high consumption in this year because weather is something which nobody can predict. But the general positivity is there in terms of the channel.

Stocking starts happening in January-February in case of air conditioners and around end February-March for fan season. So, it's a bit early to say. Let's see, but the channel is generally positive because last year when we were entering the season it was not with a very high positive intent, but this season should be seeing some positive intent.

Sonali Salgaonkar: So that's very helpful. Sir, my next question would be related to the pricing actions. Any categories wherein you have contemplated or taken any pricing actions be it either positive or negative during this quarter?

Anil Rai Gupta: Well, usually there are pricing actions in lighting because of the deflation in LED. In switchgears and fans, raw materials have been generally stable over a medium term, so there's not major pricing actions. Some things keep happening, but with the fluctuation in copper and aluminum, cables and wires prices keep getting adjusted up and down.

Sonali Salgaonkar: Understood and because of the rupee depreciation impact, would you think because the import compressors there could be some pricing action upward in the air conditioner segment?

Anil Rai Gupta: That is true.

Sonali Salgaonkar: Any quantum, single digits?

Anil Rai Gupta: We still have to see that. But again, as I said, these are minor variations which keep happening in the market through schemes or pricing actions.

Sonali Salgaonkar: Understood. Sir, my last question, any particular reason for the strong contribution margin in the lighting segment this quarter?

Anil Rai Gupta: Again, this is generally a stronger quarter for lighting because of the Diwali season and some schemes ending. I think 30%-32% is the normalized contribution margin level for lighting. And as against the industry we've been premiumization and as a result we've been able to maintain that level. Again, let's not compare quarter-on-quarter each quarter, but overall, 30%- 32% is a decent expectation.

Sonali Salgaonkar: Got it. Sorry, sir, I missed one point. The cables and wires channels, we saw destocking in Q3. Have the channels destocked again? Is the inventory normal right now?

Anil Rai Gupta: In wires particularly, we saw destocking in Q3. It's coming back to normalized levels, yes.

Sonali Salgaonkar: Got it sir. Thank you and all the best.

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

Renu: Hi, good morning, sir and thank you for the opportunity. I have two questions. First, on ECDs, while this particular quarter 2, we have seen a pressures going through. But structurally if you see margins have consistently been under pressure, either for demand issues, competition or pricing. So, from a 2 year to 4 year perspective, do you think EBIT level margins in ECDs should move back to early teens, mid-teens or they may struggle to just touch teens in the near to medium term? And what is the view on the profitability in this business?

Anil Rai Gupta: Our focus right now in ECD is to gain shares in products where our shares were low, for example, domestic appliances, water purifiers. And hence, there is a higher level of investments going on in terms of pushing the products into modern format retail and new channels.

So, there is a little bit of an expectation of higher expenses, but the focus of the company is whether we are gaining it through pricing or is it real work that is happening. I think we are very confident that our contribution margins should come to normalized levels of around 24%-24.5%.

Initially, there could be higher investments in expenses and brand building or channel expansion, but again medium to long term, we should be getting closer to 12% to 14% EBIT margins.

Renu: And from this tenure perspective, the non-fans category in your view should move to what percentage of the category mix over say a 4-year period?

Rajiv Goel: That's something I think we can discuss later, but right now I think it's difficult to say.

Renu: Sure. Secondly, if you look at Lloyd consistent growth seen and while this quarter we were in a marginal loss, but overall YTD basis the segment has been now at breakeven levels. So given that there is further investments on backward integration and pricing also and the repositioning is working out well, what is your view on the profitability of the Lloyd portfolio?

Do you think much of the investments on brand positioning and product repositioning is already behind and incrementally margins should improve on a Y-o-Y basis in this business to mid-single-digit levels?

Anil Rai Gupta: Yes. I think overall we are looking at expanding the contribution margins in this business. We will continue to face in non-AC category some challenges because till the time our manufacturing facility for refrigerators also come up. Right now, we are in the trading of refrigerators. But overall AC business the margins are expanding. Our premiumization strategy seems to be panning out well.

But that also means that while we have invested a lot in brand building and channel building, but we will continue to do so. We believe that there is a huge opportunity in this. So again, as I've been saying in the last few calls also, Lloyd is a journey which we want to take and keep investing behind this brand because there's a much better opportunity for us to grow in this business.

Renu: Got it. And lastly if you see end November, December in general consumer demand saw significant deterioration and weakness, especially on the B2C side. So how was it at your end? And does it concern you that now it's been a couple of years that consumer demand really hasn't come out well and there have been concerns on this on a broader side. So, if you can share some of your views and insights on this?

