



6<sup>th</sup> February, 2024

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 Earnings Conference Call pertaining to Financial Results

Further to our letter dated 25<sup>th</sup> January, 2024, we enclose herewith a copy of the transcript of the Q3 FY24 Earnings Conference Call on the Unaudited Financial Results (Standalone and Consolidated) of the Company for the quarter and nine months ended 31<sup>st</sup> December, 2023 held on 31<sup>st</sup> January, 2024.

2. The same is also available on the Company's website at

[https://www.voltas.in/images/Investor/schedule-announcements/download/Voltas\\_Q3\\_FY24\\_Earnings\\_Call\\_Transcript.pdf](https://www.voltas.in/images/Investor/schedule-announcements/download/Voltas_Q3_FY24_Earnings_Call_Transcript.pdf)

Thanking you,

Yours faithfully,  
VOLTAS LIMITED

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

Enc.

**VOLTAS LIMITED**

Corporate Management Office

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Corporate Identity Number L29308MH1954PLC009371

A **TATA** Enterprise



“Voltas Limited  
Q3 FY‘24 Earnings Conference Call”  
January 31, 2024



**MANAGEMENT:** **MR. PRADEEP BAKSHI – MANAGING DIRECTOR AND  
CHIEF EXECUTIVE OFFICER – VOLTAS LIMITED  
MR. JITENDER PAL VERMA -- CHIEF FINANCIAL  
OFFICER – VOLTAS LIMITED  
MR. NIKHIL CHANDARANA -- HEAD CORPORATE  
FINANCE – VOLTAS LIMITED  
MR. VAIBHAV VORA -- MANAGER, CORPORATE  
FINANCE – VOLTAS LIMITED**

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

**Moderator:** Ladies and gentlemen, good day, and welcome to the Q3 FY '24 Earnings Conference Call of Voltas 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 star then zero on your touchtone phone. Please note that this conference is being recorded. Ladies and gentlemen, kindly note the duration of the call will be for 45 minutes.

I now hand the conference over to Mr. Aniruddha Joshi from -- thank you. And over to you, sir.

**Aniruddha Joshi:** On behalf of ICICI Securities, we welcome you all to Q3 FY '24 results conference call of Voltas Limited. We have with us senior management represented by Mr. Pradeep Bakshi, MD and CEO; Mr. Jitender Verma, Chief Financial Officer; Mr. Nikhil Chandarana, Head Corporate Finance; and Mr. Vaibhav Vora, Manager, Corporate Finance.

Now I hand over the call to the management for the initial comments on the quarterly performance. Thanks, and over to you, sir.

**Jitender Pal Verma:** Good evening, ladies and gentlemen. This is Jitender Verma. As you have already seen our results and press release, just wanted to take you through some salient features.

2023 unfolded in a manner that defied easy predictions. The initial outlook was overshadowed by the global geopolitical tensions and financial market volatility. In case of the developed world, inflation climbed to unprecedented levels, compelling central banks to embark on historically rigorous path of rate hikes before settling down to pause in the latter part of the year. The uncertainty of growth across the world kept the crude oil and commodity prices volatile for most of the year.

Despite multiple headwinds globally, the Indian economy demonstrated resilience and candor in 2023. The increase in tax revenues, positive PMI across manufacturing and services, coupled with the highest economic growth rate amongst world economies stands to this testimony.

Quarter 3 of the financial year comes with festivities across the country, augmenting demand for the various product categories we operate in. The execution of healthy order pad in project business at the beginning of the year has also added to the overall revenue for the quarter ended December 2023. As a result, the consolidated total income registered a growth of 32% at INR 2,684 crores as against INR 2,036 crores in quarter 3 of financial year '23. While product profitability has improved over previous year on account of stability in commodity prices and operating leverage duly supported by the improved profitability in domestic business on the execution of the healthy order pad. A provision on account of delayed collection and cost overrun in international projects, especially in Qatar, has impacted the overall result for the quarter ended December 2023. The profit before tax that is PBT was INR 24 crores against a loss of INR 80 crores in quarter 3 financial year '23. Earnings per share for the quarter ended 31st December 2023, was a negative INR 0.92 against a negative EPS of INR 3.34 reported last year.

