IFB

**IFB Industries Limited**

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8th June, 2023

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

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

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

Dear Sir,

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

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

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

The audio recording of the conference call is also made available on the Company's website, at www.ifbindustries.com.

Yours faithfully

For IFB Industries Ltd.

RITESH AGARWAL

Digitally signed by RITESH AGARWAL
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Ritesh Agarwal
Company Secretary

Industries Limited

# "IFB Industries Limited
# Q4 FY'23 Earnings Conference Call"
# June 06, 2023

Industries Limited

NIRMAL BANG
a relationship beyond broking

CHORUS CALL

**MANAGEMENT:** **MR. PRABIR CHATTERJEE – DIRECTOR AND CHIEF FINANCIAL OFFICER – IFB INDUSTRIES LIMITED**
**MR. RAJSHANKAR RAY – MANAGING DIRECTOR AND CHIEF EXECUTIVE OFFICER, HOME APPLIANCES DIVISION – IFB INDUSTRIES LIMITED**
**MR. ARUP DAS – HEAD MARKETING, ENGINEERING DIVISION – IFB INDUSTRIES LIMITED**
**MR. ANAND REDDY – CHIEF EXECUTIVE OFFICER, MOTOR DIVISION – IFB INDUSTRIES LIMITED**

**MODERATOR:** **MR. PRASHEEL GANDHI – NIRMAL BANG INSTITUTIONAL EQUITIES**

**Moderator:** Ladies and gentlemen, good day, and welcome to the IFB Industries Limited Fourth Quarter FY'23 Earnings Conference Call hosted by Nirmal Bang Institutional Equities Private Limited. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing star then zero on your touchtone phone. Please note that this conference is being recorded.

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

**Prasheel Gandhi:** Thanks, Zico and good afternoon, everyone. Nirmal Bang Institutional Equities welcomes you all to 4Q FY'23 Earnings Conference Call for IFB Industries. On the onset of the call, I would like to thank the management of IFB Industries for giving us the opportunity to host the call. So on the management team here today, we have Mr. Prabir Chatterjee, Director and CFO; Mr. Rajshankar Ray, MD and CEO, Home Appliance; Mr. Arup Das, Head of Marketing and Engineering Division; and Mr. Anand Reddy, CEO of Motor Division.

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

**Prabir Chatterjee:** Good afternoon, everyone. I welcome you all for IFB Industries investors call for the Fourth Quarter FY'23. Joining with me today are Mr. Rajshankar Ray, MD and CEO of Home Appliances Division; Mr. Arup Das, Head of Marketing and Engineering Division; and Mr. Anand Reddy, CEO of Motor Division.

Growth during this quarter was 11.8%. YTD growth for the period ending March 31, 2023, was 22.9%. Growth during the quarter 4 was not as per expectations because of lower revenue in Appliances division in February and March. The company has reported a total income of INR 994 crores compared to INR 889 crores during the same quarter last year.

During the fourth quarter, EBITDA was INR 37 crores against a loss of INR 7 crores for the same quarter last year. As a result of lower commodity price, material cost reduced by 3%, which has resulted in higher gross margins. YTD revenue of the fourth quarter ending March '23 was INR4,126 crores compared to INR3,357 crores for the same period last year. YTD growth in revenue compared to last year was 22.9%.

EBITDA margin during the period was significantly higher at INR183 crores compared to INR68 crores for the same period last year. Major reason for higher growth in EBITDA was higher revenue and lower material costs and which was partially offset by the higher operating expense.

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

**Moderator:** Thank you very much. Our first question is from the line of Amish Thakkar from SG India.

**Amish Thakkar:** Sir, I just want to understand in terms of your guidance on the margins in the air conditioning division. If you can just speak about the various steps you have taken in terms of improving the bond. And if we can also break it down a level further in terms of where you see the maximum improvement coming from, which is the plastic components, sheet metal components. Is it the motor and the compressor and the electronics on top of that. Where do you see the major cost improvement areas have been. And I know your presentation mentions that by Q2 you expect to see the AC division to run profitable. But if you can just give us granular details of why it has taken so long?

**Rajshankar Ray:** Yes. Rajshankar here. So your question was on the steps for the AC profitability. Did I understand it correctly?

**Amish Thakkar:** Yes, sir.

**Rajshankar Ray:** Okay. So in terms of the profitability, it comes from two areas. One is the material cost, for which there was a complete program in place, which has been completed. And there's a second program, which has started. Now the reduction areas are primarily in the area of electronics, which would be, let's say, 60%, 65% of the total planned reduction and the remaining come from areas like compressors and basic efficiencies based on volumes. So the material cost area for profitability is the biggest lever. And the second is, of course, the volumes and our extraction from the network, etcetera, which we have. So these are the two areas based on which the profitability targets have been set for the business.

**Amish Thakkar:** Okay. Can you give us a breakup in terms of all the cost reductions you've done until now. I'm assuming that electronics is still a major driver going forward. So I'm assuming plastics and sheet metal components, you could have extracted most of the savings already there and there is not much there in terms of saving going forward?

**Rajshankar Ray:** Yes, that's right. As far as areas like plastics and sheet metal are concerned, those are not very large contributors per se. And there, the costs are optimized from very early stages. So assuming you have the press and sheet metal partway running, whatever efficiencies you would get would primarily come because of volumes. So the savings on account of alternate purchases, negotiated purchases, etcetera. The strength is coming out of electronics and electrics, followed by negotiations and compressors.

