November 08, 2023

The Manager, Listing Department, BSE Limited, Phiroze Jeejeebhoy Towers, Dalal Street, Mumbai- 400 001	The Manager, Listing Department, National Stock Exchange of India Limited Exchange Plaza, 5th Floor, Plot No. C/1, G Block, Bandra-Kurla Complex, Bandra-East, Mumbai- 400 051
Scrip Code: 532953	Symbol: VGUARD

Dear Sir/Madam,

Sub: Transcript of earnings call pertaining to the Financial Results for the quarter and half year ended September 30, 2023.

This is with reference to the intimation dated October 23, 2023, filed with the stock exchanges in terms of regulation 30 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, regarding the earnings call to discuss the financial results for the quarter and half year ended September 30, 2023, scheduled on November 01, 2023. The audio recording was filed with the stock exchange. We are enclosing the transcript of the Earnings call. The same is also being uploaded on the website of the Company at https://www.vguard.in/uploads/investor_relations/V-Guard-Industries-Q2-Transcript.pdf

We request you to kindly take the above information on record.

Thanking You,

Yours Sincerely,

For V-Guard Industries Limited

VIKAS KUMAR TAK

Digitally signed by VIKAS KUMAR TAK
Date: 2023.11.08 17:20:56 +05'30'

V-GUARD INDUSTRIES LTD. VENNALA KOCHI-682028 DOOR NO. 42/962, VENNALA HIGH SCHOOL ROAD

Vikas Kumar Tak
Company Secretary & Compliance Officer
Membership No. FCS 6618

Encl: As above

"V-Guard Industries Limited
Q2 FY2024 Earnings Conference Call"

November 01, 2023

ANALYST: **MR. ANIRUDDHA JOSHI – ICICI SECURITIES**

MANAGEMENT: **MR. MITHUN K CHITTILAPPILLY – MANAGING DIRECTOR - V-GUARD INDUSTRIES LIMITED**

MR. RAMACHANDRAN V – DIRECTOR & CHIEF OPERATING OFFICER – V-GUARD INDUSTRIES LIMITED

MR. SUDARSHAN KASTURI – SENIOR VP & CHIEF FINANCIAL OFFICER – V-GUARD INDUSTRIES LIMITED

Moderator: Ladies and gentlemen, good day and welcome to V-Guard Industries Limited ("V-Guard") Q2 FY2024 earnings conference call hosted by ICICI Securities. As a reminder, all participant lines will be in the listen only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing "*" then "0" on your touchtone phone. Please note that the conference is being recorded. I now hand the conference over to Mr. Aniruddha Joshi, thank you and over to you.

Aniruddha Joshi: Thanks Akshay. On behalf of ICICI Securities we welcome you all to Q2 FY2024 results conference call of V-Guard. We have with us senior management represented Mr. Mithun K Chittilappilly, Managing Director; Mr. Ramachandran V, Director and Chief Operating Officer; and Mr. Sudarshan Kasturi, Senior VP and Chief Financial Officer. Now, I hand over the call to the management for the initial comments on the quarterly performance and then we will open the floor for question-and-answer session. Thank you and over to you Sir!

Mithun K Chittilappilly: Thank you, Aniruddha and ICICI Securities for hosting this call. A very warm welcome to everyone present on today's call. Thank you for joining us today to discuss the operating and financial performance of our Company for the second quarter and first half of financial year 2023-24. I trust all of you have had a chance to refer to our investor presentation which was shared yesterday.

The second quarter witnessed subdued consumer demand especially in the discretionary categories like consumer durables thereby impacting topline growth. We have reported a consolidated Net revenues of Rs. 1,134 crore in Q2, it is higher by almost 15% on a YoY basis. Excluding the revenues from Sunflame, like-for-like comparison, revenue growth is 8.7% YoY.

In Q2, the South market grew by 6.7% YoY while the Non-South markets grew by 11.3% YoY. As Non-South markets continue to grow in double digits, their contribution to revenues has increased to 43.8%, indicating the enhanced scale for V-Guard across all regions of the country.

