VOLTAS

4th May, 2023

BSE Limited
Department of Corporate Services
Phiroze Jeejeebhoy Towers
Dalal Street
Mumbai 400 001
Scrip Code: 500575

National Stock Exchange of India Limited
Listing Department
Exchange Plaza
Bandra-Kurla Complex
Bandra (East), Mumbai 400 051
NSE Symbol: VOLTAS

Dear Sirs,

Sub: Transcript of the Conference Call pertaining to Financial Results

Further to our letter dated 26th April, 2023, we enclose herewith a copy of the transcript of the Q4 FY23 Earnings Call on the Audited Financial Results (Standalone and Consolidated) of the Company for the quarter/year ended 31st March, 2023 held on 27th April, 2023.

2. The same is also available on the Company's website at
https://www.voltas.in/images/Investor/schedule-announcements/download/Voltas_Earnings_Call_Transcript_Q4_FY23.pdf

Thanking you,

Yours faithfully,
VOLTAS LIMITED

VARUN PRAKASH MALHOTRA
Digitally signed by VARUN PRAKASH MALHOTRA
Date: 2023.05.04 12:59:29 +05'30'

V. P. Malhotra
Head – Taxation,
Legal & Company Secretary

Enc.

"Voltas Limited
Q4 FY '23 Earnings Conference Call"
April 27, 2023

MANAGEMENT: **MR. JITENDER VERMA – CHIEF FINANCIAL OFFICER – VOLTAS LIMITED**
MR. MANISH DESAI – HEAD CORPORATE FINANCE – VOLTAS LIMITED
MR. VAIBHAV VORA – MANAGER, CORPORATE FINANCE – VOLTAS LIMITED

MODERATOR: **MS. BHOOMIKA NAIR – DAM CAPITAL ADVISORS LIMITED**

Moderator: Ladies and gentlemen, good day and welcome to the Voltas Q4 FY '23 Earnings Conference Call, hosted by DAM Capital Advisors 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 touch-tone phone. Please note that this conference is being recorded.

I now hand the conference over to Ms. Bhoomika Nair from DAM Capital. Thank you and over to you.

Bhoomika Nair: Yes, thank you. Good afternoon, everyone. I would like to welcome you to the Q4 FY '23 Voltas Earnings Call. We have the management today being represented by Mr. Jitender Verma, Chief Financial Officer; Mr. Manish Desai, Head Corporate Finance; Mr. Vaibhav Vora, Manager, Corporate Finance.

I'll now hand over the floor to Mr. Jitender Verma for his initial remark, post which we'll open up the floor for Q&A. Over to you, sir.

Jitender Verma: Hi and thank you Bhoomika and a good day to everyone else. As we entered the financial year '23, it was set to be a year of recovery, leaving behind the after effects of COVID, Russia-Ukraine war, while on one hand supply chain disruptions were unwinding, synchronous tightening of monetary policy by most central banks, resulting increase in the interest rate and thereby controlling effects of elevated inflation. The volatility in commodity prices, signs of turbulence in the banking network are holding the economic growth across most of the countries.

Despite the challenges across the globe, India continued to show resilience to the effects of various global events. The widening of current account deficit, depreciation of the Indian rupee and muted capital inflow did impact the company growth in the later part of the year. The impact of the higher inflation rate witnessed in the consumer confidence index across segments and in particular, the discretionary sectors. However, the policy measures taken by the central government to strengthen manufacturing in key sectors with production-linked incentives, higher allocation towards building infrastructure and softening of inflation rate shall support the economic growth in the coming quarters.

Given the ever-challenging environment, Voltas' product business has performed relatively better with growth across all product categories amid incessant rains and muted consumer sentiments towards discretionary spend. Our consolidated total income for quarter four financial year '23 was INR3,003 crores as against INR2,704 crores in quarter four FY '22, which is a growth of 11% year-on-year. Profit before tax and after tax was INR214 crores and INR143 crores respectively. Earnings per share not annualized for the quarter ended 31st March, 2023 was at INR4.35 against INR5.52 reported last year.

The consolidated total income for the year ended 31st March 2023 was higher by 19% at INR9,667 crores as compared to INR8,124 crores in the corresponding period last year. Profit before share of profit, loss of joint venture associates and tax was at INR672 crores as compared to INR808 crores in the corresponding period last year. Profit before tax, after share of profit loss of joint venture associates and an exceptional item was at INR307 crores as compared to INR697 crores last year. The exceptional items of INR244 crores pertained to provision made due to termination of contract and encashment of bank guarantee for two overseas projects in Dubai and Qatar respectively. Legal proceedings have been initiated against the main contractor for recovery of these proceeds of bank guarantees and other amounts due from debt. Net profit after tax was at INR136 crores as against INR506 crores in the corresponding period last year. Earnings per share as at 31st March, sorry, earning per share for 31st March 2023 was at INR4.08 as compared to INR15.23 last year.

