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August 12, 2026

To,
The Manager (Listing)
BSE Limited,
Phiroze Jeejeebhoy Towers,
Dalal Street,
Mumbai – 400 001

Scrip Code: 533581

To,
The Manager (Listing)
National Stock Exchange of India Limited,
Exchange Plaza, Bandra Kurla Complex,
Bandra (East),
Mumbai - 400 051

Scrip Symbol: PGEL

Sub.: Intimation under Regulation 30 of SEBI (Listing Obligations and Disclosure Requirements) Regulations 2015 - Transcript of the Earnings Conference Call

Dear Sir/Madam,

Pursuant to Regulation 30 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 and in reference to our submission dated August 01, 2026, please find enclosed Transcript of the Earnings Conference Call held on August 07, 2026.

This is for your information & Records.

For **PG Electroplast Limited**

DEEPESH KEDIA
Digitally signed by DEEPESH KEDIA
Date: 2026.08.12 16:38:49 +05'30'

Deepesh Kedia
Company Secretary

"PG Electroplast Limited

Q1 FY'27 Earnings Conference Call"

August 07, 2026

MANAGEMENT: **MR. VISHAL GUPTA – MANAGING DIRECTOR, FINANCE – PG ELECTROPLAST LIMITED**
MR. VIKAS GUPTA – MANAGING DIRECTOR OPERATIONS – PG ELECTROPLAST LIMITED
MR. PRAMOD GUPTA – CHIEF FINANCIAL OFFICER – PG ELECTROPLAST LIMITED

MODERATOR: **MR. NIKHIL KANDOI -- AXIS CAPITAL**

Moderator: Ladies and gentlemen, good day, and welcome to PG Electroplast Q1 FY '27 Earnings Conference Call hosted by Axis Capital. 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.

This presentation has been prepared for informational purposes only. This presentation does not constitute a prospectus offering circular or offering memorandum and is not an offer or initiation to buy or sell any security nor shall part or all of this presentation from the basis of to be relied on in a connection with any contract or investment decisions in any securities.

This presentation contains forward-looking statements based on the currently held beliefs of the management of the company, which are expressed in good faith and in the management's opinion are reasonable. The forward-looking statements involve known and unknown risks, uncertainties and other factors, which may cause the actual results, financial conditions or performance or achievements of the company or industry to differ materially, looking forward statements.

I now hand the conference over to Mr. Nikhil Kandoi from Axis Capital. Thank you, and over to you, sir.

Nikhil Kandoi: Thank you Abha. Good morning, everyone. On behalf of Axis Capital, I welcome you all to PG Electroplast Q1 FY '27 Earnings Conference Call. Today, we have with us senior management represented by Mr. Vishal Gupta, Managing Director, Finance; Mr. Vikas Gupta, Managing Director, Operations; and Mr. Pramod Gupta, Chief Financial Officer.

Without taking much of time, I hand over the floor to the management for the opening remarks, post which we'll open the floor for Q&A. Thank you, and over to you, sir.

Vishal Gupta: Thank you, Nikhil, and good morning, everyone. Thank you for joining PG Electroplast Q1 FY '27 Earnings Call. I'm Vishal Gupta, and I'm joined by Mr. Vikas Gupta, our MD, Operations; and Mr. Pramod Gupta, our CFO. We are pleased to start this financial year on a strong note. The season progressed smoothly. Demand played out broadly in line with our expectations, and our teams executed well across the board. Consolidated revenues crossed INR2,000 crores for the first time in the company's history, and the Room AC and Washing Machine verticals posted their highest-ever quarter sales.

Growth this year came from a combination of volume and price. We saw double-digit volume growth and a similar quantum of ASP increase as commodity costs and rupee depreciation got passed through to our customers. Our order book remains healthy across all product lines.

I will now let Pramodji take you through the numbers in detail, and then I will come back to cover our capacity road map and few operating priorities for this year. Pramodji?

Pramod Gupta: Thank you, Vishal ji. Good morning, everyone. As all of you would have seen the numbers, consolidated revenues for the quarter was INR2,034 crores, up 35.2% Y-o-Y. EBITDA came in at INR156.2 crores versus INR139.4 crores last year with a growth of 12.1% and EBITDA margin of 7.7%. Net profit was INR75.3 crores versus INR66.7 crores, which was up 12.9% Y-o-Y. Product business was a key contributor for the growth, and it contributed 80% of sales, growing 40.7% Y-o-Y.

Within that, AC grew 38.1% to INR1,401 crores, washing machine grew 67.2% to INR211 crores and coolers grew 3.4% to almost INR19 crores. Electronic business has grown 65.3% Y-o-Y and contributed 5.3% of the revenues.

Plastic moulding and component contributed INR294.6 crores and was up 7% Y-o-Y. Our JV, Goodworth Electronics posted sales of INR177.3 crores versus INR147.5 crores last year. And EBITDA for the JV was INR6.3 crores versus INR4.3 crores last year. Our subsidiary, wholly-owned subsidiary, PG Technoplast, reported strong sales of INR1,600 crores for the quarter.

On margins, gross margin as a percentage softened both quarter-on-quarter and year-on-year, driven by elevated commodity prices, particularly copper and aluminum, along with the rupee depreciation. I want to be clear on the mechanics here. Product pricing in the industry is typically structured on a per unit margin, not a percentage.