The consolidated total income for the 9 months ended 31st December 2023, was higher by 27% at INR 8,477 crores as compared to INR 6,664 crores in the corresponding period last year.

Profit before tax was at INR312 crores as compared to INR93 crores last year. Net profit after tax was at INR137 crores as against a loss of INR7 crores owing to an exceptional loss of INR244 crores in FY '23 in the corresponding period last year. Earnings per share for 9 months ended 31 December 2023 was at INR4.10 as compared to a negative EPS of INR0.27 in the same period previous year.

During the quarter, the company has availed term loan to finance the capacity expansion for both air conditioner and commercial refrigeration, along with investments directed towards PLI scheme. The corporate balance sheet continues to remain healthy with the cash and cash equivalents and minimal borrowings as at the period end.

A snapshot of our results, you have already seen.

**Segment A's Unitary Cooling Products:** Quarter 3 of current financial year witnessed key festivals and wedding season supporting consumer appliances in an otherwise lean quarter from the seasonal perspective. The strategic tie-ups with channel partners, price calibration coupled with expanded product portfolio has resulted in volume growth outperforming the industry. The planned expansion of Exclusive brand outlets or EBOs, has also supported and contributed to sales during the period. Tactical consumer-centric subvention schemes and placement of In-shop demonstrators (ISDs) has boosted sales of higher energy efficiency products, thereby improving product portfolio towards more premium category

The collective outcome of all such initiatives has resulted in volume growth of 27% over last year in similar period. Voltas continued its leadership in window as well as split air conditioners category with YTD market share of 19% as of December 2023.

The focus on the inverter category, improved product portfolio, reduced volatility in commodity prices, higher scale and focused approach on margin enhancement resulted in year-on-year and sequential margin improvement for the product category.

On a relatively higher base of the previous year and on account of reduced investment by the OEM, more particularly in chocolate category, the growth of the commercial refrigerator category has remained tepid. Nevertheless, the outlook for this category is promising given the expansion of retail chains in conjunction with increased penetration of cold beverages, chocolates and ice creams into newer territories.

The air cooler vertical witnessed a lower territorial demand, I mean, low offtake during this non-season time. The investment in product portfolio, expansion of network channel and tactical distributor schemes supported the primary delivery to the channel partners, thereby registering a growth during the quarter. Voltas air coolers continued to lead the second position in market share with an exit market share of 8.9% as of November 2023, an increase of 170 bps over March '23. During the quarter, we witnessed good acceptance of our newly launched water heaters.

Commercial air conditioning vertical performance has registered a robust growth for chillers, VRF, ducted and packaged air conditioners both from retail and health care sectors. Going forward, our mandatory quality control order compliance in few of the commercial air conditioning product category may also impact sales amid price escalation; however, increased

commercial activities across the country, coupled with focus on customer retention and after sales service should support the overall growth for the category.

To summarize, for the quarter ended December 2023, UCP segment registered revenue of INR 1,476 crores, a 21% growth in turnover from INR 1,216 crores in quarter 3 financial year '23. Segment reported an EBIT of INR123 crores in quarter 3 FY '24 as compared to INR89 crores in quarter 3 FY '23, i.e. a growth of 37%.

For 9 months ended December 2023, UCP segment registered revenue of INR5,198 crores, a 17% growth in turnover from INR4,426 crores in 9-month financial year '23. Segment result was INR423 crores in 9-month financial year '24 as against INR332 crores in 9-month financial year '23, a growth of 27%.

**Segment B, Electro-Mechanical Projects and Services:** Segment revenue for the quarter was INR 982 crores as compared to the previous corresponding quarter revenue of INR 648 crores, a growth of 51%. The segment result for the quarter reported a loss of INR 120 crores due to cost escalation on periodic assessment of the ongoing projects and provisions on account of delayed collection in certain overseas projects.