In our Electronics segment, comprising of Stabilizers and Inverters, we reported revenue growth of 12.1% YoY. In the Electricals segment, which remains our largest revenue contributor comprising Wires, Pumps, Switchgears and Switches, we registered growth of 9.6% YoY in Q2FY24.

In the Consumer Durables segment, where we market Fans, Water Heaters, Kitchen Appliances and Air Coolers, the growth has slowed to 5.1% YoY. The effect of sluggish consumer demand and tepid weather conditions has impacted topline growth particularly in the Consumer Durable segment.

We have reported an improvement in the gross margin to 33.8% in this quarter from 29.3% in Q2 last year, an increase of 450 basis points YoY. Further, the gross margin is also higher by 130 basis points compared to 32.5% which we reported in first quarter. Softening of commodity prices is reflecting in the gross margin and we are now moving closer towards the pre-covid levels. We believe we can further drive a further 100 basis points improvement to reach the pre-COVID level's gross margin.

EBITDA excluding other income was Rs. 93 crore in Q2, an increase of 26.5% YoY. In Q2 we have recognised a fair valuation gain of Rs. 10 crore on the Gegadyne investment. Gegadyne is making good progress towards meeting technical and commercial milestones. The V-Guard's Board has also approved a further investment of Rs. 20 crore in Gegadyne in order to fund scaling up of the pilot plant, product specification improvement and preparatory work required for series B funding.

Excluding other income, EBITDA margin is 8.2% is 80 basis points higher compared to the margin of 7.4% of Q2 of last year. Profit after tax in Q2FY24 was Rs. 59 crore compared with PAT of Rs. 43.7 crore in Q2 of last year, an increase of 35% on a YoY basis.

Cash flows have remained strong. Cash from operating activities are at about Rs. 300 Crores during the first six months and it has helped us to fund CAPEX and capacity expansion. We have also fully repaid the working capital borrowing of Rs. 100 Crores that existed at the beginning of the year.

In V-Guard Consumer Products Limited ("VCPL"), our wholly owned manufacturing subsidiary, we are progressing well as the manufacturing units are coming up as scheduled. The first plant at Pant Nagar has reached its planned output. The battery and kitchen products unit will be commissioned in Q3 and will be scaled up in Q4.

In the case of Sunflame Enterprises Private Limited ("Sunflame"), there is a decline in topline growth although the margins are healthy. The entire kitchen appliances industry at large is currently witnessing sluggish demand. There are also some internal gaps that we have identified and have undertaken actions to arrest the decline. We are also working on initiatives to start realising the synergies between both V-Guard and Sunflame.

Consumer response for our recent launches, like fans and mixer-grinders, has been positive and starting with the upcoming festive season, we expect a strong topline growth in the second half of the year.

With that, I conclude my opening comments. I would like to thank Aniruddha and his team at ICICI Securities for hosting this call. I would like to now request the moderator to open the floor for Q&A.

Moderator: Thank you very much. We will now begin the question-and-answer session. The first question is from the line of Natasha Jain from Nirmal Bang. Please go ahead.

Natasha Jain: Good afternoon, gentlemen. My first question is on the electrical side - so our product category consists of wires, switches, and switch gears and all these are ancillaries to real estate which is doing well. What could be the reason for us to not post a stronger double-digit kind of growth here, compared to all our peers so first question is that. In the same segment can you also throw some light as to how the pumps segment is like; are we beginning to see some strength building there or is the market still stressed?

Mithun K Chittilappilly: Okay so regarding electricals V-Guard sells lot of its product on B2C basis - which means we sell through distributors to our retailers, which then goes into individual housing or small projects. V-Guard's presence in very large projects is limited but apart from that most of our peers have also mentioned that demand for house wiring cables has been muted for last quarter so what we have come to know is that even in B2B segment, in house wiring cables. The demand has been muted. The only segment that is doing well is the large infrastructure projects run by central and state governments which are using industrial and underground cables that is the only segment that seems to be doing well within the cable and where V-Guard does not have any presence.