**Amish Thakkar:** And compressors I am assuming that will be completely imported?

**Rajshankar Ray:** Yes, completely imported. But in terms of where you get cost reductions, one is, of course, consolidated purchases. So let's say, what we have been doing over the last, let's say, a year or so is consolidating the purchases across washers and air conditioners together. So you would have a source, which would be supplying motors as well as compressors. And then when you're talking about the whole bundle, the cost efficiencies are that much better. So that is what we've been doing and that entire program has been completed. And now as inventories move out, that cost reduction will come in.

**Amish Thakkar:** And with regards to electronics, sir, I just want to understand what is the level of backward integration there in terms of overall electronics. Are you importing components and assembling it here? Or how far are you in terms your backward integration in terms of overall electronics?

**Rajshankar Ray:** So over the last 3-odd years, we have built up complete back-end depth in electronics. So the hardware, software complete design is done by us internally. In terms of the purchase process, we have a handle on all the inputs into the controller board in terms of component level pricing. And we have also localized the manufacturing of the controller into India. So it's been localized for washers about 2.5, 3 years back and for air conditioners for the last 1.5. So we are doing everything within India.

**Amish Thakkar:** These further cost savings that you're seeing on the electronics side, which will be 2/3 of your overall cost reduction going forward. This will be on account of better design or better volume discounts based on higher volumes? Or where are you seeing [inaudible 0:09:08]?

**Rajshankar Ray:** Actually -- yes. So the bulk of it is coming because we have consolidated the purchases and redone the sourcing strategy in terms of the manner in which we discussed or we have discussed the whole bundle as opposed to one part. And also because of ongoing design-led processes that are sort of routine, but the bulk of it is coming through basically the purchase efficiency.

**Amish Thakkar:** Okay. And the other question on your go-to-market strategy replacement. So you've been talking about institutional sales, and I think your report mentions you've hired 12 people. So currently, I'm assuming there are hardly any institutional sales coming. And I just want to understand what kind of institutions are you targeting? Is it modern retail shops? Is it ATMs? Is it offices? How are you going about building institutional business there?

**Rajshankar Ray:** So if you look at direct sales that we do, then this comes from 2, 3 types of segments. So CSD CPC channels are one segment. Then you have typically, the program of purchase that the central government has, which is called GEM, which are sort of tender-based purchases. And the third is institutions like, let's say, an IT industry, or a hotel or a restaurant. So when we talk institutional sales, we mean all 3. And by the end of the quarter 2, we will have about 25 people working on this. As on date, it's about 12. And this is a team that we've been building up for the last 5, 6 months, basically.

**Amish Thakkar:** And as of now, what is the contribution of institutional channel? And...

**Rajshankar Ray:** So it is presently running at the rate of about INR13 crores to INR14 crores a month. It was practically nil about a year back. So...

**Amish Thakkar:** And what is the projection [inaudible 0:11:05] as per fair market share if you were to take in this channel, what number can this be by Q2 or let's say end of next year?

**Rajshankar Ray:** So INR20 crores to INR25 crores is what you would say in the short term is possible.

**Amish Thakkar:** Okay. And the range that is going there will be compatible in the market in terms of pricing and in terms of quality of products and everything?

**Rajshankar Ray:** Sorry, can you just repeat that?

**Amish Thakkar:** The range of ACs that you will be placing in this channel will be very similar to your direct channels, right, in terms of...

**Rajshankar Ray:** Yes, yes, yes. There is no product difference, per se. It is the same product, but it's the fact that we need to be present. So if, let's say, a small corporate setup somewhere is buying ACs, then IFB needs to be represented. And we will win some, we will lose some, but that is business to be had there.

**Amish Thakkar:** Are you going to distributors, or are you directly building like especially when it comes to government tenders and all that stuff?

**Rajshankar Ray:** So -- yes. So as far as the direct sales channel is concerned, most of it is direct from IFB to that respective channel there.

**Moderator:** Thank you. Our next question is from the line of Aviran Jain from SG India. Please go ahead.

**Aviran Jain:** My question was based on the disclosures that you've given in the quarterly investor update. The -- still the numbers suggest that the AC business is still running at mid-7%, 7.5% EBITDA margin loss. What I wanted to understand was, given the material cost reduction program has been completed, with the current cost base for ACs, where do you see this margin heading because there'll be -- substantial gross margin improvement is what I am assuming will happen. So will it tend it towards the rest of the appliances business EBITDA margin?

**Rajshankar Ray:** Yes, it will. The gross margins, as far as the air conditioners are concerned, will improve with this material cost program. And once we get the volumes that this business should deliver, we will have similar margins. It will not be as high as, let's say, a front loader margin. But overall, on a business basis, it will be quite similar.

**Aviran Jain:** Sir, if I were to just say for the volumes that were delivered in Q4...

**Moderator:** Sorry to interrupt, Mr. Jain, maybe we request you to use the handset for optimum audio quality.

**Aviran Jain:** Okay, sir. Sir, my question was that if we were to use the same cost base as what has been achieved and apply it on the volumes that were delivered in Q4, will the AC business EBITDA margin would look -- would fall into positive territory? Or it is still dependent on the volume?

**Rajshankar Ray:** No, it would fall into positive territory.

**Aviran Jain:** So that's a very big swing, sir. Basically, what I'm trying to infer is that there was old inventories, which led to high cost of production per unit, but with the old inventory of components or finished goods left out, then the business is tracking towards a profitable margin territory at EBITDA level.