Domestic Projects business on the back of a healthy order book at the beginning of the year and timely execution of the projects registered a stellar growth of 83% over last year in the similar period. Focus on certification, tight control on the working capital and other project management-related initiatives have resulted in a robust growth in the financial results as well as improved ROCE that is return on capital employed, for the domestic projects. The order inflow and order pad for the domestic business stands at INR 482 crores and INR 5,275 crores, respectively.

While domestic business has registered a stellar performance within this segment, our international project business continues to face headwinds. A cautious and risk-mitigated approach is followed for securing new orders. However, a few projects, especially in Qatar, are under stress due to obstinate delays in realization of overdue receivables and prolongation of execution timelines. These delays have resulted in cost overrun, which has impacted the overall performance and resulted in a loss of INR143 crores in international projects business in the current quarter.

Having said that, the company continues to engage with all concerned stakeholders in these projects to pursue its entitled claims and recovery of new receivables.

**Segment C, Engineering Products and Services:** The segment revenue for the quarter was INR 155 crores and EBIT for the quarter was INR 50 crores, respectively.

Customer-focused approach increased demand of crushing and screening equipment owing to extensive infrastructure spending in the country and revival of iron ore sector supported the growth of mining vertical in the quarter.

Sustained prices of cotton on the arrival of new crop gave some respite to cotton spinners resulting in revival of demand for the textile machinery equipment. The vertical continued with

improved performance on the disciplined execution of the strong order book and focus on accessories sales, including auxiliary and value-added service. Investment in textile sector on the back of the policy initiatives of the government, like PLI scheme, Textile Park and revival of export demand are an indication of positive outlook for the sector.

**Voltas Beko:** Voltas Beko, the Company's Home appliances business crossed a cumulative volume of 4.5 million units since launch of commercial sales, becoming the fastest brand to achieve this milestone. The overall volume growth was in excess of 65% compared to the corresponding quarter in the previous fiscal. And for the 9-month period, the overall growth in volume was in excess of 55%. The company's performance was aided by robust festival demand, improved consumer sentiments, growing presence in organized retail and e-commerce platform, and product management initiatives, which have led to a premiumization of the overall portfolio. The strategic tie-ups with organized trade partners and e-commerce platforms in addition to the traditional channels have contributed to achieving much higher volume growth as compared to the industry. The company's effective advertisement spends on TV and digital media and the rapid and extensive deployment of in-shop demonstrators has accelerated the growth momentum. Our market share stood at 3.3% for refrigerators and 5.5% for washing machines, representing an increase of 1% and 2.1%, respectively, over the same period in the previous year. In the semi-automatic washing machine category, the company reported market share of 12.2% for December 2023.

The favourable product mix, cost rationalization measures alongside localization of the fast-moving SKUs have resulted in significant improvement in overall gross margins. During the quarter, the company also received significant export orders from the overseas subsidiaries of its shareholder partner. The loss per unit has been curtailed significantly despite much higher advertisement spends and in-shop activities. The growth in sales volumes and increase in capacity utilization will continue to drive improvement in gross margins and overall profitability.

**Outlook:** With the upcoming summer around the corner, we strongly believe that demand for air conditioners, commercial refrigerators, air coolers and home refrigerators will be strong and positive consumer sentiments will further support growth. The various strategic initiatives and new product launches planned for the season across categories will help us to outperform the market and shall support us in strengthening market share in a more sustainable and profitable manner.

The government make curb its spends on infrastructure in the wake of the general elections; however, profitable execution of the orders in hand will support growth momentum. The headwinds in our international business may continue for some time given the extraneous factors; however, the efforts taken by the company may be able to reduce its impact on the segment.

We remain optimistic given the various supporting factors for the businesses we operate in.

Thank you. Thank you very much. We can start the question-and-answer session.