So when commodity price rise and we pass through via ASP increases, the same per unit margin show up as a lower percentage of larger revenue base. On a per unit basis, margin remained stable versus last year and commodity cost increases have been partially passed through to the customers. On balance sheet, things are quite healthy. We are a net cash company now. Cash and bank balance stood at INR491.3 crores, and we have a modest debt at the end of 1Q 2027.

With this, I will hand it over back to Vishal ji. Vishal ji?

Vishal Gupta: Thank you, Pramodji. Let me now cover where things stands on our capacity, along with a couple of other developments for this quarter. First, our flagship Wash Machine Manufacturing facility has come online in a new campus in DMIC, Greater Noida, Uttar Pradesh. It's a state-of-the-art plant, one of the best in the industry with a capacity of 1.8 million washing machines annually.

Our fully automatic washing machines business has grown 150% on a Y-o-Y basis in this quarter, and we are launching a brand-new 18 to 20-kilogram range washing machine platform. This will let us go after a higher capacity, higher value segment, which we have not addressed fully before.

Secondly, on our refrigerator facility at Sri City in South India, it is progressing well. We are targeting commercial production by quarter 4 of this financial year and with this becoming a meaningful revenue stream for FY '28 onwards.

We have also tied up with our anchor customer for this business, and we are already active discussions with other customers also where we are getting some soft commitments from them. This facility will have a capacity of 1.2 million units. And in the first phase, we are starting with direct cool and side-by-side refrigerators. And in the next phase, we'll expand to frost-free and multi-door category of the refrigerators.

On the compressor front, this project, which is coming up at Supa is also on track for mass production in this financial year. Things are progressing well. We expect our 2 million capacity line to come online in this financial year as already planned and conveyed. Our new facility in Rajasthan, which is under the subsidiary PG Technoplast has also -- is also becoming online.

And given our anticipated growth, we are consolidating operations by relocating some of our units in Greater Noida to this new Salarpur facility. Alongside that, our strategic priorities for this year R&D, new product development, backward integration and capability enhancement, all aimed at building longer-term resilience and improving capital efficiency, which Pramodji has touched upon. With that, we'll now open the floor for questions. Thank you.

Moderator: The first question is from the line of Achal Lohade from Nuvama.

Achalkumar Lohade: Sir, if you could help us understand, a, in terms of the RAC, the largest segment, in terms of how has been the industry trends in terms of primary and secondary sales volume growth? And also for the EMS industry, how has been the volume growth? And what kind of market share gain have we seen? If you could comment on that first?

Vishal Gupta: See, for RAC, at the industry level, in this first quarter, we have a sense where we can give you some idea on the primary level what the growth and the numbers have been. Secondary level, we don't have very direct access to the data, but still primary level, we see that in Q1, I think overall industry has done around 10% to 15% better, 15% better as compared to last year. And on the couple of that, if you combine that with around 10% to 12% value growth in the ASP, so the combined is around 20%, 25% is the growth in the -- at the primary level for the RAC.

Secondary level, we believe and as per the information we have got from our clients, secondary level, the sales have been a little better. Some people are giving -- it's still very mixed signal.

Some people are saying it's a little better. Some people are saying it's much better. So we don't have very exact idea on this. But overall, secondary sales are better than the primary. So maybe at the June end, the channel and the brand level inventory must be at a little lower side than what we had in the last year on the same time. Yes...

Achalkumar Lohade: How about the -- as in you're saying June end inventory is lower than last year, but last year was actually pretty high. So is it still higher than usual or it is now kind of normalized?

Vishal Gupta: It is very near to the normal inventory levels now. And what is happening, sir, now the competition intensity is so high, so nobody wants to lose any opportunity of any sale. So people tend to keep inventories at a higher level in order to ensure that they don't miss any sales opportunity. So we will see elevated level of inventory going forward, seeing the competitive intensity of this industry now. This is, I believe so. This is my very personal view.

Achalkumar Lohade: Fair point. And sir, on the EMS front, if you could call out how has been for the EMS players? Have you seen more outsourcing compared to last year?

Vishal Gupta: EMS, electronics is not a very large business for us. We are still doing so large, capacities what we have...

Achalkumar Lohade: Sorry to interrupt, sir, I meant for the RAC, the outsourcing percentage, has it gone up for the RAC?

Vishal Gupta: RAC outsourcing percentage is definitely going up. It is definitely going up, if you see the number. Overall percentage of RAC outsourcing is definitely going up, sir.

Achalkumar Lohade: Got it. Got it. Second question, if I may ask, with respect to RAC growth for us. So was there any spillover positive impact? Even fourth quarter end, we had logistical challenges. So has that also kind of benefited? And on a 6-month basis, how do you see that number or the market share gain, if you could call out?

Vishal Gupta: See, AC is a very seasonal business. So you have to be present at that moment of time to meet your clients' requirement. Definitely, we had some spillover, but it was not a very large gain in that -- from that point of view.

If you are not able to meet your sales or you are not able to service your client in the time he wants that, then sometimes you lose that opportunity. Overall, 6 months for this quarter, I will say we will see a growth, but we will not see a very large growth. It should be around 15%, 20% growth, should be there on a 6-month level for this year.