Regarding pumps, yes, so we have now completed almost three-to-four quarters of decline and I think in last quarter onwards we have started to see an increase in sales. However, it is not enough. The largest contributor in electrical is wires so with the wires sales not growing very fast the entire electrical segment growth has come down to something like 9-10%.

Natasha Jain: Understood Sir, that is helpful. Sir, my second question is on the consumer durables portfolio so our channel checks indicate a slowdown for fans demand and also a possible price cut. Did we at V-Guard experience something similar for fans?

Mithun K Chittilappilly: See we have not cut any prices but I think there were unusual rains in the North and some companies, I think even us, we were forced to offer some discounts in those parts, the northern region, because North was completely washed out. This has also meant that in fans and water heaters especially the price increases that were required to be taken for offsetting the raw material prices increase has not been fully taken. We hope in the next 6 months some of that will get corrected as we enter the season for water heaters and as we will be entering season for fans in March.

Natasha Jain: And Sir how is air coolers?

Mithun K Chittilappilly: I think for us coolers have done well but still coolers on annualized run rate will be close to Rs. 90-100 odd Crores so it is not enough to really pull up the entire consumer durable basket. The larger products like water heaters and fans contribute most. This quarter especially we have seen softening of demand for water heaters which is better last year and that has pulled down the overall performance.

Natasha Jain: Understood Sir. Thank you I have more questions but I will get back in the queue.

Moderator: Thank you. The next question is from the line of Rahul Agarwal from InCred Capital. Please go ahead.

Rahul Agarwal: Hi good evening thanks for the opportunity, so first question on ECD margins where do you see this number by March 2024?

Mithun K Chittilappilly: So I think we used to be something around 5-6% EBIT margins for ECD and I think we have indicated that we would like to increase our margins by at least one percentage and most of that increase would come at least 2-3% of that should come from consumer durable segment. So, we are hopeful that starting with water heater's season. I think we are also a little unfortunate in the sense we are sitting still with some old inventory of water heaters which were produced last season. I think once that starts getting offloaded we are hopeful of the increase, but we have to also understand the demand is extremely sluggish. So, market leaders, major market brands are refusing to take timely price increases or like someone mentioned earlier, some of them are resorting to price discounts which will mean that it is going to be difficult for us to recover these margins, it will get delayed.

Apart from water heaters, in fans we are seeing some traction so we have some new launches that is gaining good traction and they are also on the premium side so we are hopeful that in fans at least we should see a better performance this year. For water heaters we have to wait and see as the season is yet to start. We are hoping that the winter does kick in soon and that should drive the demand for water heater.

Rahul Agarwal: Got it, secondly on Sunflame - given how the first half has been would you still think that Rs. 330- 350 Crores of top line with 11-12% operating margin is possible for the full year?

Mithun K Chittilappilly: So I think we have to also see Sunflame in relation with the performance of the entire kitchen industry. As you would have noticed few of the players have already announced results. The larger players are talking about 15 to 16% YoY revenue decline. Sunflame's decline has been slightly higher because, like we mentioned in the opening remarks, there were some product gaps and there were some issues in terms of after sales which have all got resolved.

The new team has settled down well. They came on board only in April and May so they needed 3-4 months to take over the management of Sunflame. I think H2 we should post much better numbers, but we have to also keep in mind that the entire kitchen industry is degrowing, sharply. So, our hope is that in relation with the industry we should do better.

I do not think we will be able to post full year increase in sales but I think in H2 we are hoping to at least look at the numbers we did last year, so at least arrest the decline. We will wait and see. I think let us see how the demand goes because we have to also keep in mind that post Diwali, the sales have been very muted for kitchen appliances in last year. So, the base is also low for Sunflame for last year in H2.

Rahul Agarwal: Got it and lastly on Gegadyne just your 11% equity valuation I think is bit not clear – what is it right now, how will Gegadyne benefit from this investment apart from the monetary upside on the financial side of it and what is the business goal here?