**Rajshankar Ray:** Yes. So actually, if you see over the last 2 years on the margin side, on an overall business basis, the AC business has led the P&L a lot. So the cost reduction program with the inventory that will be fully with the new bill of material, let's say from Q2 onwards, will make the business basically profitable. And that helps the overall P&L as well.

**Aviran Jain:** As far Q1 has gone, I think some bit of volume or entire volume will be able to do...

**Rajshankar Ray:** Yes. Some effect will also come in Q1, but the larger impact will come from Q2 onwards.

**Aviran Jain:** Because, sir, in Q2, then there will be seasonality, which would kick in, the volumes will fall. And I would assume you still have [inaudible 0:15:58] variable costs in the business, but you will still have sales promotion people and marketing expenses.

**Rajshankar Ray:** Yes, yes. Yes, you're right. I was answering you more from the point of view of the material cost profile basically in terms of the percent.

**Aviran Jain:** So would it be fair to say that on a steady-state basis, you would be targeting, say -- again, I'm not trying to get the right number, but at least a 5% to 7% plus EBITDA margins on the whole appliances business, including ACs?

**Rajshankar Ray:** Yes. Normally, we don't give an estimate in that sense. It would be almost a forward guidance, but in these calls itself Mr. Chatterjee and I have spoken about our internal targets more than the figures we gave. So that is something that we need to deliver as well. And we -- profitability in the AC business is definitely one of the biggest levers. I hope that answers your question.

**Aviran Jain:** Yes, sir, it does. Obviously, there has always been -- it always has been a few quarters away phenomenon. That's why I was asking. Otherwise [inaudible 0:17:17]

**Rajshankar Ray:** Yes, That's a fair thing to say from your side.

**Aviran Jain:** Okay. And there is no other market share. So -- but you are able to get AC volumes, which is a very impressive number, I must say, on the AC revenue side. What's the breakup between third-party OEM business versus IFB branded sales? I mean, are they both tracking to your expectations in terms of volume?

**Rajshankar Ray:** Yes. Both are more or less in line with expectations. We would, of course, want the IFB brand volumes to be much more than where they are today. And that has a lot to do with our channel extraction. So if you look till the last season, the larger accounts were still sort of -- a lot of haggling was going on in terms of basically placement of the IFB AC. So this year, even though it has been for a shorter period, but the IFB ACs are now entering into all accounts barring maybe 4, 5 of the larger accounts. So going forward, we see the placement improving and with the placement the volumes improving. So the OEM volumes are more or less where we thought they would be, but the brand volumes, definitely, we need to do much better.

**Aviran Jain:** Okay. Sure. That's it. And one more question on the -- and this is on the motor division. So is there -- has there been any delay on the motor side in terms of your [inaudible 0:19:01] because there is some commentary again on the investor report that says that most of the sales of the Motor division right now are internal sales?

**R. Anand:** Yes. This is Anand here. As you rightly said, to start with, the sales will be from -- will be coming more from the internal captive consumption. But going forward, we aim to have at least 50% of our sales from external sources. There are challenges in getting customers from external sources because most of the appliances have their own captive motor units either in Asia or in Europe, but we are trying to find more customers outside of our captive requirements.

**Aviran Jain:** Okay. So how much are the sales right now? The reported sales in the investor report are all internal sales then or these are? [inaudible 0:20:02] Sorry, I'm not very clear from the report per se.

**R. Anand:** The motor sales you are talking about?

**Aviran Jain:** Yes.

**R. Anand:** The motor sales you are talking about? Yes. Yes, the motor sales, we have two divisions. One is appliances motor division, the other one is the automotive motor division. As because appliances motor division is the captive consumption, the sales is not reported separately and it is netted off from the core of the financial. But as far as the automotive motor division is concerned, we are selling to all other Tier 1 customers and what is reported here is only external sales.

**Aviran Jain:** Okay. And as you mentioned that you are trying to find customers and most of the customers you have an in-house appliance as a motor manufacturing unit. Does that push your plans again by a [inaudible 0:20:59] because BLDC still is an evolving technology. So I'm again, again, I'm just conjecturing that some of the large OEM, which some of them have been mentioned in the investor report as well, they're not be focusing as much on the BLDC manufacturing.

**R. Anand:** See, most of them have already have their own motor factories either in China or in Slovenia or in Korea. So they are all aggressively pushing the BLDC technology, which we are also doing.

**Aviran Jain:** So they don't have BLDC motor manufacturing in India, but they are importing it from...

**R. Anand:** Yes. None of the appliances manufacturers have their own motor industry in India. They are all importing either from China, Korea or Slovenia.

**Aviran Jain:** And a related question would be, sir, what would be the penetration of BLDC motors in the overall appliances side? Obviously, you have ACs, you have refrigerators and you have other appliances where motors would be used. But is the BLDC penetration a lot, which makes it a very large addressable market? And do they get any advantage sourcing it from IFB versus importing it from their factories in China or Slovenia?

**R. Anand:** Okay. First thing is above the advantages of the BLDC technology, it is, say, like noise is very less in the first instance. Second one is life is like 3x to 4x of the existing technology, and it is very reliable and durable.

Second point of people sourcing it in India versus their own company imports like, they have advantage of getting just-in time deliveries. And any supply chain disruptions that can happen in import are all taken care of, if they source it locally.

**Aviran Jain:** And sir, one was -- the first question was actually the penetration of BLDC motors versus traditional motors in these appliances.