Moderator: The next question is from the line of Tanay Shah from DAM Capital.

Tanay Shah: I have 2 questions. So first is, we spoke about the fact that almost a chunk of the commodity increase has been passed on. So what percentage of the cost increase has been passed on to our customers and what is yet left with us? And how do we see that sort of playing out over the next few quarters in terms of a gross margin?

Vishal Gupta: See, cost increase has been partially passed through to the clients. I cannot be -- I cannot give very specific numbers on that, and it varies from customer to customer. But we are hopeful that we'll be able to again pass -- go for a price increase going forward because today, the copper has crossed $14,000 and the rupee is also hovering around INR95.5 and INR96.

So that impact will still to be passed on to our clients. So it will be there. But right now, see, it's so soft season, the demand is not there. I don't think this is the right time to go for a price increase right now. I think the price increase will happen from the -- in the December quarter only with our clients.

Tanay Shah: Sure, sir. And sir, the other thing which you had mentioned even in the previous call is that you expect competitive intensity to only go higher this year as well. And given the fact that even brands are increasingly getting competitive with a lot of new brands coming into the RAC segment as well, do you see that pressure sort of coming down to even EMS players like us across the board because they will try and like be more competitive...

Vishal Gupta: Definitely, sir. Definitely Tanay, we cannot be away from this. We are part of this whole value chain. So we cannot be very away from that. If you see our numbers closely, you can see in last few quarters, we have been trying to restructure our company and try to control our operating expenses. And we have been able to improve our operating expenses ratio also. So our focus is that to improve this efficiency in our operations so that we are able to match with the competition and maybe do a little better.

If you see the numbers also across industry, some of the people give very clear numbers on their RAC's performance and other category performance. So you can see that relatively our numbers or maybe our margin profile is a little better than the others. And we are very conscious about this fact, and we are preparing ourselves for this battle which is going to come in the next few quarters.

Tanay Shah: Sir, just one more. Could you possibly split the RAC growth into volume and value for us just since you mentioned there was double-digit growth for both? That would be helpful.

Vishal Gupta: RAC at a volume level has grown around 20%, 22% for us in this quarter. And rest of the value has come from the price increases. ASP has increased by around 10% to 12%.

Moderator: The next question is from the line of Neel Mehta from Equirus Securities.

Neel Mehta: Sir, just wanted to know at the industry level, what would be the inventory levels now in terms of volume including brands as well as the channel inventory? That's my first question, sir.

Vishal Gupta: Neel, we don't have very exact idea. Nobody in the industry has any definite data on this. There are guesses to that. As I told earlier to one question which was asked by me right now some time back that we believe that inventory levels has come down in this industry right now, okay? Yes. So I think it should be a little lower, should be anything between 4.5 million to 5.5 million at both industry and the brand level and the channel level.

Neel Mehta: Perfect, sir. And sir, like how do we -- someone see the price hikes in the July month at the industry level, if you can highlight that?

Vishal Gupta: See, July, August, September are the lean periods when the consumer is also not there. Some brands have been able to take some price increase up, brands have taken and then they have rolled back. So it's a very niche, it's a very brand-specific strategy. Every brand has their own strategy. I can't comment on that. But yes, there is a -- people are trying -- brands are trying for price increase, but they have very limited success on that. Because of the -- maybe some of the brands are not taking the price increase, so there is a pressure on everyone because of that.

Neel Mehta: And sir, just last question, if may I ask. Sir, related to our compressor project, where are we stand now in terms of like, say, ordering of plant and machinery? The second thing is that are we doing any kind of key leadership hiring in that? And if you could just highlight what would be the capex number for the quarter, particularly? And if you could bifurcate it within the segments like the compressor or like say in RAC or -- and then if you can just bifurcate it.

Vishal Gupta: See, our compressor project is online, as I told you in the call right now. I can't give you very specific inputs right now because let me tell you, sir, we are very much trying to keep it under low profile and targeting that we start mass production by December, January. That is the target for us to start the mass production in December, January. Everything is online. I can only tell you only this thing. By December, January, when the mass production will start, we will be in a position to share a lot of things in detail with you people.

Pramod Gupta: On the capex side, I will take this question offline with you. Right now, I don't have the figure handy.

Neel Mehta: For the capex?

Pramod Gupta: Specific numbers, yes.

Moderator: The next question is from the line of Dhruv Jain from AMBIT Capital.

Dhruv Jain: Sir, my first question is related to the question of outsourcing versus in-sourcing. So over the last few years, what we have seen is that in-sourcing has risen because brands have put in capacity. But with PLI going away, do you think that, say, over the next 2 or 3 years, this number of outsourcing as a whole for the industry rises materially benefiting people like yourself?

Vishal Gupta: Dhruv, first of all, you just need to recheck your numbers. I believe in last 3, 4 years, if you see the growth of some brands who are listed and some of the outsourcing companies like us -- and they are listed and what is their growth and what is the industry growth, what is the brand growth.

So I think when you do that number crunching, you will come to know in spite of PLI in last 3, 4 years, the outsourcing at the industry level has increased as a percentage of overall this. Coming back to what is going to be next 3, 4 years, as I told you, at brand level, the competition intensity is so high that they are not able to make money.