Ramachandran V.: I heard the question Mithun, I will answer. I think there were two parts to the question one was you were trying to understand the source of gain. So, fundamentally what has happened is, there was a valuation on the basis of which we had invested into Gegadyne. Two years had passed, so the accountants, annually they look at these investments and they mark-to-market, so they felt that the technology development agenda has progressed further. With the pilot plant the technology has also been commercialized at a pilot plant scale what was otherwise very basic and getting done at a lab scale. So, I think they wanted to reflect the improved valuation consequent to the progress on technology development and technology commercialization. We have got the valuation done of the entity and we are just reflecting the incremental valuation and accounting it has gained. It is notional so it is remaining on the books and will be the case soon, so it is basically an accounting requirement.

Coming to the second part on how V-Guard will gain from Gegadyne. Gegadyne is not a financial investment for V-Guard, it is a strategic investment for V-Guard. With that investment we are making investment in what I would say in the deep tech space which has high risk also. I mean not every initiative in that space succeeds and we must keep that in mind. But fundamentally we believe that this technology is the best fit for our application in inverter and battery and which is the reason why we have decided to to back this technology development. We believe that in the next 18 to 24 months they should be able to move from pilot scale to manufacturing. Once the manufacturing activity commences I think V-Guard should be able to place these products in the market as a V-Guard offering. That should be able to drive our revenues and maybe in time profitability, once the initial investment towards building this concept in the market is through.

Rahul Agarwal: What is the value of Gegadyne today?

Sudarshan Kasturi: The valuation is now at Rs. 293 Crores.

Rahul Agarwal: Okay Sir. Okay thank you. I will come back in the queue to understand further. Thanks.

Moderator: The next question is from the line of Bhavin Vithlani from SBI Mutual Fund. Please go ahead.

Bhavin Vithlani: Good evening, gentlemen. My first question is on the electrical segment – if you could just help us understand what percentage of the segment is wires and what was the YoY growth in the wires segment in the quarter or the first half?

Mithun K Chittilappilly: See we do not give out these figures so we will discuss this offline, but wires is very large part of electrical. I mean wires is the largest constituent of that sub-category.

Bhavin Vithlani: So actually the question because you mentioned pumps has been de growing and in that.

Ramachandran V.: If I may answer that. I think the wire growth is bringing down the electrical growth. The pump growth is moderate and not recovered to long-term growth levels. Typically pump we would grow between 8 to 12% and I think it is much below that. However we have not degrown for the first half. So the other categories have posted strong growth and cable growth has been lower than the electrical category growth.

Bhavin Vithlani: Because I was little surprised because the KEI results today which they list out the wires' segment that that segment grew like 22%. So I was a little disappointed looking at single digit number. Is it something that the competition has got aggressively into class five and which V-Guard is not in and given the quality standards that you have and that is hampering the growth?

Mithun K Chittilappilly: No I think it is a question of choice. Many years back V-Guard made a choice to be in the B2C space so we exited whatever we used to have businesses that was supplying UK system to bank ATMs which we shut down. We had businesses that were supplying large underground cables to big EPC contractors which we shut down. These were all conscious choices that were taken from 2009 to 2016-2017 and for many years EPC business in India struggled but now there seems to a cycle. So we believe it is a cycle so maybe there is a infrastructure boom that is happening in the country, probably also it is going to happen before the election and they want to show case some growth, some investments in the country before the election.

So, all these things will happen but I think in the long term still the consumer business will do well. Many players like KEI and Polycab are heavily indexed towards projects business whereas brands like us are more into the retail part of the business. But even in house wiring cables, many of our larger peers have indicated that there has been slow growth. So, I do not think it is a V-Guard only issue. KEI I am not sure. I mean again it is a projects company, it is there in retail, but it is more of a projects' company. But I can tell you that the retail consumer, B2C part of wires' business has been slow.

Bhavin Vithlani: The second thing that I want to understand the margins on the consumer durable segment which has been negative in most quarters even in this quarter. Prior quarters, you highlighted that the newly commissioned fans facility which was underutilized and it was ramping up and then there were issues related to the TPW fans which were imported and you had to pivot to the local and had some cost issues. So if you could just help us understand the negative margins in the consumer durable segment and the efforts taken by the management to kind of turn these around and when could we see the 5-7% margin bracket as you alluded to earlier?