**R. Anand:** People are aggressively moving towards energy efficient solutions, and that energy-efficient solution today is offered only by BLDC technology to start with. So within the next two years to three years, I think most of these appliances will be using BLDC motors or rather BLDC drives.

**Aviran Jain:** Sure. That's it from my side sir. Thank you so much.

**R. Anand:** Thank you.

**Moderator:** Thank you. Our next question is from the line of Amish Thakkar from SG India. Please go ahead.

**Amish Thakkar:** Yes, your presentation, this time, you mentioned on both microwaves and front loaders about that microwaves entering 28-liter segment where you were not previously present. And similarly on front loader, you have mentioned 9 kgs to 10 kgs, where I don't know if you were previously present or not. So just want to get your perspective on both these categories or among the top three players for the last so many years. Are there still like, what is the reason for entering certain segments like 28-liters in microwave and 9 kgs in front loader at this stage? And are there still more subcategories, in terms of weight or volume sub-categories where we are still not present? And what are your thoughts in terms of entering those capacities going forward?

**Rajshankar Ray:** Okay. So as far as the microwave segment is concerned, the two main competitors we have in the market, which is the two Korean companies, have dominated this segment called 28 liters where we did not have a product. And this contributes to roughly between 15% to 20% of the market segment. And this was almost fully monopolized by them. So we've been looking at a product configuration for this segment for quite some time. And that has now been plugged. So from, let's say, this month onwards, those products are rolling out. So we believe that those volumes will be -- with the plus and minus. So additional modules on the segment plus maybe some cannibalization with existing models, but overall, it will be a plus for us.

So with this, by and large, our -- in terms of segments in the market, we would be represented across all segments as far as the microwave thing is concerned. There is an upper end of the segment where we've launched a product called an advanced cooking device, which combines four, five functions into one. And the response to that has been good. So we are looking at further increasing products in that high-end range. So that will be more about creating a segment, specifically whatever volumes there are they largely IFB volumes. This is as far as the microwaves are concerned.

As far as the frontload segment is concerned, the 9 kg and 10 kg segment was where we did not have a product actually. And we've introduced it over the last three-odd months, and these have been ramped up. And we expect just from this introduction alone, our volume increased to the extent of 15% to 20%. That is a growing segment. And it was a gap we had. Now that gap has been bridged.

**Amish Thakkar:** So are there any other gaps remaining at least in terms of microwaves and front loaders where you have been market leaders for the last few years?

**Rajshankar Ray:** No. So now for this financial year, it is about basically, now with these all segments in place, now it is about getting the volume.

**Amish Thakkar:** Okay. And sir, last question on your refrigeration plans. Do you see any application of BLDC motors there? Or will that still be industrial motor-driven?

**Rajshankar Ray:** So let's say, the equivalent of BLDC motors is compressors. So fixed-speed compressors and inverter compressors. And as far as the refrigerator industry is concerned today, it is a mix of inverter compressors and fixed-speed compressors. It is more about price points and placements with respect to mid-end, high-end models, etcetera. So that is how the industry is playing it. In IFB Refrigeration Limited will also have a similar sort of a mix of fixed-speed and inverter compressor products. So in washers, for example, it is about motor. In ACs, it is compressors and motors. In the refrigerators, it is largely the compressor.

**Amish Thakkar:** Okay. And what are the time lines and any guidance in terms of what are you targeting in terms of -- both in terms of your product placement, price positioning channels and overall markets that you want to capture there?

**Rajshankar Ray:** You're talking about washers?

**Amish Thakkar:** Refrigerators, s

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

**Prabir Chatterjee:** Yes. Refrigerators we have acquired 44.4% share. It's a different company. They have started just producing.

**Amish Thakkar:** Okay. But in terms of time lines, when do you expect the first launch to be?

**Rajshankar Ray:** So their production started last week of May, basically.

**Amish Thakkar:** Okay. So in the next couple of quarters, I'm assuming?

**Rajshankar Ray:** Yes.

**Amish Thakkar:** And in terms of positioning, it will be a similar premium positioning similar to what we've seen in the ACs, or you will be playing across prices?

**Rajshankar Ray:** So their positioning will be in the basket of the three main competitors, which is the LG, Samsung and Whirlpool. So they will be in that basket.

**Amish Thakkar:** Okay. Thank you so much.

**Moderator:** Thank you. Our next question is from the line of Ravish Mehta from Plutus Wealth Management LLP. Please go ahead.

**Ravish Mehta:** Wanted to understand that in terms of the margin improvement, if you are expecting going forward in case you were to bucket it in two or three aspects in terms of lower input cost, operational efficiencies with your volumes improvement and the cost reduction program that you have taken, in which bucket do you expect would be the margin improvement bulk of it would be coming from?

**Rajshankar Ray:** If I've understood you correctly, you're talking about where will the various contributions come from, right?

**Ravish Mehta:** In terms of the improvement from here on, whether it will be volume-driven or lower input costs or the other efficiencies that you are putting in place?

**Rajshankar Ray:** So I would say that going forward, maybe 60% will be material cost-driven. 30%, 35% -- 30% would be volume-driven and 5%, 10% are the other cost areas.

**Ravish Mehta:** Okay. And so in terms of say the AC segment that you talked about specifically, how do you see the demand ramping-up versus Q1. Whether it is about [inaudible 0:31:32] what utilization levels are we expecting it to reach the breakeven level?