So they tend to come to people like us in order to conserve their margins. So when they make in-house and when they outsource from people like us, there is always a price arbitrage. So they have realized this thing, post PLI, post putting up their own plants, they have understood what is more economically senseful for them to go to outsourcing.

But having said that, see, lower-end models, entry-level models are largely outsourced where the competition intensity is very high and premium level models, they try to make in-house. That is the way how industry works.

Dhruv Jain: Fair enough. Sir, my second question is on your washing machine and refrigerator ramp-up. So we've seen a very sharp growth in the washing machine side and with you getting into refrigerator and also your new plant with respect to washing machine. Just want to understand in terms of any revenue guidance or a ramp-up guidance that you'd like to give for those 2 segments over the next, say, 2 or 3 years?

Vishal Gupta: See, we don't tend to give any -- we have stopped giving revenue guidance. But as we told in the call earlier, washing machine, we are seeing a very robust growth in the last 2 to 3 years. And this quarter also, this business has grown by 67%. We are seeing a healthy growth going forward also for next at least 2 to 3 years. We are getting more customers. We are increasing our wallet share. We are increasing our product offering. We are offering top load models, fully automating models. We are getting into higher capacity washing machines.

So that is helping grow our business. As far as refrigerator is concerned, it should be -- start mass production in, again, December, January of this calendar year. And we have already tied up with the anchor customer where we have already got a capacity commitment of around 30%, 35% from that customer.

In addition to that, our side-by-side business refrigerators, which we are going to start in maybe October, we'll start manufacturing -- October or November, we will start manufacturing of side-by-side refrigerators also in India.

And second phase, we'll go for direct cool -- sorry, this frost-free and this multi-door category also. So that also going forward, when we have a 1.2 million capacity in FY '28, which will be fully -- can be utilized. And even if we are doing 600,000, 700,000 if we are able to achieve in FY '28, we see a very meaningful revenue coming out of this.

Moderator: The next question is from the line of Achal Lohade from Nuvama.

Achalkumar Lohade: In terms of the RAC margins, ex of PLI incentives last quarter, how do you see that moved actually Q-o-Q? Have we got to a normal level or it is still below normal? And how do you see it in the coming quarters?

Vishal Gupta: Pramodji, can you take this, please?

Pramod Gupta: Yes, sir, I'll take this.

Vishal Gupta: Yes, please.

Pramod Gupta: See, margins are slightly under pressure still, but we are hopeful that in the coming quarters, we should be able to pass on better the commodity price increases. Commodity prices increased very sharply. That is one. And second thing was rupee depreciated also very sharply in the previous quarters. So pass on -- full pass on was not possible. Hopefully, with the stability in the rupee in the coming quarters and maybe commodity stabilizing here, we hope that passing on of the commodity in the next season should be better.

Therefore, we are hopeful that margins will trend to a normalized level. There has been a quite sharp improvement in the margins in the AC business on quarter-on-quarter basis ex of PLI. Because if you will adjust for PLI last quarter, which was there and this quarter, we have no PLI, nothing in these numbers, which we have posted, you will realize the margins are actually quite significant improvement is there in the margins.

Achalkumar Lohade: Fair point. Sir, in terms of the margins for the washing machine or electronics, how have they trended? Have they improved or they are also seeing some pressure on percentage basically?

Pramod Gupta: On electronics, it is more of a job work. So there, the margins are typically stable kind of number. We do not see a huge challenge there. But in washing machine, because of the fact that resin prices, plastic resin prices have risen very sharply the full pass on of the commodity prices has not happened in this quarter. And we are hopeful that in the coming quarters, we will be able to get some price increases from the customers to take care of the resin prices, which have risen very sharply in the last quarter.

Achalkumar Lohade: Would you be able to quantify, sir, how much was the impact of this for washing machine margin?

Pramod Gupta: I will not be able to give you very specific numbers. We don't actually share the margin on the specific...

Achalkumar Lohade: Was that like 20, 30 basis points of the overall...

Pramod Gupta: No, no, no, it was -- no, it was larger than that. It was much larger that.

Achalkumar Lohade: Understood. Just last question. With respect to Plastic Moulding business, was there any -- element of any inventory gain or -- in terms of the margins for Plastic Moulding business?

Pramod Gupta: No, there is nothing there. In Plastic business, it's more, again, like a Component business where the plastic prices typically pass-through is faster because the inventory levels are typically low, etcetera. And there, we are having more like a job work kind of a relationship where most of the time, vendor -- the client itself tells from where we have to buy? At what price we have to buy the resin, so plastic resin. There, the margin impact is not so much.

Achalkumar Lohade: Got it. Got it. And would you be able to quantify what was the RAC volume for the quarter?

Pramod Gupta: I'll give you this number. Just give me some time. I will give you...

Moderator: The next question is from the line of Keyur Pandya from ICICI Prudential Life.

Keyur Pandya: Sir, first question is on volume growth for this year. So you mentioned 22%, 23% kind of volume growth...

Moderator: Mr. Pandya, can you hear me? Your line is not clear. Can you please speak a little loudly?