Anil Rai Gupta: Yes. I think when we started out this financial year, we were more positive. The first 6 months saw improvement in the consumer demand, but again around Diwali season we started seeing some weakness. I also feel that during the end of the quarter, starting of the fourth quarter, we see some improvement. Underlying to all this, the overall industrial infra demand continues to remain positive.

So Havells is a mix of many things with our industrial infra business, with our focus on channel expansion, our focus on product market share expansion. So while the consumer sentiment may remain a bit weak, we will continue to do our actions and hopefully achieve growth better in the market.

Renu: Sure. Got it sir. Thanks much and best wishes. Thank you.

Moderator: Thank you. The next question is from the line of Kunal Sheth from B&K Securities. Please go ahead.

Kunal Sheth: Hi, sir. Thank you for the opportunity. So, I just needed one clarification. In media interaction today, we did mention ex-Lloyd margin of 12% to 13%. So that was you're referring to the EBIT margin or the EBITDA margin for ex-Lloyd business?

Rajiv Goel: Segment margins.

Kunal Sheth: So that's EBITDA margin, right, ex-Lloyd?

Rajiv Goel: No, that is -- yes, EBITDA, but there are unallocated has to be taken out of that. So I think when you look at our analysis, which we give the segment results. So, this is based on that.

Kunal Sheth: Okay. And what is the timeframe we are looking to achieve this?

Anil Rai Gupta: Well, I think it should come back to normal levels in the coming year.

Kunal Sheth: FY '26?

Anil Rai Gupta: Yes.

Kunal Sheth: Okay. Sure. That was it. Thank you so much.

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

Praveen Sahay: Thank you for opportunity. Sir, my question is related to your employee cost. And we understand in the last few quarters, employee cost has been increased and that's more towards the consumer-facing business we had invested in terms of the team. Are you seeing any kind of improvement, especially in terms of the growth, especially for categories like ECD because of the increase in the employee expenses?

And what your expectation the way forward by putting up more investment in the employee, what kind of a growth just from this activity you are going to receive?

Anil Rai Gupta: Yes, as I said, because of our expanded focus on adding channel - newer kinds of channel in stages. We definitely have invested ahead of time, and we are seeing better than the market growth, so which we are seeing increased market shares in product categories, where we were not very strong i.e. in newer category.

So, this is an initial investment. I think over a period of time this will normalize. There is a high level of focus on the productivity levels for such investments. So, over a period of time this should normalize. And to answer your question, yes, we have seen gains because of these investments.

Praveen Sahay: So, any market share gain in any of the segment if you can highlight?

Anil Rai Gupta: So again, we should not look at quarter-on-quarter. But overall, all consumer-facing categories we have seen market share gains.

Praveen Sahay: Great. Thank you sir. That's it.

Moderator: Thank you. The next question is from the line of Charanjit from DSP Mutual Funds. Please go ahead.

Charanjit: Sir thanks for the opportunity. First question is, sir, on the switchgears business. Can you tell us the quantum of the project business which we took in the quarter? And the second one will be even on the ECD side, the small domestic appliances what was the size of the revenue in this quarter and what's the margin differential versus other segments in the ECD space in the small domestic appliances?

Rajiv Goel: Charanjit, you are aware we do not do the segmental analysis like this and we like to maintain that. I think suffice to say that the project business has gained in this quarter. And quarterly these fluctuations do happen. So, I think this is just to explain the dip in the margins in the switchgear both attributed to the project sales higher proportion and also because of the relocation of the plant.

I think similarly, on the ECD, there is a season for the appliances and that's why the appliances growth has been there. You are fully aware that the appliances margins are lower than the fans segment which when you look next quarter, the fans segment will have a higher growth. So, I think on an annual basis, I think our margins will show improvement on the same.

Charanjit: Got it, sir. Sir, just last question on my side on Lloyd. So, we are looking to get into refrigerators and washing machines also. So, in terms of our right to win in this particular segment, how we should look at that and the kind of investments which you want to back it up with, if you can touch upon those aspects?

Rajiv Goel: The right to win is only growing now. If you look at our AC business, 2 years, 3 years back you had a similar question, what is right to win. Today, we are top 3, if not top 2 in the ACs. Lloyd is gaining prominence. And as Havells I think we want to be a full stack player in that.

The fact that we are setting up factories before even scaling up these businesses. We have a strong confidence in the Indian consumer appliances market and also the consumer. And I think the consumer is now recognizing Lloyd as not only a long-term brand, the brand with a differentiation. That's why, unlike others, we do not want to just buy from these OEMs who give a similar product to everyone and then present it in the market.