**Rajshankar Ray:** I'm struggling to hear you a little bit, but if you look at overall the AC industry volume, then in the March and April month, it was sort of subdued because of the unseasonal rains across India. However, I don't think that changes the essential demand pattern. So we would probably see a good uptake in June because now the rains, etcetera, have sort of receded. As far as IFB is concerned, we have made a plan for this year, which is a combination of brand sales and OEM sales. And we would expect to be at roughly about 75%, 80% capacity utilization basically from Q3 onwards.

**Ravish Mehta:** So how confident are we on this volume utilization? Like previously, there were certain headwinds, we understand, but going forward now things have stabilized, inputs have largely, in terms of cost, have largely stabilized. How much is confident we are going in this next fiscal year about the volumes and the margin in the AC segment?

**Rajshankar Ray:** Yes. So our volume confidence on the brand sales is much higher than before, primarily because our spread in the market has improved over the last three, four months. The OEM volumes are still difficult to predict because they sort of go up and down based on stocking at the OEM end, but our confidence on the IFB brand volume is much higher than before. As far as the material cost profile, etcetera, is concerned, that program is complete. So it is just about the figures accruing on the P&L now. So in terms of the profitability and the stability of the business, we are at a much better place as compared to the previous two years. Does that answer your question?

**Ravish Mehta:** Yes, sir, and just expanding a bit, the improvement in the AC segment, would they be only reason to improve the overall performance, or there are improvement areas in the home appliances segment as well in terms of both volumes and the profitability that we are targeting?

**Rajshankar Ray:** Yes. So there are improvement areas in the other parts of the business as well. It is a good point of that you have. So the material cost reduction program that we were running on the AC was also accompanied by a material cost reduction program on the washer segment. And that has also completed. And as far as our network extraction, there is scope for improvement in both front loaders and top loaders. So while there is work to do in ACs, there is also an equal amount of work to do in products like washers, cooking products, which also is being done. So improvement will come from all segments, not just the ACs.

**Ravish Mehta:** But in terms of timelines, so in the past there were a few mentions of timelines and going forward apart from ACs, the other areas that you mentioned, are we on track to achieve those timelines?

**Rajshankar Ray:** I couldn't hear you, please.

**Ravish Mehta:** In terms of various time lines that you have mentioned of launching new products or achieving the efficiencies of all those time lines, which have been mentioned a couple of quarters and here also. In terms of our progress at ground level, how are we...

**Rajshankar Ray:** So if you look at the washing machine range, the washing machine range in terms of product segments, etcetera, is now complete. I just shared a little while earlier that the 9 kgs and 10 kgs front loaders was a gap. We plugged the gap. In top loaders, there is a high-end segment of 10 kgs, 11 kgs and 12 kgs. So we have introduced models in that segment as well over the last three, four months. So that is complete. So as far as the washer segment is concerned, in terms of the product range required for the market, we are complete. Ongoing developments for products are a routine thing. They will continue to happen.

On the cooking side, in microwaves, we just discussed a few minutes ago, there was a gap in the segment that has been plugged. On the other cooking products like hobs, chimneys, ovens, etcetera, the range is complete. And on the cooling side, it is about us getting more volume out of the AC segment. So these are the broad areas. There aren't any major product gaps as on date.

**Ravish Mehta:** Okay. Sir, last point on the IFB Points improvement, the renovations etcetera, that's going on. In terms of the capex or the O&M spend, would it be material to understand from the P&L or the capex perspective?

**Rajshankar Ray:** I'm sorry, I'm not able to hear you. Could you just repeat, please?

**Moderator:** Mr. Mehta, we request you to use your handset, please?

**Ravish Mehta:** So in case of the IFB Points of improvement that you have been taking on since last year, is it a material aspect from the P&L or the capex point of view? And how much volume improvement we expect from that improvement, which is -- which will be concluded by FY '24 and/or FY '25?

**Rajshankar Ray:** You're talking about IFB Points, right?

**Ravish Mehta:** Yes.

**Rajshankar Ray:** Yes. So in IFB points, what we have been redoing the ambience and the design of the IFB Points. So we've completed 80 out of 500-odd, and that is an ongoing month-on-month activity. And over the next 12 months to 15 months, we expect to change over all the IFB Points to this new design. The feedback on the changes we have made has been in terms of the conversion ratios inside the store increasing because the design is better, the products are better placed. So whatever footfall we've been getting, the conversion ratios have increased.

In terms of overall contribution of the IFB Points to the company's sales, we would expect it to remain around the 14% to 16% mark because overall sales from other channels will also improve. IFB Points will also improve, so it will remain in the 14% to 16% of sales broad range basically.

**Ravish Mehta:** Okay. And sir, your spending towards the improvement in the IFB Points stores.

**Rajshankar Ray:** These are normal revenue expenses. These are not treated as capex. So if you were to redo an IFB point, there is some amount that the franchisee would invest, some amount that the company would invest and this is all revenue expenses of an ongoing nature. This is not capex.

**Moderator:** Sir, the line from Mr. Ravish Mehta has dropped. May I request that we move to the next participant. Thank you. Our next question is from the line of Aviran Jain from SG India. Please go ahead.

**Aviran Jain:** Yes, sir, this was on the refrigeration business -- refrigerators business rather. So is there a separate commercial team, which would be deployed to take care of sales and marketing there? So it would not have any overlap with IFB Industries on the AC or on the regular appliances business, sir?

**Rajshankar Ray:** So the full details on that are being worked out, and they will be completed within this quarter. But the essential sales and service parts, the thinking is that, it will be a common force. There will, of course, be dedicated people for product management and network specialists, etcetera. The broad details, are being worked out. I think, by end of this quarter, it will be done, so we'll be able to give you a full picture in the next conference, we have.