- Moderator:** Thank you very much. We will now begin the question and answer session. The first question is from the line of Natasha Jain from Nirmal Bang. Please go ahead.
- Natasha Jain:** Sir, my first question is on the commentary that you made. You said that you received significant export orders for Voltas Beko. So can you just tell us where these orders came from and what were the orders for?
- Management:** Normally, you know that we have a partner, which is Arçelik with the brand name of Beko. And as I've mentioned in our initial comments, these export orders are through them. So these are to meet their various -- because they operate in all regions outside India. So all the -- in terms of our agreement also, all the exports are done through them. They were for various countries in the nearby region.
- Management:** Mainly these orders are for frost-free refrigerators and dishwashers. These are the 2 products, which we have exported. And since our arrangement with Arçelik is for India only and, therefore, certain products which our factory is producing here, and if they are in demand, which other factories are not producing, so there is opportunistic exports, which is happening. And for that, the partners based out of Turkey, they are procuring the orders and we are executing them. That's how the system is.
- Natasha Jain:** Understood, sir. All right. Sir, my next question is on the UCP segment. Now specifically for RAC, if I see your first half market share, we landed at 9.2, and then now we've again landed at 19, so pretty much flat. Now if I see the overall UCP value growth and if I compare it with the volume growth for either RAC or the entire UCP, there's definitely been some pricing pressure. So did it come from RAC specifically and basis that we have to cut prices?
- Management:** See, first of all, I think, what you said is 9.1% half yearly is something you've not probably spelled out properly. It is -- it's been over 19% in half yearly results as well as in the...
- Natasha Jain:** 19.2%.
- Management:** Yes, 19.2%, you said 9.2% initially anyway. So it is over 19%. So first, we remain the market leaders, as you know, in the room air condition volume. And if you look at our primary sales growth also, which you would have seen through the balance sheet also in the air conditioning category in the quarter 3, we've grown by 27%. So I think while the industry has grown by about 22% in YTD, so we have been growing faster or larger than the industry growth. And we are ensuring that our market shares and the leadership position remains intact. That's our endeavour.
- And if you are talking about the margin pressure, if you look at our margins in room AC category as well as overall category, it's been about the same what we have been doing. In this quarter, in fact, it is slightly better only. So while the industry has been -- if you look at many brands, I don't want to name here, but several brands have been registering losses to gain market share. Whereas if you look at our -- we have remained profitable as well as we've remained a leader, and we have maintained and sustained our numbers as well in market shares.
- Management:** And Manish over here. Just to add what MD said, the value and the volume growth difference, what you're seeing is largely because of the product mix. The AC has been grown at a higher

average rate whereas the commercial refrigerator and the air cooler, the growth was lower. And that's why you're finding that the volume and value growth are different.

**Natasha Jain:** Okay. So that means the UCP margin expansion would mostly have come through from the RAC category, right? Is that understanding correct?

**Management:** For this quarter, yes.

**Natasha Jain:** Understood, sir. And sir, lastly, on the EMP, as the projects business, sir, since the last couple of quarters and specifically in the last quarter, we've been told that the stress is going to be there. But then the level of aggressiveness would be decreasing. If I see the losses in this quarter, it has ballooned and it's greater than even quarter 1 and 2 combined.

So I would want you to tell detail out as to what's happening there, how should we model this? Because we're not able to understand what are the losses that can crop up following -- in the following quarters in the magnitude of it. So if you can just detail out a little bit here.

**Management:** So Natasha, let me tell you one thing is, the understanding of quarter 1 and quarter 2 put together, loss have gone up in the quarter, see that understanding is not correct. Second thing is, yes, we are facing some kind of headwinds in the international business and its outcome of the periodic assessment and reassessment what we carry out on the ongoing projects as well as the stress situation what we are seeing in the international markets, especially in the Qatar where we have a larger exposures and the delay in the receivables being seen consistently. So these are the prime reasons of the loss attributed to it.