Keyur Pandya: Am I audible?

Vishal Gupta: Sir, you are not clearly very audible...

Moderator: Yes, please get back in the queue, yes. The next question is from the line of Natasha Jain from PhillipCapital.

Natasha Jain: Sir, my question is more from a consumer point of view. So we understand there were a lot of price hikes that happened in 1Q, but it was pretty much offset by the GST cut, and there was still low-cost inventory that was in the system. Now we are seeing that continuously, there is another set of cost hike that's happening.

So from a very consumer point of view, how do you see the demand panning out? I mean historically, if such cost hikes have been taken, immediately what happens to the consumer sentiment? Do you think that going forward, even if there are seasonal quarters, say, 4Q in the offing, we could see tapering off of demand itself for some time?

Pramod Gupta: Yes, I'll take this question, Vishal. Actually, if you look at it, the consumer sentiment till now in other sectors, especially auto, etcetera, has been pretty strong. If you see the numbers of all the auto companies, etcetera, are pretty decent. And AC as such, a product has not seen a very huge inflation. If you look at over the longer period of time, yes, this huge copper price increase and rupee depreciation is impacting on a last year basis and this year basis, there will be a price increase. Last year, people have tried to pass on some price increase.

And this year, again, there will be more price increases, which will be coming, especially if commodity price remains there. But overall, after GST cut of 10%, I think the price increase is going to be in the range of maybe another 10% to 15% for the brands. which should be, I think, absorbed by the customer without much issue because there is a latent demand in the system for these things. That is one.

Second and bigger important thing is that over the last so many years, the prices of AC has actually not increased, especially if you see the kind of improvement, which has happened because of the energy efficiency rating, etcetera, in the overall product.

So my sense is it should not actually impact usually the sentiment or any such thing. And anyhow, my opinion always has been and our opinion in the industry has always been that it's not the price of the equipment, which is actually the difference for the buyer, it is actually the electricity consumption because of the cross subsidy which we have in India, where higher consumer -- higher user pays higher price for the electricity, which actually prohibits people from buying a product like AC at home.

AC is actually still available at INR30,000, INR35,000 for a user, which is much lower than most of the consumer electronic items or consumer durable items, which are there. So it's not actually that product price, which is going to have such a huge impact in my opinion.

Natasha Jain: Got it. And sir, just one related question here. So going forward, I mean, you mentioned 10% to 15% is over and above cost hike post GST. So do you think at a channel level because of overcrowding and too much of cost hike schemes will have to be continuously passed on in order to move demand at least for the mid-pyramid brands. And therefore, the structural margins in this industry is going to remain under pressure?

Pramod Gupta: I don't agree to that also. So every -- I mean this is my personal view and nothing to do with any particular brand or anything. See, if you look at the industry, last year was a very unusual year. We had a bad year. And then there was a rating change also, which happened during the season, actually just before prior to the season.

And there was a huge inventory, which was lying in the system for the old rated ACs. And therefore, brands and channel was actually playing the old inventory game. So basically, that led to some kind of a pricing pressure and pricing could not be -- the cost could not be passed on fully.

This year, we don't think that is the case. And most of the brands and most of the companies are under tremendous pressure because of the high price of the commodities. And I don't see a reason why price increase should not be passed on this year.

And coming to the competitive intensity, it has always been high in the mid brands, as you have been saying every 2, 3 years, there has been a new player who has been coming and trying to gain market share by dropping prices.

But people are getting used to it and the whole industry is actually suffering because of the very high commodity price, especially copper, aluminum, etcetera. So my sense is, this year, our industry will probably take a good effort to increase the prices, and I don't see a reason why it should not happen this year.

Moderator: The next question is from the line of Keyur Pandya from ICICI Prudential Life.

Keyur Pandya: Okay. So with low base for most of the quarters from here on, especially Q2 and Q4 and the price hike, so is it fair to assume that whatever volume growth, so 20% plus volume growth is achievable for the full year, considering, say, low channel inventory and all the other factors of unfavorable base, etcetera?

Pramod Gupta: We think that should be a possibility for us, given the fact that for us, for the next 9 months, barring December, base is pretty low. And yes, if industry is even normal in the sense that we see industry normalizing and unlike last year, the channel inventory is not high, etcetera. So we think that we should be having close to 20% plus kind of a volume growth for the full year.

Keyur Pandya: And in that -- just one follow-up. I mean as you mentioned, except for December for most of the months or quarters, you have much lower base. So the 20% you are saying or 20% plus because I think 20%, considering industry growth and low base isn't it a low number? And the derivative question is that FY '27 earnings you think can surpass or meet FY '25 earnings? That is one follow-up.

Pramod Gupta: We are hopeful that we -- coming to the earnings, we are very hopeful that we should be able to surpass the '25 numbers this year. We don't see a reason why we should not if the sales is good in the second half. Coming to the volume, I'll tell you, see, -- as I was saying, we are hoping that this is a base case, but we are prepared for a higher volume if we will get an opportunity to have those higher volumes.

And we are prepared for that. And given the competitive positioning is going to increase significantly once our compressor plant is going online in October or November, we hope to gain further market share in the outsourcing market. And we don't see a reason that if industry grows at, say -- whatever, say, 15%, we should be able to do 20%. If industry grows at 20%, we should be able to do about 4%, 5% better than that.