**Aviran Jain:** Sure. So broadly, again, just trying to understand, would there be any transfer pricing involved that, IFB Refrigeration will sell its unit to IFB Industries, which, in turn, will market it? Or there would be some sort of commission, which would be paid to IFB Industries for selling and distribution of IFB refrigerators?

**Rajshankar Ray:** Would you like to answer that…?

**Prabir Chatterjee:** Yes, not decided yet.

**Aviran Jain:** Okay. [inaudible 0:41:48] in terms of, it's a 100% overlap in my view on IFB Industries what it does on the home appliance side versus what IFB Refrigeration would want to do for their refrigerators?

**Prabir Chatterjee:** That is what I said. Actually, it's a different company that, the commercial process is being evaluated at their end. So like Mr. Ray said, we would come to know about it more, maybe by end of this quarter.

**Aviran Jain:** Sure. Okay.

**Moderator:** Thank you. Our next question is from the line of Manoj Gori from Equirus Securities. Please go ahead.

**Manoj Gori:** Yes. Thanks for the opportunity. Sir, my question would be on the margin side. So, if you look at over the years, we have been talking about, taking a number of initiatives with regards to margin improvement. However, when we look at the performance barring a couple of quarters here or there, we have been relatively, if you look at the margin performance has been very weak.

And in fact, over the last few quarters, the uncertainty is so high. And in home appliances, we have been reporting losses. So can you throw some light, like what structurally in fact can change for us? Because whatever you highlighted probably, we have taken those efforts for washing machines, as well. So whether we talk about electronics that we used to do, we were dependent on imports, and then, we started building our own capabilities. Still, if you look at, we have not been able to make any significant inroads towards higher margins. So can you throw some light over there?

**Rajshankar Ray:** Yes. So Manoj, that's a very good point because at the end of the day, if the actions are not resulting in an overall margin profile that, we want, then those individual initiatives are not adding up. So your observation is absolutely correct. If we specifically look at the last two years, '21- '22 and '22- '23, the problem that, we've had is a significant increase in material costs from January '21 onwards and the inability to pass it into the market because that was how the market was. And added to that was, this problem that we had about the AC business actually losing money. So if you look at, what has to be delivered, other than this aspect of higher revenues and volumes, even material costs back in line with, let's say, quarter 3 of '20- '21 and having this AC business not lose money.

So one of the main reasons, why we have not been able to deliver the profitability over the last two years that, we should deliver is sitting on these two ends. Now over and above that is the revenue related, which is the additional bonus. So going forward, with the material cost program complete, the AC business is generating money and realization of better sales, these are the three main levers basically for us to deliver the profitability that, we should be delivering.

**Manoj Gori:** Right...

**Rajshankar Ray:** Does that answer your point, Manoj?

**Manoj Gori:** Yes, to some extent. My question here was on the following this. So if you look at, we obviously invested behind room AC capacities. And when we look at this category, the seasonality aspect is very high. So if there are -- like, obviously, even you would have taken those things into your consideration by evaluating the new factory setup. But when we look at probably even today, after doing volumes, probably this is the second year of operation, and we still are making losses here. So don't you think like, probably the outsourcing model would have been far better, which would have definitely, if you look at the fixed overheads were definitely not a concern for you and probably, it would have been more of a variable in nature and that would have been feasible for you?

**Rajshankar Ray:** Yes. So that's a fair point. But how I would look at it is that, the air conditioners that, we are manufacturing and presenting as the IFB brand air conditioners, if you seek feedback on the performance, it is better than almost everyone. So, at the end of the day, we've got an excellent product out there. Now the problem that, we had as far as the business is concerned on breaking through in the market, finding placement and getting volumes quickly, that problem would not have been solved even if we had outsourced because that is a sales-related issue.

But wherever we got placement and got share encounters has been because the product has been so good. And this product, to have outsourced, would not have been possible. So let's say, two quarters from now or a year from now, with the business having done well, then we would have got the project where it was supposed to be. But an air conditioner in line, with the IFB brand in terms of quality, durability, premiums, etcetera, that we would not have been able to outsource.

**Manoj Gori:** Okay. So this understanding -- like probably, is this understanding correct that if we -- normally, when we outsource, probably the desired features or probably quality, so there would be some compromise and that's the reason that we wanted to develop a...?

**Rajshankar Ray:** Yes, I wouldn't basically use the word compromise, but you can outsource anything. But if we were to basically outsource the specifications, the performance that, we have presently, we would have run through the same set of problems because today, the outsourcing industry in India is based on a standard platform being bought by everyone, whereas, what we've created is a completely different performance platform. So if somebody had to develop that platform in the middle of the pandemic and all the associated issues, probably they would have gone through the same cycle.

**Prabir Chatterjee:** Can I add something?

**Rajshankar Ray:** Yes, please.

**Prabir Chatterjee:** In addition to that, you will always have the number limitations, how many models you can have. Then if you are importing, the fluctuation of exchange will always affect you. Third, in such cases, availability of spares over a longer period of time is always an issue. These are the additional issues that, we always face, whenever we import products for trading.

**Manoj Gori:** Right. So sir, currently, if you look at the branded IFB AC sales, what portion would be coming from South and probably from non-South markets?

**Rajshankar Ray:** So currently, the South is a total of maybe about 20%, 25%. Non-South is about 75%. That is a ratio, which we need to fix because our sales from the South has to be much higher than, where it is today.