And I think if at all our journey in the washing machine has given us confidence that if we give a differentiated product, I think it will be well accepted by the consumer and that's what the journey we are embarking upon. And it will be a journey which will be long term. So we are not talking about next few quarters here.

Charanjit: Got it sir. Thanks for taking my question, sir. All the best for the future. Thank you.

Moderator: Thank you. The next question is from the line of Achal Lohade from Nuvama Institutional Equities. Please go ahead.

Achal Lohade: Good morning. Thank you for the opportunity. Sir, in the cables and wires segment if you could give us some sense in terms of the growth -- volume growth in cables and wires and overall?

Rajiv Goel: So, overall volume growth in cables was almost 11% to 12%. It was slightly negative in the wires. So overall, it was flat volume growth for the segment as a whole.

Achal Lohade: Okay because the average copper prices are up almost 15% Y-o-Y. So, I was just curious to understand if the wires have seen a decline and as a result, we have got only 7% growth?

Rajiv Goel: First of all, the copper impact was around I think 9% to 10%. And that's why we said there was a degrowth in wires and the growth in cables which we have already explained. So overall, I think there has been a slight flattish volume growth in this.

Achal Lohade: Understood. Secondly, I know you don't want to segmentize, but is it fair to say that the fans, water heater could have grown at a single digit, mid-single digit and appliances have grown in 20% as a result we've got a 15% growth?

Rajiv Goel: No, I think all of them have grown double digit, but yes, you're right appliances have grown more than the fans and the water heaters.

Achal Lohade: Understood. And in terms of the capex, if you could help us understand, you've mentioned in the interviews, INR1,000 crores for current year and next year. Where do we see apart from the cables and the ref, anything else where we are looking at adding capacity?

Rajiv Goel: Almost three-fourth of the capex will be attributed to these two. And the balance is a balancing capex in any case we do every year Achal. It's a normalized capex.

Achal Lohade: Understood. Great sir. I will come back for the follow up. Thank you.

Moderator: Thank you. The next question is from the line of Akshay Gattani from UBS. Please go ahead.

Akshay Gattani: Thank you sir for the opportunity. So, my question is on cable and wire segment with Tumkur plant ramping up and more capex lined up. So, can this drive a revenue mix change from 60% wire to 40% cable? Can this revenue mix change? Reason asking this Havells being a premium player in housing wires and enjoys industry-leading pricing. So, can this impact segment level contribution?

Rajiv Goel: No, we believe wire has a good growth potential. And again, I will not suggest you to really look at one quarter and extrapolate that. There is a significant potential for both wire and cable. Look, we are catching up on cables. You are aware of that. You guys have been raising this question for I think last few quarters. Now the additional capacity is kicking that is helping us.

We are gaining what we have sort of not due to us maybe in the last sort of few quarters and all. So, we do not see any significant shift happening on this proportion. In 2-3 years what happens I think time will tell. But the expansion, let me just clarify, is both on the cables and the wire side as well.

It's just that the significant capex is required in cables, but it doesn't mean we are sort of deprioritizing wires. We are an eminent player in wires and will continue to be so.

Akshay Gattani: Got it. Thank you. Second question, sir, is on the channel inventory for the dealer distributor, particularly on the ECD side. And does higher SG&A sales and promotion expenses, does this reflect any kind of like higher dealer distributor incentives schemes during the quarter?

Rajiv Goel: No, it's not on the pricing. Look, we are investing in multiple channels. You are fully aware how in India a lot of channels are proliferating now. For example, are the QCs, you see this quick commerce and all. Similarly, the semi-urban, we see the MFRs, everybody is gaining ground these days and being an eminent brand, we have to be part of every channel.

So they are the investment which may not been present, let's say, last year. So those investments have to be made, but do not assume that they are part of any discounting or any pricing action.

Akshay Gattani: Got it. Thank you sir.

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

Shrinidhi Karlekar: Hi, thank you for the opportunity. Sir, would you say some of the categories have started seeing higher growth tailwinds from the residential end market and do you think the tailwind should start accelerating?

Rajiv Goel: I think these things are very difficult to attribute. But structurally, we will agree that we have been expecting the late stage real estate to kick in and support the consumer demand, particularly the residential consumer demand. To that extent maybe you're correct, but I think very difficult to attribute now, but something is supporting that and hopefully this will continue to now sustain going forward as well.

Shrinidhi Karlekar: Right. And sir my second question is on whole profitability of this alternate channel. What we have seen is that there is a material change in the channel mix for Havells. We have developed alternate channel significantly by doing investment. But sir, generally speaking, would you say that at current level as well as structurally the profitability of all these new channels is lower than your general trade channel at EBIT level?