Ramachandran V.: So I think we need to look at it in two parts, one is gross margin and one is EBITDA. I think EBITDA is fundamentally, I think the consumer durable growth has been weaker first half of this year compared to the kind of growth rates that we have been enjoying last two years and compared to what we had planned. So I think some amount of stress is coming because of that because the growth has not been adequate to cover the investments that we have been making to scale up this business. That is one part of it. I think the other part of it is fundamentally related to the margin recovery. I think while margins on electricals and margins on the electronics have by and large recovered - gross margin, and we have an intervention in terms of manufacturing facility coming up for battery and we had commenced factory for inverter and stabilizer, which I think some more benefits we expect in the next 6 months to one year. So the margin recovery journey on electronics and electricals is by and large complete right. However, I think because of the slowness in the market actually the market has been slow from I think September, October of last year. I think it was more strongly seen in the fan category and kitchen and lately it has also been seen in water heaters, fundamentally because part of it seasonal. Also because I think the summers have extended in East and South, so this year the water heater season is slower to come by. These factors are affecting the top line growth and that is kind of affecting the conversion of gross margin to EBITDA.

Second thing is the pricing transmission. Because of the slowness in the market there is a lot of competition, so the pricing transmission has also been impacted. Although our gross margins have improved in this category, from last year, if you look at a half-year basis we have improved our gross margin by about two odd percent and probably the exit gross margin maybe even 2.5% and 3% higher, but I think there is another 3-4% of recovery which has to happen. We have some interventions in this area - we have product launches in fans and I that should change the product mix and support the margin improvement even if the growth is tapered.

Thankfully for us fan growth has been all right. Fan growth has been all right and even air cooler growth has been all right. So, in kitchen again we are setting up a factory, which will help our competitiveness and help us to recover our gross margins in this area. Water heaters and fans are the two categories where we are expecting that it will take some more time. Hopefully in the next 3 to 9 months I think fan should come back, water heater should partly come back towards this upcoming quarter and I think some recovery will happen only next year again when the season starts – because of the lower uptick in water heaters; the inventories are stretching later into the season and that is affecting our ability to benefit from the easing commodity environment. Also because of slower growth, the pricing transmission is also getting impacted.

There are no fundamental issues here that come to my mind. Some of the categories will roll over. I think a bit of challenge on water heater synergy, the commodity transition happens for us that part of it is bit of a problem for us compared to the market; but I think to the extent that growth is slower in water heater. So there is some pricing pressure also which can develop. Keeping all that in mind I would say that it will take slightly longer for water heater to fully recover to pre-COVID levels but you will see some recovery further in the upcoming quarter.

Bhavin Vithlani: Last question from my side if you take out the Sunflame acquisition, while the growth is high single digit 9% thereabouts but the employee cost increase is closer to the 20% mark so could you just help us understand this?

Sudarshan Kasturi: There are some swings in employee cost when you compare with last year. It basically comes from one, variable pay provision and second, the addition of some of the subsidiaries. Last year we had reversed the variable pay provision because at the end of H1 it was clear that a payout is not going to happen. This year we have provided in full so there is about a Rs. 20 Crores swing in that alone.

Ramachandran V.: The under lying payroll increase is about 15-16%.

Mithun K Chittilappilly: About 15 to 16% is the like-to-like increase if you remove all the things.

Bhavin Vithlani: Okay so this looks like much higher than the underlying growth in the industry and so is it that are we seeing growth in the other sectors and had pressure on them?

Ramachandran V.: You also need to see this together with our transition from what I would say sourcing to manufacturing right. If you look at it last year we had one new factory come up which was in Pantnagar which was stabilizer and inverter. We have the battery plant and the kitchen plant which is likely to come by end of December. I think staffing cost related to that are also sitting there.

Sudarshan Kasturi: If you take out Sunflame also, Simon Electric Private Limited addition itself has brought in like 120 odd head count plus establishing VCPL and manufacturing unit. So there are some hefty increases which takes the pay roll increase to about 15 to 16%.