Keyur Pandya: Noted. Sir, just second question on just a slightly longer-term outlook. So you have highlighted ref expansion, washing machine and compressor. Even if I add, say, at least with first phase of all these 3 products, the EBITDA that can contribute on the current high base won't be significantly higher, say, probably 2 years down the line. So any -- so from, say, exit at the time of FY '28, what are the growth plans? How are you thinking about, say, over the next 3, 4 years, new category additions or second phases for this product, whichever way?

Pramod Gupta: See, first of all, I want to highlight here that next -- this financial year and next financial year, we think we have a very growth -- strong growth trajectory because this year, we have a low base of last year, and we are having a lot of new projects which are coming online, like washing machine has already come online. In the second half, we will have compressor and refrigerator plants coming online. Next year, again, these things will be ramping up, and we will be probably adding some capacity in the compressor side if the first line goes on the way we are expecting.

And therefore, we don't see any challenge on that side. Third thing which I want to highlight is that because of the competitive positioning, which we will be having, which are going to improve after the compressor plant, the volume growth should be good for us, and we should be gaining -- continuing to gain market share.

And we will now be able to offer the whole bouquet at a single company level in the sense that we can have -- we will be able to offer washing machine, refrigerator, AC and TV through our joint venture. So all these things put us at a very strong positioning for anybody who is looking to outsource and doing partnership with us.

We don't see a reason for at least next 2, 3 years in terms of growth. Second thing I want to highlight is from the capital point of -- capital efficiency point of view and not only looking at growth, but also looking at margins and the sweating of assets. In the last 3 years, we have actually -- including this year, we have done very significant capex.

Our gross block is more than doubling at the end of this year from previous -- 3 years back, if you will see. Now it's high time that we try for the next at least 1.5, 2 years to sweat this asset, get all these capacities online, focus on profitability, get to a sustainable margin, invest in more R&D backward integration, so make the margins more sustainable because these things are also very important.

So even if, say, '27, '28, I don't see any reason why we will not have 25%, 30% growth for us. And even if say for '29, if it is a consolidation year, we don't mind because in that year, we will be actually consolidating our position, getting our operations much more efficient and getting the profitability, which is ROCE, ROE, which is very important for us at a respectable level so that we can have money to invest in the next phase of growth. So that is what is going to be the strategy. And we don't think that growth is going to be a challenge at least for the next 2, 3 years, at least with the current kind of capex and the things we have done in the last 2, 3 years.

Keyur Pandya: Understood. Sir, just last question, sir, on ref and compressor, which are new product...

Moderator: Sorry to interrupt you, Mr. Pandya, but I may request you to rejoin the queue. The next question is from the line of Praful Kumar from Dymon Asia.

Praful Kumar: Congrats on good results. Sir, broadly, I want to understand more on this R&D capability you are building. So in terms of capital allocation towards it, human resources, in terms of hiring and what exactly are we building with a 2-, 3-year period in terms of, say, capabilities in terms of technology and then manufacturing on the compressor side. That's all I want to understand, sir. Over the medium term, what you're trying to build.

Pramod Gupta: Vishal ji, will you like to take this?

Vishal Gupta: See, Prafulji, that at a company level, at an organization level, we have taken -- we are undertaking a lot of initiatives like SAP is being implemented across all 14 units, across all group companies also. So SAP journey started a year back, and now we are very well confident that we are done a lot of integration in SAP now, a lot of inventory visibility across the group is there.

So operational efficiency is improving, inventory efficiency is improving because of the improved visibility of the raw materials and the material across the group companies. Then a lot of management development programs are also undergoing, and we have also hired one company, 1 -- part of a Big 4 audit firms who is helping us define SOPs for key business processes in the company. So we are taking -- undertaking also steps in order to make sure that this growth is sustainable.

Pramod Gupta: His question was more on R&D. R&D...

Vishal Gupta: I missed that, Pramodji, yes, please.

Pramod Gupta: Yes, we have actually -- see, we were till now more of a design -- where we were designing largely the system, we were not getting into the component design phase. We were largely taking up the components which were available off-the-shelf and designing the whole system. That was the capability which was there in the company. Now realizing the fact that Government of India is keen and is putting up more and more focus on doing more higher value addition. And therefore, the backward integration is becoming very, very key in this industry and across all the manufacturing industries, I believe.

Therefore, getting into the component level R&D and design is becoming critical and very key for long-term, I will say, survival as well as long-term competitiveness in the industry. And we have, therefore, started focusing on those aspects, and we have been building teams to get into that. I will not be able to get to you -- give you very specific things on compressors or controllers or motors, which we are doing. And I can just tell you one thing that we are very well aware that given the fact that government of India is very keen that they are putting QCOs, first, they put it on the products and now on component level, it is very, very likely that the imports of these things are going to get restricted in the future.

And it makes high sense for companies which have a very high market share in the domestic market to focus on these components. And reliance on imports has to be reduced. And with that thought process in the mind, we are working and building teams in India to take care of immediate and future requirement. And we are keen that we should be having backward integration because that is only the way to actually increase the competitiveness in this industry in the longer term.