The corporate balance sheet continues to remain healthy with the cash and cash equivalent at INR2,590 crores at the event.

A snapshot of our results for this quarter and for the financial year was already given in our detailed statement yesterday.

Segment A, Unitary Cooling products:

For UCP, the onset of summer season with higher temperature in the early part of March resulted in increased demand from the consumer. The unseasonal rain in the latter part of the month deferred the demand for the cooling product. However, the weather forecast for hot summer and scorching heat witnessed in the current month has increased footfall for the product category across major parts of the country.

The consumers' desire to have products with advanced features and its long-term advantage of savings in energy cost, the split inverter category of air conditioner is in high demand. The expanded product portfolio of Voltas with in-house designed SKUs and competitive pricing has resulted in increased share of the inverter category to 75% from 63% during the year and its contribution is in excess of 80% for the quarter. Based on the success of the inverter split category, the company has expanded inverter portfolio in the window category as well as strategic price points during the current season.

Aggressive pricing to leverage early summer sales and garner the market share has increased competition in an already fragmented market. While we continue to be leader in the MBO, that is multi-brand outlet for the overall air conditioner category with year-to-date February market share of 21.9%, the market share for February month was at 18.2%. Nevertheless, secondary driven incentive program across these channels, healthy tie-up with modern trade and organized channel, extensive network of Exclusive Brand Outlet (EBOs) including experienced zones at strategic locations along with customer-centric exciting schemes during the season shall help strengthen the market share.

Commercial refrigeration category continued its growth journey during Q4 FY23 and for the year on an even higher base with increased participation from retail chains and OEMs. Within the commercial refrigeration category, higher demand was witnessed in water coolers, water dispensers and Visi Cooler. The category is expecting to grow further, considering a rapid urbanization, change in dietary preferences, demand for the frozen food and market expansion by the OEM of ice creams, chocolates and beverages. The company has expanded its product SKUs to cater to the demand for each segment. During the quarter, the company has made inroads for Medical Refrigeration (MR) product in a small way and will enhance its focus to take advantage of the increasing demand of these MR products. Having planned capacity expansion, Voltas is geared to launch a number of consumer-focused product with enhanced features and quality in the near future.

Prediction of early summer with above normal temperatures, seasonal tie-ups with Modern and retail chain helped placement of Air Coolers across the value chain. The exclusive product has further supported tie-up with e-commerce, an evolving and preferred channel for the short season product category. Along with active channel participation, the company has introduced many SKUs to balance the product portfolio for each of the product sub-category. The efforts have yielded desired results in further strengthening brand position and securing market share of close to 9% in air cooler segment.

Expansion of commercial establishments across various sectors and a growing demand for light commercial and deductible product resulted in growth for the commercial air conditioning category with improved margin. The focus on customer retention with value-added services is supportive in securing long-term orders of after sales service at a competitive pricing.

On the cost front, softening of the commodity prices, although they still remain volatile, prudent and well thought of sourcing has helped contain material costs to a great extent. However, the continuous advantage of the same may not be certain, given the erratic and fluid demand and supply gap for the critical inputs. Nonetheless, our efforts will always be there to remain competitive and continue to provide value for money products to the consumer considering to an objective of market share and margin.

To summarize, for the quarter ended March 2023, Unitary Cooling Product segment registered revenue of INR2,049 crores, a 13% growth in turnover from INR1,818 crores. The segment reported an EBIT of INR206 crores in quarter four as compared to INR192 crores in quarter four of FY 2022. For the year ended March 2023, the segment registered 33% growth in turnover to INR6,475 crores from INR4,882 crores with the EBIT of INR538 crores.

Segment B - Electromechanical Projects and Services:

Segment revenue for the quarter was INR746 crores as compared to the previous corresponding quarter of INR692 crores. Segment result for the quarter reported a loss of INR14 crores as compared to profit of INR48 crores for the corresponding quarter last year. Segment revenue for the year was INR2,403 crores and the segment result for the year was INR302 crores after the exceptional loss of INR244 crores.

Domestic project business witnessed a healthy order booking of INR1,910 crores as compared to INR848 crores in similar period previous year, comprising of single largest order of INR1,200 crores in electrical. The planned and timely execution of the projects resulted in achieving threshold for recognizing margin as per internal policy and thereby contributing to the results.

Further, a tight monitoring of working capital and focus on collection improved return on the capital for the domestic project business.