Now the question of yours is whether we are done with all the impacts? As we said earlier as well, it is the assessment of the project and the outstanding, which is there in the Qatar territory. Largely, we faced the headwinds over there. And the steps that we have taken should help us to contain those losses. But again, it is premature to say for the -- in the going forward how it will evolve. But this is where they stand today. MD will add a few words to it towards it.

**Management:** Yes. So Natasha, you see the projects by nature are a little -- it's not sudden as to how -- which direction they're going to end because till the time the project completely gets over, it remains uncertain. So while our endeavour has always been to protect our interest, as well as our shareholders' interest to protect the margins as well as executing the projects well on-time and profitable and that is why we are into this business.

And if you look at our history, for more than four decades in this business -- project business, this is the first time in last few quarters, you can say about 1.5 years, we have faced some headwinds, and that is largely on account of Qatar. Because what has happened is somebody unethically or uncalled for, they are en-cashing our bank guarantees in their anxieties to make quick monies or recover their monies, some contractors who we deal with.

So that is what has derailed our international project business. Otherwise, if you look at overall, all other categories, all other verticals, including engineering products or our UCP segment everywhere we have made reasonably good profit.



Except for this particular vertical where for last few quarters, one after the other, some bank guarantees have been en-cashed or despite the fact we have carried out and executed the project and handed over the project as per the requirement of the client and the contractor, but our payments are withheld.

While we are attempting in best possible manner, also through legal way, we are trying to retrieve this situation. And hopefully, by the time the verdicts come, we -- it should be in our favor. That's what we are trying to protect our interest as well as interest of our investors. So this is how it is as of today. But this is only one region. And in international operations also, everything is coming out of Qatar, so our endeavour is to plug this.

And now going forward, also what we are doing is, as a remedial action, we are becoming very choosy while selecting the project, we are very selective. And wherever we think that it is backed up with proper funding, it is through renowned contractor and the client, those who are good paymasters, we are going to them only. Now we are not taking any chance whatsoever.

**Management:** And as we say that these are the provisions and it should give us an opportunity to write-back or reverse these provisions as and when we win those legal cases and get our money back. So that will be an opportunity for the future.

**Moderator:** Our next question is from Bhavin from SBI Mutual Funds. Please go ahead.

**Bhavin:** So this question, again, is on the loss in the Projects division that we have seen. So if you could just help us understand this Qatar, what was the original size of the project? What is pending to be completed? And what's the kind of cumulative losses that -- or provisions, as you highlighted, that we would have kind of provided for in this?

And when should we expect business as usual, margins on the Projects division? So backward-looking in terms of what was this 1 or 2 project, which went back to the quantum of the project and the losses? And going forward, what's the underlying margins of the projects that we are bidding and when can we expect normalcy to start?

**Management:** So Mr. Bhavin, Bakshi here. You see if you have seen through our reports and we have tried to elaborate in our press releases also wherein actually largely all this has been happening in the Qatar projects only. And if you ask me, there are about 2, 3 projects where we have got derailed.

While if you are asking about the status of these projects, most of these projects we have finished almost and handed over to the contractors, main contractors for the client. As you know, that by virtue of we being the MEP contractors, we work with the main contractor, which is a civil contractor. And then we are in between -- in the client and us, there is a main contractor. So we deal largely with the main contractors.

And in some cases, the outstanding is there, they have not paid us our dues. In certain cases. they have en-cashed our bank guarantees. So on account of two -- and all this has been done, I would say, in crude language, they are fraudulently being done, unethical, uncalled for. While I have handed over, I have done my bit, and I've handed over the project to them, and they're using it. If you look at some malls, some buildings, which we have created, we have done our bit and

we've finished off the project and handed over the project. In spite of that, if somebody is encashing my bank guarantee, somebody is not paying me, actually, we are not at fault. But yes, of course, we owe the answers to you, we are answering you, but unfortunately, it is beyond our capacity. And therefore, we are very -- we have felt hurt. We have taken the matter to the court and we are trying to retrieve the situation. Hopefully, by the time the verdict comes, it should be in our favor, and we should be able to write back these provisions, which we've provided in the last couple of months.