Bhavin Vithlani: Understand it is just a lag impact.

Ramachandran V.: I think also what needs to happen is that our gross margin improvement has to be more because when we were sourcing, the gross margin was including the manufacturing cost, right, but here that is being accounted below.

Bhavin Vithlani: Thank you so much for taking up my questions.

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. So my question is an extension to Bhavin's earlier question. We have seen about 450 bps rise in the gross margin and just about 70 to 80 bps rise in the EBITDA margin. Of course one of that you explained as employee cost but there has been a sharp rise in the other expenses as well wherein we maintain that we have retained our promotion spend about 2.2% of sales. So could you please throw more colour as to where we are seeing this increase and how sustainable is this going from?

Mithun K Chittilappilly: I think apart from employee cost and A&P. Of course A&P has not gone up significantly. The other thing that has gone up much more than last year was travel cost. So, the frequency of traveling and all that has increased much more because there is no restriction on travel as such so sales team traveling that also includes local and outstation travel that has significantly gone up and also some of it is due to the increases in hotel prices and all that which we have been reading about in the paper. There has been a rebound in tourism. So, some places the hotel prices have gone up significantly so all these things are adding to the other expenditure.

One major item in other expenditure is, what Ram mentioned, outsourced manpower cost – bulk of it is sitting in the factory, they come in other expenditure. Like Ram said the increase in gross margin had to be more than this to offset that. Some of the increases are due to reduction in commodity prices but some of the increases in V-Guard is also because of a change from outsourcing to in sourcing and once these factories gain scale we will have further increases in gross margin.

Sudarshan Kasturi: The other expenses line has elements relating to factory and during this transition when we are moving from outsourcing to in house the base year and the current year are not really comparable just wait for another two, three quarters then the base also becomes on the same basis.

Sonali Salgaonkar: Sir what percentage of our manufacturing is in house this quarter versus same quarter last year?

Sudarshan Kasturi: Currently it is about 65%.

Mithun K Chittilappilly: There is 65%, last year would have been.

Sudarshan Kasturi: 7-8% less.

Mithun K Chittilappilly: About 8% less.

Ramachandran V.: But also Mithun what happens it is not a matter of sales percentage. Like the factories which are coming up, the manpower there, because they are all going to get the commissioned in November, right, people would have been hired before, trained and all those things.

Sudarshan Kasturi: Sonali if you see the movement also it is not really that significant. You look at first half other expenses has gone from Rs. 293 crore to Rs. 370 crore, Rs. 293 crore did not include Sunflame. Sunflame is Rs. 23 crore, so 293 plus 23 is 316, so Rs. 316 crore has become Rs. 370 crore. It is not really a huge movement.

Sonali Salgaonkar: Understand Sir. Sir my second question is about the festive demand with Navratri behind us what kind of a consumer sentiment did you see especially in your appliances portfolio during the festive season? What are the indications you are getting for the upcoming Diwali season?

Mithun K Chittilappilly: So see like Ram said in fans we are getting traction also because we have some new launches that are doing well. We have recently launched a new range of fans that is getting good traction. Water heaters like I said more than Diwali, that season is yet to start, Although because of 'big billion days' and those kind of pre-Diwali sales, e-commerce seems to be some sales to be happening but general trade sales have not really started. So we will wait and see how it plays out. Typically for us, once we complete the full month of Diwali, only then we can comment but we can say that in water heaters we are still seeing some stress but the others are largely doing okay.

Sonali Salgaonkar: Understand Sir and Sir my last question any significant pricing action if you have taken during Q2 or any planned pricing actions in Q3 either way upwards or downward?

Mithun K Chittilappilly: See there is hardly any pricing actions. At the best, almost entirely it is volume growth, whatever sales growth you are seeing is volume growth. There is no pricing increase happening. Like I said there is still pricing gaps existing in fans, especially ceiling fans and electric water heaters and that we are hoping to take in the next 6-9 months' time. Ceiling fans we believe that the industry has still not fully passed on everything primarily because there was also a major shift from the traditional fans to BLDC fans. So the older models are not finding takers and that is also one of the reasons why some companies have not fully passed it on.