Lower order pad in the international project business -- in the international project business as most of the old projects are at the completion stage impacted the top line as compared to the previous year. The region continued to witness a delay in certification and thereby collection of the outstanding amount, resulting in provisions following prudent and conservative policy. Having said, all efforts are being pursued to engage with customers to expedite certification work and improve collection of the due amount.

The carry forward order book for domestic project stands at INR5,799 crores containing orders across water, HVAC, rural electrification and urban infra activities. The international order book as at 31st March 2023 stood at INR2,356 crores, largely in UAE and Saudi Arabia region. Total carry forward order book of the segment stood at INR8,154 crores vis-a-vis INR5,360 crores of outstanding order as on 31st March 2022.

Segment C, Engineering Products and Services:

Segment revenue and results continue to report improved performance for the quarter, registering healthy growth over previous year. Segment revenue for the quarter was INR142 crores and EBIT for the quarter was INR56 crores respectively. Segment revenue for the year was INR522 crores and the segment result for the year was INR201 crores.

Better average billing hour rate and customer-focused approach has supported the growth in Mozambique territory. The removal of export levy on iron ore and increased focus on infrastructure sustained the demand for crushing and screening equipment.

Textile sector continued to witness challenging environment on account of lower than usual utilization of spinning mills due to lower export order and high prices of key raw material quarter and yarn. Despite this adversity, the vertical has performed outstandingly on the back of strong order book and introduction of various innovative product along with OEM. The focus on after sale service has also supported the overall revenue growth.

Voltas Beko

Revival of demand, particularly in the month of March has resulted in the overall volume growth of 26% during the quarter. The brand has cumulatively sold in excess of 3.3 million units since its launch and has become first brand to achieve this milestone in the shortest period of time. The expansion of distribution reach, focus on more energy-efficient star-rated product with wider range of product SKUs and in-housing manufacturing of the high value added product supporting the overall growth.

Leveraging the strength of the joint venture partners both in manufacturing and distribution is helping the Voltas Beko brand to timely introduce innovative product, with differentiated features and expanding distribution reach in the targeted and strategically important market. This concentrated effort has resulted in securing a market share of 5.3% increase from 4.4% in the month of March with the market share of 8.9% in the sub-segment of washing machine category of semi-automatic washing machine.

Our objective is to have more value-added products to be manufactured from own factory and thereby control and strengthen the supply chain to improve overall margin. With this objective, trial is underway for the fully automatic front-loaded washing machine to manufacture in-house after successful launch of frost free refrigerator during the current season.

The lower penetration in most of the product category, consumer shift to the premiumization and technologically advanced product, along with lifestyle changes bodes well for the product category and the brand to progress on the defined objective of market share in a profitable way.

Outlook

Cooling products being a weather dependent and seasonal product, the summer period becomes critical for the industry and company for the growth. The current weather forecast and increased footfall projects towards a reasonable growth. The company is adequately prepared to secure the opportunity both on supply and consumer demand front and will continue to pursue its aggressive strategy to strengthen market share in a profitable basis.

As you are aware that the company had planned for compressor manufacturing through joint venture with Highly International, subject to the necessary regulatory approvals. As these regulatory approvals were not forthcoming, both the parties have mutually agreed to terminate the joint venture agreement.

In case of projects business, we will continue to follow cautious and risk-mitigated approach, while selecting new orders. The execution of the orders in hand is paramount to ensure timely completion of the project with tendered margin.

With an eye on sustained profitable growth, while enhancing focus on product business and project business, independent of each other, the Board has approved an internal restructuring of the international operation, including investments in overseas joint ventures and subsidiaries to be housed in a 100% wholly owned subsidiary. Thank you.

Moderator: Okay. Thank you very much. The first question is from the line of Mr. Ankur from HDFC Life. Please go ahead.

Ankur: Hi sir, good afternoon. Thanks for your time. One question on the room AC side. So you have clearly mentioned because of unseasonal rainfall, we understand, quarter didn't go well. And then there seems to be that the inventory in the channel at least when I spoke to some of the channel partners and OEMs as well was fairly high. So how are you seeing that inventory right now? Obviously, April we see some heat waves, etc... So I'm assuming some volumes that have got cleared. But how are you seeing inventory in the channel? And more importantly, earlier we were talking of a price hike to come through maybe in April, early part of Q1. So how are you kind of seeing that?

Management: See, this high-channel inventory is basically a period when you're looking at March, towards the latter part of the month of March, there were incessant rain practically all over India. So therefore, if we just look at this point in time on end of March, there is a possibility that in certain channel partners, the inventories were stocked. However, as we sit at this time, we have seen that the weather has been really hot. And all the channel inventory which was there have all got cleared up and we are -- all the industry is looking at a very good season going forward in the months to come, at least during the summer months.