**Bhavin:** So what's the total quantum of provisions that we would have done for the Qatar these couple of projects in the Qatar?

**Management:** Bhavin, if I take the equivalent amount, it may go even beyond INR 300 crores to INR 400-odd crores, it will vary. In fact, if I'm talking about the current financial year and some of the last quarter of the financial year, and that's where we stand. The quantum of the project and all the things won't matter too much to it because that's what we stuck and what our MD has rightly said, the legal remedies are being persuaded. Either contract is -- or the cancellation of the guarantees are taking place at the end of the contract.

**Bhavin:** And the second question is, when can we expect business as usual? And what's the underlying margins now for the Projects division that one should...

**Management:** For the business as usual, for other regions, we are earning usual profits. And our general guidance has always been roughly around 4% to 4.5% EBIT margins based on the turnover. And that is continuing in all the other areas. Even on this one, as we earlier said, that once the legal decisions are made, we should be able to get back a substantial amount on these losses, which have been -- or rather provisions, which have been booked until now.

And usually, these court cases get decided and the execution of the legal decisions get executed over a period of, 24 months or maybe 30 months. So that is the kind of time period we are looking at overall. But other than that, all other projects, they are running normally.

And in terms of business as usual, if you ask me, if you look at all other businesses, they are performing better than the expectation, and they are -- every other business and vertical is not on targets in terms of both, top-line, bottom-line, volume, everything except for this particular business.

And here also, as I said, you would have heard me earlier when I was answering to Natasha also, that we have been very selective, where very carefully, we are picking up projects now in the international segment. So I think probably going forward, this will all pave way in the right direction because we want to curb all this, whatever has happened.

**Bhavin:** Appreciate that. If I can ask one more question on the Unitary segment, in the competitive advantage for Voltas to our understanding was cost, second was brand and distribution. So cost is an advantage that the perception that we have is diluted because of the import curbs, but the margin increase that we are seeing, is it that the cost advantage that we had, we have kind of climbing back and is there -- if you can throw light on that and is there a possibility of we seeing a positive direction on the margin that we saw in this quarter continuing?

**Management:** Actually, if you look at our price competitiveness has remained despite the fact overall in the industry because what has happened in last about 2 years, the commodity prices went up very steeply and unfortunately because during the lockdown and after the lockdown when the markets opened up, the industry could not pass on the price hike of the commodity to the consumers.

And therefore, overall, if you look at in the industry, the margins have shrunk a bit over the previous years. But if you look at our profitability, it's been either better than many other brands or about the same. So I think you should believe that our competitiveness even whatever -- whether we were outsourcing from outside India or when we are producing in India, our prices have remained competitive and we have remained profitable brand all along.

So I don't think it is a better sourcing because if you look at even today also, a lot of components still are being imported only. Everybody has been outsourcing quite a few products from outside, only 50% of those products comes from outside. So whether you are getting 50% or 60% earlier on, it's almost the same. Only thing is the commodity prices, which have got hike have been absorbed by the industry. And therefore, overall, if you look at on the margin front, there's a bit of a shrinkage, which has happened.

**Bhavin:** So just the direction that we saw in this quarter was a positive surprise. Is the direction likely to continue? Can we see a slight increase in the margin directionally?

**Management:** Direction for margins, if you ask about UCP segment, I think it is better only. If you were talking about overall company because of international operations, yes, that has gone a bit down.

**Management:** So Bhavin, if I have to just add what Mr. MD rightly said is, if you recollect in the past as well, we said we'll remain a leader in the margin trajectory as well. And sequentially, if the stability gets arrested for the commodity, the scale should give some advantage to another 50, 60 basis points to move forward that we demonstrated in quarter 3 and looks like quarter 4 also will support to us in terms of the volume. So we remain positive on this.