Sonali Salgaonkar: Sir how much of your fans portfolio is premium and how do you define the premium price point?

Ramachandran V.: I think I would say now about 40-45% would be premium products and that would be like closer to Rs. 3,000 plus kind of price contraction.

Sonali Salgaonkar: Understand Sir. Thank you very much for answering my questions.

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

Aniruddha Joshi: Sir, we have a fans facility at Roorkee I guess under a separate subsidiary with a lower tax rate, effective tax rate. But we are still not seeing any reduction in the consolidated tax rate so how should we see the overall profitability happening at the new plant? Any tax rate guidance that you would like to give? That is question one. Secondly, I guess three to four quarters ago I guess we had introduced water purifiers through the e-commerce channel, so any update on that and regarding the general trade launch any update on that?

Sudarshan Kasturi: Roorkee plant is under V-Guard so that will not impact the ETR. The plants which are coming up under the new subsidiary, the only one which has reached scale as of now is Pantnagar. So for the effect to be seen we just need to wait for a few other plant also to come up.

Mithun K Chittilappilly: So the new manufacturing entity, the only plant that is running today is the Pantnagar plant. That is giving us some tax benefit but it is still small in relation with the overall tax outgo of V-Guard. We will start to see, maybe end of next year, some reduction in ETRs because as the new manufacturing entity will be under about 17% tax vis-à-vis 25% for the company.

Aniruddha Joshi: And regarding water purifiers?

Ramachandran V.: Water purifiers are doing well. One of the reasons that we decided to limit to e-commerce is ease of development of offering and we had very good success with the offerings that we have brought to the market and the e-commerce is doing well. It is today the second largest category after water heaters and even ahead of stabilizers and that is the good part. We will get to mature the product portfolio so that we address consumer needs and we are confident that these products will have constant run. We have a good installed base to get good feedback. I think post that we will get it into general trade. Even there, our focus will be on organized retail because it is easier to reach and better to manage because you being a late entrant in the category, educating the consumers about V-Guard and the benefits of our products will be key for us to break into the market. At this stage we will remain at least for another year on e-com before we plan to market but it is going on course and we are quite satisfied with the kind of traction that we are getting.

Aniruddha Joshi: Okay Sure. Thank you.

Moderator: Thank you. The next question is from the line of Rahul Agarwal from InCred Capital. Please go ahead.

Rahul Agarwal: Yes, thanks for the followup. The question essentially is on the working capital cycle, the 68 days we have done is quite a bit of an improvement over the last three quarters should we stabilize here or there is more to improve here.

Sudarshan Kasturi: It will be more or less around this some incremental opportunities may be there but it is largely in the right place.

Rahul Agarwal: Okay and secondly on Gegadyne, so obviously it is a strategic investment and there is some business to be done on the inventor battery side of V-Guard. But are we looking for an exit from this company let us say three years down the line where there is a larger fund raise which will happen eventually to get the product to the market.

Sudarshan Kasturi: See we are there as a strategic investor so that means we are interested in that product getting developed and how we can deploy it in our business. When series B investor comes in the ticket size will be much larger so we will hold a small stake. At this point we have not decided whether we will exit or sell. We are interested in the product capability.

Mithun K Chittilappilly: See V-Guard is not in the business of private equity so our current focus is on making sure that this idea moves from lab to pilot plant and from pilot plant to the mother plant, that is the next stage and we are working very closely. We have a couple of people from V-Guard who are working very closely with Gegadyne on that and we will see. I think we cannot comment on what we will do after 3 years and 5 years. We will see at that point of time but I mean like I said we have not bought into this company to sell out so to speak.

Rahul Agarwal: That explains. Thank you so much and have a good Diwali, thank you.

Moderator: As there are no further questions, I will now like to hand a conference over to management for closing comments.

Mithun K Chittilappilly: We would like to thank Aniruddha and ICICI Securities for hosting this call. Thank you all for listening and have a Happy Diwali.

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