As far as your second question, can you ask that again, you said something about pricing in April.

Ankur: That's right. Because -- yes, yes, so I'll just repeat myself. So I remember in the last con call, you have said that we'll take or at least we look at price hikes in the beginning of Q1, around April, May was what you said last time around. So I'm just wondering, is that broadly on track? Are we -- or have we taken any price hikes in April? Or are we looking at any price hike in the next month?

Management: Yes, I understand. The fact is, no, we have not taken any price increases in the month of April. And as the future goes, we always keep looking at the price movements very cautiously. And certain other brands had actually gone for deep discounts, which we continue to believe are not sustainable. And therefore, we maintain our position and have not taken any discounts, but at the same time we have not increased the prices also. And that's a thought policy we would continue to look at.

Ankur: Okay. And just one last question would be on the margins in the UCP segment, and I remember you called out high single-digit margins to kind of continue and again I'm talking on an annualized basis, that is so last year was closer to 8.3% thereabout. So is that something you believe should continue at least over the next 12, 15 months? Is that how we should look at margin?

Management: In a one statement, I would say or in a one word, I would say yes, that's the outlook we still maintain. However, I mean, the high single-digit margin, there may be some periods when it may go down closer to like instead of a very, very high single digit, it may stay around the same number, but slight volatility may remain.

Moderator: Mr. Ankur, may we request that you return to the question queue for follow-up questions as there are several participants waiting for their term. Our next question is from the line of Mr. Amber Singhania from Nippon India AMC.

Amber Singhania: Just one question from my side. Basically when we see Voltas, we have always seen in a decade, Voltas has always been very dynamic towards the market changes and always taken steps proactively towards turning the things towards their favor in terms of market share growth. However, in last five quarters, we are seeing that we are continuously losing market share every quarter. So it has been almost two season now where we have seen a market share decline. So just wanted to understand, sir, where exactly are we losing out, what is the inter section the company has and what could be the reason where we are seeing this continuing not just one, two quarter, but continuing to season access. And what are the steps you are taking to correct it -- correct this fall as such?

Management: So Amber, if I want to take your questions, I'd like to split into two, the one is how are we seeing the market? And once we do analyze on that, how we are trying to react to the same. Your reading is right that the last two quarters our market share is falling, however, as we said earlier as well, we have to wait for how the season to roll out. But from the season perspective, we'll see a good amount of traction coming during the March to June period. What we also reported and I don't know in the last investor call, somebody asked me why you're reporting YTD. And I confirm that, once we come to the season, we'll report both YTD and the monthly market share. And that's what we have reported even during the current year when we are doing this call.

I also say that we cannot relate, or we cannot completely follow the competition because we are reasonably sure that the price level at which the competition is operating is not sustainable one, sooner or later it will bounce back. And when play on a pricing side, you are compromising many things also in this business. And we would not like to have those kind of features going or the mind not going to the consumer's mind. So, we are reasonably confident that the market will see a stabilized kind of operating in the near future and then we'll try to reap the benefit of what we lost the last one quarter.

Amber Singhania: Sir, so, is it purely the price competition, which is leading to this kind of fall? Or is there anything else also which is impacting our position in the market, either maybe that geography or maybe the product or maybe something else? Or is it purely the price factor?

Management: See, if I were to put in the order of reasoning, I would say that the price becomes more important. And we all know that if the competition which supposed to eye on a premium start has now looking trading at closer to the mass market price, you may see some kind of traction the way in which we are seeing today in market. So I would say the price is more important. Second thing is once you have the visibility or product strength, you would like to expand to the market where your weaker section -- weaker positioning.

So we have seen Blue Star and few of the brands are becoming very strong in the north market and trying to put the pricing strategy on a price card in order to secure the market share. So these are the known factors. And whenever the price whichever brand would like to play or try to work on a market share, this is a normal strategy the brand has to follow given that product will not give such kind of huge differentiation to demonstrate. So this is a known practice and we're hopeful that it will get streamlined over a period of time and all players become, I would say, reasonably make sure in terms of operating and driving the markets.

Moderator: Mr. Amber, may we request that you return to the question queue for follow-up questions. Our next question is from the line of Dhananjai Bagrodia from ASK.

Dhananjai Bagrodia: Sir, what would be your capex guidance for next year for '24 or '25 broadly?

Management: Up to '24-'25 because we are in '23-'24 currently.

Dhananjai Bagrodia: Yes, so '23-'24 and for the year after that.

Jitender Verma: Yes, so probably in the range of INR350 crores to INR500 crores, which we're largely now concentrating more on the capacity expansion and the backward integration, which we have put for the PLI scheme, since the compressor plant is now off the card currently, whereas the alternative is still under evolution, but may take longer time.