**Manoj Gori:** Okay. And sir, last question, if I may. If we look at the AC placements in the channel. So -- like how the channel mix would be currently? And whether, we are into some of the national chains like Vijay Sales, Croma, or Reliance Digital, so how, are we approaching things over there?

**Rajshankar Ray:** Sorry, could you just repeat that, please?

**Manoj Gori:** I just wanted to understand the channel mix for room ACs and also, how we are looking to get into deeper into modern format retail. So, probably with national chains like Vijay Sales, Croma or Reliance Digital?

**Rajshankar Ray:** So Manoj, this time,, we consciously decided to stay away from the three channels that you spoke about simply because we do think, it was worth the volume versus the cost of sale. So we have focused ourselves on other larger accounts and a lot on the distribution networks across India. So, I don't think in the near future, we would need these three chains for the volumes that we need to target. And we'd go there, if the cost of sales was looking right. As on date, it doesn't look right.

**Manoj Gori:** Got it, sir. Thank you and wish you all the best, sir.

**Rajshankar Ray:** Thank you.

**Moderator:** Thank you. Our next question is from the line of Amish Thakkar from SG India. Please go ahead.

**Amish Thakkar:** Sir, I just want to double-click on that comment, you made about modern retail. Even in our microwave, front-load, top-load segments, we are not selling anything through Croma or Reliance Digital. Is that...?

**Rajshankar Ray:** No, we are. We are quite well placed actually. It's just that, there is something peculiar about this AC segment, in terms of the manner, in which people structure their schemes around some of the accounts. And it was our call that, for this category, we would essentially stay away, looking at the cost profile basically. But for the other categories, we are quite well placed, and it is an ongoing agenda to improve our share in these accounts.

**Amish Thakkar:** Okay. Can you just give a breakup of your overall channels in IFB Points about 14% to 16%. Now, excluding ACs, what will be the split of the modern retail, e-commerce and other distribution channels that you have...?

**Prabir Chatterjee:** E-commerce for the year was around 14%. Key dealers was around 34%, distributors around 21%, trades 13%, IFB Points around 12%. Rest others.

**Amish Thakkar:** Okay. Just a request you, if you can start putting these numbers in your investor presentations again. You used to have these numbers earlier, but I think, you discontinued at some point. So it will be very useful, if you can have these included?

**Prabir Chatterjee:** For the numbers -- I would request you to call me separately, I will give you the numbers.

**Amish Thakkar:** Okay. And sir, on IFB Points again, any plans of expansion adding more IFB Points this year?

**Rajshankar Ray:** So, the additions are on an ongoing basis, but what we had said last year, as well, and that is for this year as well that, redoing these IFB Points, improving ambience, conversion ratios and franchisee profitability, those are bigger agendas than the expansion.

**Amish Thakkar:** Okay. And all of these IFB stores are franchisee-driven or [inaudible 0:52:57] your going to take up?

**Rajshankar Ray:** No, about 187 -odd are operated by the company and the remaining are franchisees.

**Amish Thakkar:** Okay. And any guidance on your kitchen -- modular kitchen business. It's only seven stores that we speak and your presentation mentions. Are you planning to increase the footprint of your modular kitchen business. So any guidance there in terms of how many stores, you are looking to add here?

**Rajshankar Ray:** So, we put it into the investor report because this is a segment that, we have not been doing well in, in terms of scaling the segment. So therefore, we put the commitment into the investor report specifically. The current focus is that, we are opening one store in Mumbai. And we are enhancing store presence in Bangalore, and there is a specific business target, we've taken. And then for Goa also, we are taking a target. So let's say, over the next three months to four months, once we've got to these levels, then we've identified a list of stores, where we can expand this business too. That is about 100 across the country, but our first target is to deliver the numbers that, we've put into the investor report this time.

**Amish Thakkar:** Of course. And sir, in your kitchen appliances division, you have products like chimneys and hobs, which I'm assuming, you're selling only through that channel and is there any plan you take it, outside the IFB Points and your modular kitchen business and launch some of those products, who depend on -- I'm assuming a channel will be very different from the channel you have for washers and ACs. But is there any thought about entering new categories like kitchen appliances? Or...

**Rajshankar Ray:** So, we are not entering any further categories. Right now, chimneys, hobs and built-in ovens and the focus is around this. We've taken a target of taking more business from the typical IFB Points stores that, we have. And in terms of expansion into multi-brand format, we've taken a target of 1,000 stores over and above the IFB Points we have to be completed within Q1 and Q2.

And the overall internal target for this business is to reach a level of basically INR5 crores a month, followed by INR10 crores a month, and this will come through the expansion in the channel.

**Amish Thakkar:** And these multi-brand format stores will be different from the ones you have [inaudible 0:55:34] machines, will be kitchen appliance focused, multi-brand stores?

**Rajshankar Ray:** Yes, That's right. They are more in a kitchen appliance focused, multi-brand stores.

**Amish Thakkar:** Okay. Thank you so much.

**Moderator:** Thank you. Our next question is from the line of Sai Kiran, who is an Individual investor. Please go ahead.

**Sai Kiran:** Hi. Thanks for taking my question. Just trying to understand, in terms of the cash flow, I guess, for a long time, you guys turned EBITDA positive? And then, what are your thoughts going ahead for the next two years to three years, how do you look at those in terms of cash utilization?