Rajiv Goel: Well, to begin with could be, but we do not see much differential going forward. You will appreciate the cost of selling also could be lower in that. So, I think it's still getting figured out, but we do not believe or expect that there will be a huge difference as you see on the net level between the two channels. The way they are compensated for their efforts could be different. But on a net-net basis, on stabilization, we do not see much difference amongst the channels. That cannot sustain. That is not possible.

Shrinidhi Karlekar: But currently you would say it is materially lower?

Rajiv Goel: Not materially lower whether you call investment or expense depends upon that. But yes, it will be. It will be. It's an investing phase. So as I said, but this is nothing to do with pricing. You see you get ISDs there; you have to put people there. So those kind of things you have to invest in people in your own company, who interact with them, the GT guys may not be able to do that. So yes, there are additional investments, but don't attribute that to the pricing action. This is what I'm trying to bring forth again and again.

Shrinidhi Karlekar: Right. And the last one, I wanted to understand in the switchgear segment, how much of the business is actually the domestic switchgear and how much is the electrical wiring accessories business, which is switches?

Rajiv Goel: Around 40-40-20. 20 in industrial.

Shrinidhi Karlekar: Thank you for answering my questions and all the very best.

Moderator: Thank you. The next question is from the line of Aniruddha Joshi from ICICI Securities. Please go ahead.

Aniruddha Joshi: Yes. Sir, just on the quick commerce as well as MFI channels. So, if you can elaborate a bit more about the investments that we would have done? And again, what is the current contribution of these two channels to the revenues? And in a way, where do you see it changing post these investments? Also, MFI channel is also going through a lot of issues. So how do we handle that?

And then second question is on the CSD. We have heard that there are a lot of inventory correction happening in the CSD channels also. So that is also in a way hurting the primary sales, while secondary sales continue to remain high. So, any update on these two questions or channel?

Rajiv Goel: So, QC, MFR, both are emerging. QC is obviously is still in nascent stage, it's growing much faster.

Anil Rai Gupta: Rajiv, there might be a confusion between we are saying MFR, he is understanding as MFI.

Rajiv Goel: No, we don't do MFI. Aniruddha, are you talking MFI (micro-finance)

Aniruddha Joshi: Yes, sir.

Rajiv Goel: Sorry. I thought MFR. No, MFI, we do not have much exposure. We don't do MFI business. Thanks for clarifying. Actually, I thought this is MFR. No, MFI, we do not have any exposure. We don't do MFI business.

Anil Rai Gupta: Just to answer your question Aniruddha quick commerce is a very new start. And I think while the volumes are very small, it may be a promising business. We are still evaluating. We have started doing business in that, but certain product categories go well there. When we talk about modern format retail (MFR), there is a heavy investment in demonstrators initially. And once the products are well placed, so that's why the investments are higher.

Consumer durables is highly dependent on MFR now. Almost INR500 crores of sales will be coming for Havells products only from MFR, but also for Lloyd, it's a much bigger channel. So, these investments will normalize over time, but initially, when you have to place them, these are higher investments.

Aniruddha Joshi: Okay. Sure, sir. And sir, regarding CSD, canteen stores department?

Anil Rai Gupta: CSD has been under some amount of fluctuation. It's a smallish business for us, but it is now coming back to normal.

Aniruddha Joshi: Okay. Sure, sir. And last question, in any of the category, any market share movement, if you can highlight, let's say, even in lighting or switchgear or even wires also? Is there any material impact on the market share or gains also? Yes, that's it from my side?

Anil Rai Gupta: Yes, I think the best would be to actually wait out for the entire year and just see that because these are trends which can vary quarter-on-quarter, but I would not like to comment on a quarter basis on this.

Aniruddha Joshi: Sure sir.

Moderator: Thank you. The next question is from the line of Pranay Chatterjee from Burman Capital. Please go ahead.

Pranay Chatterjee: Good morning, everyone. My question is with respect to the room air conditioner business. Lloyd has grown by about 15% this quarter. Sir, could you give us a sense on how fast the overall AC industry could have grown from a wholesale perspective in the third quarter? And would Lloyd AC volumes grown faster than that?

Anil Rai Gupta: I would say again best not to look at this particular quarter anyway because this is a quarter where the consumer demand is slow and whatever sales happen, it's more towards stocking the channel. So, I would suggest again, let's compare these things after the full season is over.

Pranay Chatterjee: Got it. So then if you could just give us a sense that within the Lloyd growth of 15%, would AC have grown faster than the 15%?