Dhananjai Bagrodia: And sir for the year after that would be how much? So 1 year is INR350 - INR500, next...

Management: I've given you 18 months kind of capex plan from now, INR350 crores to INR450 crores.

Dhananjai Bagrodia: And roughly, what capacity would we get after this capacity expansion?

Management: So, the AC capacity will be almost double toward two million, whereas the commercial refrigerator also will get above from 2.5 lac units what we have to 5 lac units.

Dhananjai Bagrodia: So -- and commercial will become 0.5 million, right? And sir, just one more question. Let's say, what do you think would be now that we're doing standalone will be the UCP business. What do you think is a sustainable ROCE for the UCP business? And in terms of the levers, do we see the lever coming from margin improvement asset turnover or net working capital improvement for the UCP business?

Management: See, if you look from the ROCE perspective, since not only Voltas, but many brands are now taking advantage of the PLI scheme by putting required and necessary capex. The ROCE in the near future will definitely see some kind of impact which may get lower for the all players because we're upfronting the capex, the benefit which will flow over the next five to six years' time frame, whereas the PLI scheme which government has announced will support to be competitive in the market being and localized to a few components which currently we are not having it. But if you ask me, overall, it will be a combination of both to work together in order to improve the ROCE. To give you estimation, it is very difficult to put it because every player has gone into a different, different direction, looking into their own strength in terms of the backward integration, but in the time we are generating returns above your weighted average cost of capital, including the cost of equity, probably it makes -- it's still a viable option.

Moderator: Thank you. Our next question is from the line of Mr. Ravi Swaminathan from Spark Capital. Please go ahead.

Ravi Swaminathan: Hi sir. I just wanted to check with you, what has been the kind of growth that we have seen in Voltas Beko?

Management: Sorry, we could not give e-mail on the investors well in advance. It is around 26% for the quarter ended March. And if I look for the overall, it will be in the range of 15% to 18%.

Ravi Swaminathan: 15% to 18%, what will be for the full year, right? Full year...

Management: March has seen the highest growth, if I take the quarter break up for the Voltas products.

Ravi Swaminathan: And has there been any price increases across ref, washing machine, et cetera, in the recent past?

Management: As we said, Ravi, we have to be unlike in a condition where some of the proactive role being played by the brand, for VoltBek we'll largely be a follower for the other brands. And since we have the LG and Samsung occupying almost in excess of 50%, 55%, all actions in terms of pricing will closely be done following them. So to give you answer in one line, no price action has been taken in the market for VoltBek product in this category. Rather, we are now looking for more star rated products to be produced and to provide at a very competitive price in order to create another differentiation with the competition in all the categories.

Ravi Swaminathan: And with respect to this compressor manufacturing facility, would we be looking for some other partner going forward? Or is there any plans to go on your own? Any sense on that?

Management: Definitely, we'll be looking at alternatives and at the right time, we would make the necessary announcement in that respect because having sufficiency in compressor manufacturing would be the desired -- is the desired object.

Moderator: Thank you. Our next question is from the line of Siddhartha Bera with Nomura. Please go ahead.

Siddhartha Bera: Hi sir. Thanks for the opportunity. Sir, I will go back to the question on market share again. I mean we had indicated that we want to go back to the earlier market share levels. But on a monthly basis, the market share has kept on dropping. So, what would you expect probably for next year? So these are the levels which we should expect? Or do you believe you still hold on to the earlier levels of 23%, 24%, you will try to go back to next year?

Management: Siddharth, market share is one aspect, the leadership position is the another aspect. And we have continued to maintain our leadership position in both in the market share, as well as in the margins as has been seen. And if somebody is out there in the market, looking at the market share only by making losses and then that is what we are saying is not a sustainable position. And we continue to keep looking at our margin share and the balance between market share, as well as margin.

And in that respect, we definitely have -- from the previous quarter of March, we had bounced back. And in the low summer season, there is some tendency to lose that market share. And as Manish had earlier mentioned that when we look at months coming in the summer season, that will be the time when the regaining of the market share definitely will be -- will happen.

Siddhartha Bera: And second question on the margin side. I mean we have seen improvement in the current quarter. Can you indicate if there has been support from the higher commercial refrigeration segment in this quarter as well, which has led to a better margin, so that may not be the case? And have we changed any supplier base so that we -- our cost of procurement has gone down? Or this is entirely organically we have been able to sort of improve the margin?

Management: See, when you look at our segment results, they comprise of all the product categories and different product categories have different margin rates. So therefore, to answer that specific question on whether commercial refrigeration has helped, or room air conditioners have helped would be a slightly bit not correct at this point. Margin improvement has been seen across all product categories in this particular case and we are prepared to continue with this trend. The other aspect of your question was whether we will continue to see this in the future? That is definitely the endeavor to keep up these margin rate in all the product categories.