You visit us and probably you will once see our facilities and meet the people, and we have now a new CEO who has come -- who has a very vast experience in the AC, is driving our strategy and also the whole operations and team, you meet him and you will realize from his vision what we are trying to do. And I think that is all, I can say. And I can't actually disclose a lot on the public thing that what we are trying to do in R&D on compressors or motors or controllers, etcetera.

Moderator: The next question is from the line of Bhavya Gandhi from Bajaj Alternate Investment. Mr. Gandhi, are you there?

Bhavya Gandhi: So sorry. A couple of questions. One is regarding the EBITDA margin. You said there's commodity inflation and that it will take some lag. With the lag, you'll be able to pass it on to the customers. So in your experience, sir, can we expect we are a year away from getting back to 10% historical EBITDA margin? Is that the right understanding? Because you said somewhere in December, you will be able to pass on the further commodity inflation...

Pramod Gupta: 10% EBITDA margin, that is not the way our business works. Actually, our business not on a percentage margin, percentage is an outcome. It typically depends on per piece basis, how much money you are asking for making all the components and doing the assembly of the product. That is the way this industry works.

And when the commodity prices are low, typically, the margins typically look high. Also when a couple of years back, the copper was at maybe $7,000, $8,000 per tonne. Now it has gone to $14,000 per tonne. So the customer doesn't give you money based on that higher commodity price as a percentage, he gives you fixed money for making the AC, maybe INR2,500 or INR2,300 or something like that.

So in that scenario, your percentage margins will look low. So coming to the 10% question, I don't think 10 percentage is something which you should look at. What we are saying is that in a very high commodity price environment, typically getting that INR2,500 or INR2,000 or whatever amount you charge also becomes a challenge because you are not able to immediately pass on the very high cost price in the same season. That is likely to see a change, and we are going to get back to that number.

Percentage is something which I will not commit to, but I think we will be going back on a per piece basis to the normalized level soon, both in AC and washing machines because the commodity prices have actually been -- the commodity inflation has been very, very high, and it has been a big challenge last year because of the rating change, etcetera, and high inventory for the brands also to pass on the full commodity price increase. And therefore, the whole value chain has suffered. This year, I don't see that kind of a reason. And we think that price increase will be passed on in the whole value chain, and therefore, things should start normalizing.

Bhavya Gandhi: Got it. Fair enough. Sir, second question is regarding the compressor. What would be the value of compressor in the RAC? And if that -- if the number -- whatever the number is, can we assume that, that would be the same value for 1 unit of compressor that we'll be manufacturing?

Pramod Gupta: Today, the compressor price in India is roughly around INR2,800 to INR3,000. And that is what we also hope to sell the compressor once we start doing the manufacturing of the compressor in India.

Bhavya Gandhi: Okay. And sir, what would be the average realization for RAC for us at least?

Pramod Gupta: RAC realization average will be probably close to INR21,000 now.

Moderator: The next question is from the line of Akshay from AK Investment.

Akshay: All my questions has been answered. Thank you so much and all the best to the management.

Moderator: The next question is from the line of Mohit Jain from Tara Capital.

Mohit Jain: Can you hear me?

Pramod Gupta: Yes, I can hear you.

Moderator: Yes.

Mohit Jain: Lines of margin only. I understand that by December, we are expecting to reach back to the normal margin level in the absolute sense. So a, should we see a Y-o-Y flattish margin percentage as compared to previous year? And second is how much should be the absolute EBITDA growth that we can expect for the current year?

Pramod Gupta: The guidance we are not giving. See, last year was a bit unusual year for us because the season of AC went bad and there was a rating change because of which December quarter probably had a bump up in the volumes, which is typically not the case for us in a normal year. For us, the best quarters are Q1 and Q4. So what actually happened last year was because of the huge pressure in the whole value chain and the kind of inventory which was being carried, especially the older inventory, passing on of the full commodity price became a bit of a challenge.

That scenario should start changing for the whole industry, in my opinion, in coming quarters. And we are hoping that we will get back to the normalized margin. This year, on an overall basis, I'm expecting margins at the operating level, which is basically ex of PLI, ex of any incentive, etcetera, to improve significantly because that pass-through should be there. So on a reported basis, we should be having a slightly better margin than last year.

And initially, at the beginning of this year, we had guided that we should be probably close to 8% kind of a margin for the whole year, at least at the operating level, which is this quarter about 7.3%. And we are hopefully going to reach that number on a full year basis. And therefore, we are expecting that second half -- I mean, the next 9 months should be better for us, especially the fourth quarter when all these things start coming, which is going to be the high quarter also for us.

Mohit Jain: Understood. So 8% margin is what we can expect for the full year?

Pramod Gupta: Yes.

Moderator: The next question is from the line of Santhosh Seshadri from Avendus Spark.

Santhosh Seshadri: So just my first question is on the compressor side. You mentioned about the potential import restrictions. Can you help us understand how much of the current -- at the industry level, how much of the current requirement is still being imported and whether the domestic capacity, both the current capacity and those that are in pipeline is sufficient to offset this import? Also from a PGEL standpoint and maybe perhaps at the industry level, what are the key risks that you see that these capacities -- plant capacities coming online -- probably won't come online on time as expected?