**Prabir Chatterjee:** Cash utilization -as of now we are using it for meeting our capex needs & additional working capital requirements. We are also looking for acquisition & M&A opportunities.

**Sai Kiran:** But do you foresee any major capex in the next two year to three years, sir?

**Prabir Chatterjee:** No. As of now, We have only routine capex which is around INR16 crores, also INR17 crores of balance capex that is required to finish BLDC motor project . The other capex are being evaluated & not finalised yet.

**Sai Kiran:** Got it, sir. Sir, I have a board level question. If I look at for the past 10 years of the IFB's journey, there were many products, which have been added and the new segments, what you intend to enter are also more or less done. Do you think, still there are any new segments, which you could consider probably in the next three years to five years as a company, I suppose?

**Rajshankar Ray:** So I'll answer that. The evaluation of new segments is a continuous exercise. But if you look at our priority for this fiscal year and the next fiscal year, it is to get the revenue profile and the margin profile that, we need to deliver, which, quite honestly, we have not done over the last quite a few years. So if you're looking at this fiscal year and the next fiscal year, I do not think that, we will enter any new category as such. There may be new models, new segments, etcetera, within a product category. But our aim now is to, get the revenue profile and the margin profile in place. I hope that answers your question.

**Sai Kiran:** Sir, that answers the question. Sir, but I understand the near term that, broadly as a company if you look at as a whole, do you see any kind of adjacencies in terms of product categories from what you have already apart from the refrigeration?

**Rajshankar Ray:** Yes. So there are lots of adjacencies that, we could look at. So for example, if you look at the air conditioner category, currently, we are only in home ACs, split ACs. Now there are adjacent categories of semi-commercial ACs. There are these tower residential ACs, which are very popular, for example, in China. Now those are adjacencies in terms of seeing manufacturing processes, but a little bit of design and development effort. So if you look at the three-year, five-year horizon, yes, we will definitely extend into these, once we've fixed the profitability of the present business.

Similarly, if you look at a clothes dryer, today IFB has, what is called as a Tumble dryer, Hot air dryer and there is another adjacency, which is a Condenser dryer, which is in almost like a mirror image of a washing machine. So in the three year to five year horizon, IFB will also extend into that. So there are, of course, lots of adjacencies, but like I said, right now, we are very focused on delivering with, what we have, what we should be delivering in terms of revenue and margin. Once this is done, that will lay the platform for many other things. I hope, I have been able to explain this to you.

**Sai Kiran:** Yes, sir, you are able to. So just one question, sir. One of the earlier participants, when he asked, you were explaining about some sort of inefficiencies or whatever you could call on the sales side because the product you guys have got the best. Maybe in hindsight, if you have to look back and then think about, how do you see, what has gone right or wrong on your sales engine? And how do you intend to fix probably in the next one year or two years because that has been the focus for you, especially on the AC side? Thank you. That's it from my side.

**Rajshankar Ray:** Yes. So that's a good question, you've asked. And that is the priority area to be fixed by us, which is the sales engine. Now if you ask me what has gone right, then I think, what has gone right is that, in terms of the network we've created over the last two years, 2.5 years or so, there has been a significant spread, in terms of the IFB presence. India is a very large distribution market. For many years, IFB sort of stayed away from distribution. A very large distribution base has now been laid over the last two years. So that is, what has gone right.

What has gone wrong is the fact that, for the expansion that we've done in the network, we have not been able to realize revenue in line with what we should be realizing. And in terms of getting the team together, getting the productivity fixed and just ensuring that, at the end of the day, the result in terms of sales is delivered, that is a large area to be fixed. So it is not a one year, two year agenda, it is an agenda on, which we are already late, quite frankly by. So, if you were to ask me plus and minus, this would be my answer.

**Sai Kiran:** In terms of corrective actions, sir, what is that, you're trying to do to fix this, if you can explain that, sir?

**Rajshankar Ray:** So, what we are doing is, on two levels. One is, we are spending a lot of time having senior people move in the market, look at the nitty-gritties and fix areas related to the sales process. This is one thing that, we are doing. The second is that at the end of the day, the sales is about people. So structural changes were required. The company is very actively doing that now for the last, let's say, two quarters or so.

**Sai Kiran:** Got it. Thanks for, sir. That's really helpful. I would appreciate it. Thank you.

**Moderator:** Thank you. Our next question is from the line of Ankit Shah, who is an Individual investor. Please go ahead.

**Ankit Shah:** Yes. Hi, so my question is on refrigerators in company, right? So first thing, is there any plan to sort of consolidate this in the future? Secondly, what percentage of your BOM will be imported? And third is in terms of -- since this will be a --I'm just trying to understand, how transfer pricing will work, like will they sell to us and we'll sell to consumers, or they'll use our sales infra -- so how is that going to work?

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

**Prabir Chatterjee:** Yes. As I have already explained, the IFBRL is evaluating the commercial part .

**Ankit Shah:** Okay. So maybe the platform price is also not clear yet, in terms of, how is this going to work?

**Prabir Chatterjee:** Sorry, I couldn't hear you clearly.

**Ankit Shah:** No, I am saying, will they sell to us and we will sell to our – like, will they sell directly and they'll pay us a charge for using our sales infra and all of that.

**Prabir Chatterjee:** They are in the process of finalising the details.

**Ankit Shah:** Ok. Got it. Thanks.

**Moderator:** Thank you. That brings us to the end of the question-and-answer session. I would now like to hand the conference over to the management for closing comments.

**Prabir Chatterjee:** Thank you all for joining.

**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.