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

Shrinidhi: Hi. Thank you for the opportunity. Sir, in project business, we have seen a significant scale up in order backlog. Wondering would it be possible to share some color on how our embedded margin in this backlog and how are working capital terms.

Management: Shrinidhi, on the project business, yes, there has been a scale up specifically in the domestic project line. And that's also I would say a positive towards the fact that when we had a couple of years ago announced that there would be a transfer of this business to the early owned subsidiary so that the focus can be more on the project or rather I would say equal on the project business and product business by housing it in a separate wholly owned subsidiary. So that is kind of confirmed with these orders, so once we have gone separate in the business on -- I mean, separate in the sense that we are in the same -- still the same management at the Voltas level, but there is a specialized focus on the project business.

The profitability remains at the similar levels of previously stated roughly about 4% to 5% as we have been stating. So that would remain though the execution would take two to three years, so it will be spread over the years. So that will continue. And with the same reasoning, the international business is also being organized as we have announced yesterday. So, we will -- it will take its own time to consummate transfer agreements and doing all the activities which are required.

Shrinidhi: And second question I have is, sir, in terms of rationale that you gave for business restructuring, you mentioned that the used flexibility for Voltas to expand its B2C business. May I ask you to elaborate this point as in, are we talking about going into adjacent product categories or we are talking more of existing categories that we operate in?

Management: So, as we discussed earlier as well, while doing the domestic transfer, the larger focus will be on B2C, which is currently what we are doing in terms of the product categories. Yes, there are various other products also which are under evaluation, where we are looking into a potential growth and accordingly the call will be taken appropriately. And when we say about it when we've done this kind of restructuring, the core objective is the management bandwidth was largely being occupied for the consumer driven businesses and project businesses.

The focus was not so accurate, or I would not say time not being too devoted towards the project business. And therefore, this business being transferred with the company, which will have a different set of directors. But there are various product categories in the B2C, which are under evolution. It will be premature to quote anything currently. We will definitely disclose when the time is more appropriate.

Moderator: Thank you sir. Our next question is from the line of Girish Achhipalia from Morgan Stanley. Please go ahead.

Girish Achhipalia: Hi sir. Good afternoon. Thanks for the question and opportunity. I just had a faction question. So commercial AC and refrigeration is how much in full year FY '23? And also, if you can just sell out the top line for Volt Bek?

Management: I would say in terms of contribution, I have to split into two. One is if I take this AC contribution to the entire segment in the range of it will be 17% to 18%. And if I look for the commercial refrigeration, the second question asked, the commercial refrigeration contribution to the segment excluding commercial condition will be around 20%.

Girish Achhipalia: And air coolers would be 4% to 5% again? Or would it be different?

Management: Air cooler will be much lesser than 5%. It is a volume but small value kind of category.

Girish Achhipalia: And Volt Bek top line and AC volumes helped for the full year?

Jitender Verma: Volume, I would not be specifically name, but I can give you a range, it is in excess of 1.4 million the AC put together. And in terms of the Volt Bek, top line will be in excess of INR1,000 crores.

Moderator: Thank you. Our next question is from the line of Arafat from InCred Capital. Please go ahead.

Moderator: Mr. Arafat, you can go ahead with your question.

Arafat: Sir, my first question is again on the JV, which you recently terminated. So, I just want to understand what's the main reason, it's only regulatory approval that thing? Or is there any other reason that you have canceled this agreement?

Management: On the -- I think your question is relevant to the Highly JV and as stated in our announcement, it is because the regulatory approvals had not been received up to now. And therefore, I would say that was the main reason. And you can understand, when the government doesn't give these kind of approvals, there may have been certain consideration in their own mind because of the geopolitical situation as we are seeing. And therefore, looking at all those things and after making all the efforts, we have decided to part ways mutually. And that's I would say is still the main reason, yes, so no other...

Arafat: Sir, my next question is on margin of EMP segment. Although you have seen significant jump in order inflow and order book, but sorry to reiterate on that, but what kind of margin you are looking for '24 and '25 for the EMP business?

Management: See what we have, Girish is, it's a mix of again when we say it's old and the new project. We are very cautious, selective in the new project and that to be the building of the higher contingency given the past experience. So if I -- and you know very well the project cycle does continue for -- or any other project does continue for more than two to three years. So, if I were to blend both the old project margin and the new project margin, it should reflect around in excess of 5% for the project business, at least for the year, starting the next year. We have seen, in fact, the current margin also is a good kind of trajectory, but somewhere because of this liquidity trays and we get collection and being having too much conservative on our policy front, given the past experience, we are seeing this kind of level of margin. But otherwise, new projects are turning out, the margin closer to the tender and then tender margins anyway because of the cautious approach, it is enough amount of contingency and that with the higher margin percentage.