**Moderator:** Our next question is from the line of Ajit Motwani from Dymon Asia. Please go ahead.

**Ajit Motwani:** Just wanted to understand a bit of a thing on market share. So sequentially, your market share is about similar 19, 19.5. So can you split it between, say, window AC and inverter? And that's first question. And what would be our exit market share for December?

**Management:** So if you look at, yes, of course, our endeavour has been to sustain our leadership and the market shares because currently, more than 60 brands, they are in the frame and they are fighting for the bite. So sustaining this market share itself is a tedious task, which our team has been able to maintain and sustain. Coming to the window versus split roughly, windows are hovering between 37 percent, if you look at for last few quarters. And in the split category, our market share is 19 percent. So that's how it is. And since the 90% of the business is coming in from the split ACs, therefore, our overall market share also remains about slightly above 19%. That's how it is.

**Ajit Motwani:** Good. And what would be our exit market share for December?

- Management:** So we will try and retain this market share because, as I said, our endeavour has been to sustain our market share as well as leadership position, so we will be around this number only.
- Ajit Motwani:** Got it. And this number, when you give this is, if I understand correctly, this is multi-brand outlets market share. Here, you do not include your institutional business, right?
- Management:** Yes, that is correct.
- Management:** Even on overall basis also, this market share remains about the same only, including the MBO, EBOs and off-line channel, complete online channel, this market share has been about the same 0.1% here or there. So we've been hovering on 19% and so.
- Management:** And you recollect, we're reporting based upon the GFK. So if you talk about the institutional sales, that generally, it's a B2B kind of transaction like when we do carry out ATM installations and all, that largely won't get covered under the GFK market participant -- as a market participants over there.
- Ajit Motwani:** On the costing front, you alluded to the fact that like after the rating change and after the sharp inflation that we saw in last year, the price hikes that you took were not sufficient enough to sort of cover up. Now as you look forward to the next 6 months which are typically the seasonal period for us, and you would have booked your inventory for the season. How much price hike we need to take to cover those costs, which were higher because of rating changes and with your commodities.
- Management:** Yes. Normally, we do tactical price hikes. So I would not be able to give you any predicted numbers for what percentage hikes we would be taking because it is a...
- Ajit Motwani:** No, my question is not that. My question is that how much we'll need to take to cover up those costs? I'm not -- asking how much price have you...
- Management:** You see what happen is, if you're talking about the price hike due to the energy efficiency going up or down, that's one part. So every time whenever energy efficiency is going up because every 2 to 3 years, the Bureau of Energy Efficiency, Government of India, they raise the bar for energy efficiency.
- At that point in time, in case what our team does is, to counter that, actually, we come up with a lot of value engineering in our system through our R&D and manufacturing streams. So that a minimal percentage hike is passed on because we want to remain competitive. And we want to offer best-in-class product and service to our consumers.
- So therefore, we don't want to burden the customer; however, if something is necessary to increase because of certain thing, pressures in terms of energy labeling, etcetera, that will be passed on, but that will be minimal. But otherwise, generally, we ensure that we pass on only the requisite price hike. Otherwise, that is all covered up through our value engineering and product designing, etcetera.
- Moderator:** Our next question is from the line of Siddhartha Bera: from Nomura. Please go ahead.

**Siddhartha Bera:** Sir, first question is then on the UCP side. You mentioned taking multiple initiatives to grow ahead of the industry. So can you just talk a bit more about these areas where do you white spaces like maybe your penetration in some of the channels like modern trade or general trade or in some regions where you are probably weaker and some of the initiatives, which you have taken, which can lead to market -- you growing ahead of the industry in the coming years?

**Management:** Yes. So to answer your question as well as the question earlier on some investors had asked as to how are we trying to protect our turf, how are we trying to improve our profitability, our numbers, etcetera. So you rightly pointed out, we are trying to address all channels. Earlier on, there was distribution, which is a conventional channel and distribution, which was popular. But now in the last few years, especially during the lockdown period, pandemic period and all, the other channels like e-commerce channel, also the modern trade, they have emerged out very strongly.