Rajiv Goel: No. The other categories have grown faster than AC.

Pranay Chatterjee: Got it. Okay. Thanks a lot.

Moderator: Thank you. The next question is from the line of Umang Mehta from Kotak Securities. Please go ahead.

Umang Mehta: Hi, sir. Thank you for the opportunity. My question was on wires. So outside of this quarterly volatility and stocking and destocking, it seems like the secondary growth is also weaker than what we were expecting. So, any sense on what is happening? Any color on secondary sales in wires?

Anil Rai Gupta: Generally speaking, it's in line with the industry growth. Wires growth is predicated on the overall residential growth which actually has been positive. So I think overall, the secondary growth has been positive in case of wires.

Umang Mehta: Understood. Sure. That was my only question. Thank you.

Moderator: Thank you. The next question is from the line of Tavishi Mehta from ICICI Prudential MF. Please go ahead.

Tavishi Mehta: Hello sir. Just one question on the similar line. So last quarter was stocking, and this quarter was destocking. So, can you please give us some understanding on the volume growth of wires of last quarter as well as this quarter?

Rajiv Goel: We can provide that. You can connect with the IR team because we do not have the last quarter right now, but we'll share it with you.

Tavishi Mehta: Sure sir. Thank you.

Moderator: The next question is from the line of Chaitanya from Paterson PMS. Please go ahead.

Chaitanya: Hello. Thank you for the opportunity. So, my question is on the broader line, especially on the -- your B2C side of the business where we are seeing some impact on the margin because of the product mix changes. So can we correlate this to the whole consumer industry where the rural demand is higher than the urban demand or if we can get just a hint of what the mix in terms of urban and rural in the B2C business?

Rajiv Goel: Look, rural is still not a large part of our business unlike FMCG. So, it will be difficult to say. But yes, rural demand has held well. But we will not attribute, you see what you call the weakening of margins to that. I think there have been multiple reasons for the same. And you see the way we are seeing the strengthening in the consumer demand, hopefully which will sustain, I think it will help us to have a better product mix and the margins as well.

But I don't think, at least in our case, I am sure for our industry, the rural or urban segregation plays such a significant role.

Chaitanya: All right. So, in general can we say that from the margin point of view, at least from the B2C point of view, we can see improvement from here on, at least from the early indication that you mentioned that positive demand is there?

Rajiv Goel: That's right.

Chaitanya: Okay. Correct. Thank you very much.

Moderator: Thank you. Ladies and gentlemen, in the interest of time, this will be our last question. It's from the line of Nirransh Jain from BNP Paribas. Please go ahead.

Nirransh Jain: Hi, sir. Thank you for the opportunity. Sir, first question on the ECD side. So just wanted to better understand like you mentioned that the contribution margin decline was because of the product mix shift towards the SDA. But isn't there a seasonality angle to it like with mostly the third quarter having a higher mix towards the SDA versus like fans. So, what exactly led to this product mix shift in this quarter? That is my first question?

Rajiv Goel: I think the growth in SDA was far higher. Because you are doing comparison with the last year basically. So, growth in SDA was far higher than the growth in the other categories. Yes, seasonality-wise, it is favoring the SDA, but the extent of that favor or the growth or the proportion is much higher than the portfolio of ECD in this quarter vis-a-vis the last quarter. That is the reason.

Nirransh Jain: Sure, sir. And sir, secondly, on the Switchgear side, again, I'm sorry, coming back to the same question. I can understand this quarter specific reasons with plant relocation and product mix shift, but we are seeing consistent margin decline for the last three quarters. I'm talking about the contribution margins Y-o-Y decline.

So do we see this product mix shift towards project business is just a transient in nature and there is nothing structural with the shift happening more towards project versus the modular switches because of rising competition?

Rajiv Goel: Well, there could be multiple levers. I think we are pointing out what particularly happened in a quarter, but you see those forces are in play. And that's why we believe the way we are looking at premiumizing and sort of improving the portfolio. It gives us the confidence. And I think to an earlier question we just mentioned that maybe the 28% segment margins was on the other side and same for 18%. We'll be somewhere between 23% and 24%. So, you will see the improvement, but obviously it may not be up to the 28%, which may be there for a couple of years back or 3 years back.

Nirransh Jain: Sure sir. Got it. That's from my side and all the best. Thank you.

Moderator: Thank you. Ladies and gentlemen, that was the last question for today's conference call. I now hand the conference over to the management for their closing comments.

Rajiv Goel: Thank you for attending this call and wish you everybody a very happy 2025.

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