Moderator: Thank you.

Moderator: Thank you sir. Our next question is from the line of Venkatesh Balasubramaniam from Axis Capital. Please go ahead.

Venkatesh B.: Obviously, you have mentioned about competition. So -- and you have mentioned -- you mentioned the name Blue Star. We are already aware of having gaining market share. Who are the others who are gaining market share other than these two? Are there other people? Is it Daikin, is it LG? Or is it someone else?

Because we hear all sorts of things, we also hear that Reliance has launched BPL and Kelvinator and it has started picking up some amount of market share in northern part of India. So is there any truth to that? And lastly, we also hear that when we go to the Tata-owned Croma shops, the people there, the salespeople say that Croma has in-house brand seems to be cannibalizing the lower-end Voltas AC. So, any thought on that, both being Tata companies couldn't we work out a relationship that the Coma brand itself can be driven to Voltas, why should a business group have two different brands at the same time, please some thoughts on it?

Management: Yes, so let me answer the second question first. See Croma is having their own independent entity and independent target towards what kind of product they want to manage it or they want to deal with and what kind of market share they are looking for. The private label brand is not a new concept in India, it has been prevailing for a long time. Yes, it's another competition to the Voltas and normally, when the 40 brands are eying for a market share, one more brand by the private level within the group company probably will not impact much because now we used to have a competitive scenario to fight with each one of them.

Now the question comes is why not united? The question really comes because that every brand carry some kind of perception in the minds of consumer. People have seen how the private level brand supporting to the after sales service support because these units are having almost more than 8 to 10 years life. Although people may give replacement warranties and a service promise and all, we have seen in the market how the outcome of all such kind of promises with no committed level of franchises working with them for any brand, I'm not talking about Croma specially, but I'm talking about all the private level brand who are working on a suboptimal price level.

Given that background, let me answer on the market share side what you talked about it. Generally, I have seen even Lloyd is losing its grip on the market. If I take the last two to three months trend on the market share, however, if I take year-on-year and that to exit market share, yes, the Lloyd has increased the market share and the other brands who have increased over there significantly is Daikin, who is having a market share growth in over and above the Lloyd. So they are leading in terms of growth I have to put over there, Daikin is growing much faster than even Lloyd if I were to compare similar period with the exit market share.

Now question has come on Blue Star, Blue Star also gained market share, but not to the level at which the graph or the GFP reflects over there. They have gained by 0.5% to 0.6%. However, if I look from the Daikin, it is in excess of 200 basis points.

Venkatesh B.: On the electromechanical project, last year, if I ignore the Qatar and other write-off, which was almost INR240 crores at the EBIT level what you delivered was something like INR58 crores loss. Now how much -- what was the scale of the provisions you have made in this -- in the last year?

Management: Sorry, I would not be able to quantify so clearly. But my press release what I have given to the SEBI itself talking about before exception after exception results. And you can easily make it out where the kind of quantum of provisions we made, along with the notes to accounts which we disclosed. It is a good amount of loss, the provision which we trade out. I would say out of that, two incidents are an exception, which have not been perceived by us or which have not been ever thought about it that such kind of action can take place because we have not seen such kind of incidents in the last decade of our existence in the international operation. So that takes over around INR244 crores, so balance also I would not like to quantify as it is, but you can see from my segment as a result which is self-explanatory.

Moderator: Thank you sir. Our next question is from the line of Balasubramanian from Arihant Capital. Please go ahead.

Balasubramanian: Good evening sir. Sir, on the electromechanical project side, we made a provision of around INR240 crores, we may see any further provisioning in the next coming year? We may see around INR200 crores, INR300 crores of provisioning on this project?

Management: Your voice was distorted. Could you repeat your question, please?

Balasubramanian: I just want to understand on the EMP side, are we going to see any further provision going forward on the basis of your current assessment?

Management: See, I think you are confusing the extraordinary losses with the normal ECL provisions which are there in the business. To clarify, in quarter two and quarter three, there was an encashment which was done by, I would say not so clean way and we have gone legal against them. And that's why it is a completely an extraordinary event, which happened. And we can be reasonably assured that these extraordinary events may not happen again. And therefore, I do not predict that. However, there is -- in the segment B, if you see, there is a loss and that is on account of normal provision. As we have mentioned that there are certain instances of delayed certification and delayed collections, so that has been the main reason and as being a very prudent company, we take those provision.