So now our team at Voltas, we've been focusing on doing justice and trying to rope in all the partners, including modern trade, organized trade, regional trade, e-commerce, channel partners, Exclusive brand outlets, everywhere we are trying to make our presence stronger and trying to extract the requisite market share because unless and until we take the requisite market share and extract exception from each one of them, it is difficult to sustain the leadership and the market share.

So we are focusing on all kinds of channel partners. We are strengthening and enhancing our presence and reach everywhere across the regions and also some of the regions where these partners are stronger there, the focus and thrust is being provided additionally to ensure that we remain and sustain our leadership.

**Siddhartha Bera:** Got it, sir. And sir, how critical or how you are looking at pricing as a tool because you mentioned in the quarter also that you had taken some calibrated pricing actions. Now going ahead, I mean, what will be more sort of important in terms of growth or margins? I mean, will you look to sort of push a better slightly lower price, despite a weaker margin or how you're balancing between the pricing and the margins?

**Management:** See, you would have heard me. Just now I said, to protect our margin and profitability, we will continue to do whatever we need to do to ensure our numbers are there. One, if you're talking about remaining competitive because whatever -- even if the competition is coming more aggressively, so we have been remaining competitive and trying to achieve whatever numbers we have to achieve and trying to achieve profitability as well. So we'll continue to do that. Our endeavour is in that direction.

**Siddhartha Bera:** Okay, sir. Sir, lastly, on VoltBek, I mean you indicated a good pickup, but we have not seen that in terms of the earnings for this quarter. So can we expect a meaningful improvement in the profitability next year given the push this year? Or do you think that will take longer to sort of play out?

**Management:** See, if you had seen our projections in the past, for the first 4, 5 years, we have decided that we will invest into the brand because we are setting up factories, we are ramping up our production

and trying to achieve our numbers, our objectives in terms of volume as well as market share. That is our first endeavour. And because these factories have to run, factories have to get stabilized.

So therefore -- and we are in the initial phase of that first 4, 5 years only. So after that, going forward over next 2, 3 years, you will see that we are breaking even and start making profits. So yes, of course, we are working towards it. As the volume starts building up, we will work on these.

**Management:** And as we have indicated already in our answers -- in our initial introduction, that the loss per unit is coming down drastically, and which is a great news for a newly coming up company. And the number of units which we have sold in the initial years is close to 4.5 million units. That is also unprecedented for any newcomer in the market, so -- and the acceptability of our products and the technological advancements, which we are able to give to the consumer, they all are positive factors, which really are boosting well for the brand. And therefore, we remain quite optimistic on its growth levels.

**Management:** So ideally, if you look at, you have seen our revenue growth this year has been about 45%. As we continue to grow in revenue, a lot of fixed costs will be better and we will try to generate profitability in this segment also faster.

Unfortunately, what has happened is because of lockdown period pandemic, 2 years, we've got derailed. Otherwise, we would have, by now, got into the profitability. But unfortunately, slightly we got derailed because of all this, but now we're catching up with the game faster, and you'll get to see turning around in this business also soon.

**Siddhartha Bera:** Got it, sir. Sir, this project business, what will be the total order book now you have shared domestic, but not the total. Can you share that number?

**Management:** Roughly above INR 8,000 crores, we are as of now.

**Management:** INR 5,500 crores, in domestic projects and about INR 3,500 crores in the international projects.

**Management:** Aniruddha, since we have reached the closing time, I believe we should -- I do agree that the participants may have more questions, we are available on a phone call and we therefore request you to proceed with the closing remarks from the MD, if any.

**Management:** So I think largely through the couple of questions which are being asked by some of the investors, I think they are covering length and breadth of the balance sheet and the numbers, which we have projected and presented to you guys through our balance sheet. So while the answers have been given, provided to you; however, we are available in case you want to reach out to any one of us. You can send your queries and we will be more than pleased to answer your queries further as well. Thank you. Thank you very much.

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