Going forward, our efforts on collections and on certifications would be more, I would say strengthened. And therefore, on the basis of that, we would not be projecting or predicting any more provision. However, when we are dealing with the third parties, there is always a case for the other side to do whatever they want to do. So in that situation, one can't rule out the possibility, though from our side, the procedures will always be strengthened. And therefore, my prediction is it should not be...

Balasubramanian: Sir, any reversal of any of the provisions which we made in last year or something like this, anything positive, you can see -- we can see something?

Management: Definitely, again, as a normal procedure, whenever we collect the amounts which have been previously provided for as a prudent policy again, you do take those reversal. And like for the extraordinary provisions we made, we have very clearly stated that we have gone legal against them. And as and when the legal cases are decided and I believe in that market that may happen within a 12 to 24-month period. And as and when those legal cases are decided in our favor and we are able to collect the money, we should definitely be reversing those provisions.

Moderator: Thank you sir. Our next question is from the line of Abhijit Akella from Kotak Securities. Please go ahead.

Abhijit Akella: Yes, good afternoon. Thanks for taking my question. Sir, one clarification with regard to this backward integration to compressors. So how significant is there a cost advantage in being backward integrated, now that we are sort of calling off the Highly JV, does that lead to a cost disadvantage for Voltas compared to some of the other brands that are setting up this manufacturing? And also with quite a lot of these compressor and other component manufacturing capacity coming up in India, would you expect prices of the finished products to sort of come under pressure over the next couple of years or so? Your thoughts on that, please.

Management: So if I look from the cost perspective, many players in the industry are now evaluating the option of compressors. Yes, we had about two or three brands actually jumped into it and going to manufacture the same. Probably, we were to wait for time in terms of how we are becoming cost competitive. The reason being is because they are -- all these brands are in the business of air condition for almost more than two decades. But now the things are changing and they try to cope or try to be a part of the backward integration player.

And that is the thought process even for Voltas as well when we decided to move and go with a joint venture partner. Some in substances like we have to wait and work gentlemen in terms of how we become cost competitive, because for China if you look, which is the biggest manufacturer of the compressor, they are almost serving 90% of the world capacity, which means on the scale front or the sourcing front, they have the largest advantage -- the largest supplier of the same. Whereas in case of India, people are manufacturing for their own consumption, which will restrict to even less than 2 million or 2.5 million or so, even they're talking about the installing of the capacity.

So I would say that let's wait and watch for more time in terms of how the things are shaping up. As far as the capacity is concerned, even though the capacities are coming up, but they are coming in the, I would say, size of 1 million and around 1.5 million, which means even I take the Indian air condition market itself, forget about refrigerator and others, which is itself heading towards in this current year, if everything goes well, around 10 million. And all this capacity put together will still fall short of what probably industry requires. So, we are reading both import and domestic market will be there for the sourcing of the compressor.

Yes, if you are subsiding the JV some advantage would have slowly in terms of control of the product and the design I would say, securing the sourcing of the components. However, ol vthough it's not there, we can have a long-term kind of arrangements with any of the manufacturer, as we all know. GMCC also now started manufacturing, their commercial production is expected now and in fact, our news is already started in the quarter four. So all these options are available for the brand in order to secure the long-term sourcing arrangement for this component.

Abhijit Akella: And just one last thing on the capex for FY '23, which is about INR180 crores, INR190 crores. Is it primarily in the UCP business itself? And then for the outlook that you gave of about INR350 crores to INR450 crores for the next 18 months, would it be roughly possible to give us a split across the major projects into which that amount is being invested?

Management: It will be there only on two projects, which is commercial refrigerator and the air conditioner, both will be on the production capacity expansion. And along with this PLI benefit, PLI application which we made, which includes a backward integration or I would say corporate manufacturing as well at the Greenfield project at Chennai.

Moderator: Thank you. That brings us to the end of our question-and-answer session. I would like to hand the conference over to Ms. Bhoomika Nair from DAM Capital for closing comments.

Bhoomika Nair: Yes, I was just trying to thank the management for giving us an opportunity to host the call and wishing you all the very best and also thanks to all the participants for being on the call. Sir, any closing remarks from your side?

Management: No, in fact, we're grateful to have these questions coming from the participants. I'm sure one hour will be differently short for the participants, which are in tune of which are a number in excess of 100, 200. So we are open for any kind of question answers, which we could not cover up in this -- during this investor call. And I wish all of you a good day and hope that each one of you will have a Voltas product or a Volt Bek product in your home during this season period of time. Have a great day to all of you.

Management: Thank you.

Moderator: On behalf of DAM Capital Advisors Limited, that concludes this conference. Thank you for joining us and you may now disconnect your line.