Vishal Gupta: Pramodji, you want me to take this?

Pramod Gupta: Yes, sir, please take this.

Vishal Gupta: Okay. So at the industry level, I think we are still importing around 60% of our compressor requirements in India right now, around 50% to 60% right now. And Government of India has already announced, a notification has come where any compressor import is allowed, but that is restricted to 25% of your FY '25 imports.

So the industry -- if industry has imported in FY '25 around -- maybe around 10 million compressors. So at an industry level, we can import only 2.5 million compressors that too up to 31st March 2027.

After that, compressor import is not allowed in India. So we believe that with this quota, which is available to the industry and whatever new expansion of capacity is happening in India in compressors by Chinese companies and some other Korean and Japanese companies in India, we will see still a shortfall in the capacity availability in India.

As Pramodji has said earlier also in the call that once our production starts in December, January, and we are able to stabilize that production and by the time March, April, we will have a clear visibility of how the season of 2027 is panning out. Once we have some clarity on that and whatever capacities are there in India, we are planning for another line immediately after that. In April, May, we might take a decision adding one more line for 2 million compressor capacity in our existing plant in Supa.

So at an industry level, we believe that we might see some tightening of compressor availability in India from January, February onwards. This is all depends on the -- how is the demand playing outside. Supply side, we might see some constraint if the demand is good. This is we -- that is our estimate, internal estimates.

Santhosh Seshadri: And on the second part of the question, do you see any operational risk or any sort of risk to the existing capacities -- sorry, to the new capacities in pipeline. So what could potentially go wrong here?

Vishal Gupta: There can be a lot of geopolitical factors right now. See, we are living in such uncertain times. You don't know what will happen tomorrow. See, a lot of still supply chain in India, whatever things we make in India, there are a lot of things which we are dependent upon overseas suppliers. If we get any constraints on demand then that is one risk, which is there for the whole of the industry, not only for us.

Santhosh Seshadri: And on the company point of view, are we covered in terms of technology and the machinery that are necessary...

Vishal Gupta: Yes, sir, we are very confident the product what we are developing at a compressor level. And we are quite confident and we have already got initial positive feedback from our clients. So we are hopeful of starting our mass production from December, January, and we will be able to start supplying compressors to our customers.

Moderator: The next question is from the line of Bala Murali Krishna from Oman Investment Advisors.

Bala Murali Krishna: First of all, I want to...

Moderator: Sir, can you speak a little loudly? We can't hear you.

Bala Murali Krishna: Yes, yes. Is it okay now?

Moderator: Yes, better.

Bala Murali Krishna: Yes, Vishal ji, first of all, I'd like to put some concerns before asking questions. I was waiting in call since 1 hour and operator is giving opportunity to other people to ask the follow-up questions. When I asked that, then they told that it's management call, but I don't think it's your call to select the user. Maybe you can comment later on that. And secondly, in the...

Vishal Gupta: No, no, sorry, sir, I will comment -- no, no, sir, I need to comment on this here only. We don't select the calls. We don't select the questioner to ask also. No, no, sir, we don't do that. But, as a courtesy, whenever a person is asking a question, they are allowed to ask a follow-up question, only one follow-up question is allowed. That is what SOP they normally follow in such earnings call, sir.

Bala Murali Krishna: Yes, my opinion was the same. But after completion of question, they given second chance to other people for the follow-up questions. So it should not be the case when people are waiting in the call to ask their first question. So secondly, sir, on the Investor Relations communication, you invited people to plant visits also in so many calls.

So when we send an e-mail for that one, there will be no response. And also when you send any questions after con call, then we didn't get opportunity to ask questions. So there will be no response from the investor or e-mail. So last time in the last call, after the completion of call, I sent a query regarding the PLI benefits, whether it's accounted -- it will be accounted in Q1 or not. There is no...

Vishal Gupta: Maybe that's a mistake from our side, sir. What I will do once this call is over, I will have your mobile number with me. I will ask the coordinator to share your mobile number with me and Pramodji's number and my number will be shared with you. We can directly interact on this, sir, at a direct level, sir. Sorry for this...

Bala Murali Krishna: Sir, the first question is regarding the inventory, sir. Last year, we have, I think, INR1,600 crores inventory. And this time, we thought that it will reduce substantially. But still, I think we are around greater than INR1,000 crore inventory by the end of June. So how is the level as of now, sir? And do you see any reduction in maybe in the coming quarter?

Pramod Gupta: I'll take this question, Vishal. See, first of all, you have to realize that commodity prices are continuously increasing. Second thing, supply chain is also getting a little bit constrained because of the QCO, etcetera.

For example, I'll tell you, as Vishal ji already told you that compressor import is not going to be allowed in India from 1st of April. But this year itself, the total compressor availability is constrained because only 25% of what you imported in '25 is being allowed to be imported.

Second thing is similar thing is happening on the copper tubing, which typically is imported, especially the inner grooved copper tubing, IGT, is called. That import is getting restricted from November. Post November, you cannot import IGT into the country. If these kind of things are there in the system, then keeping some strategic inventory level becomes very important to continue to -- the operation. That is point number one.

Point number two is that the prices itself of commodity have gone up. So for example, till last year, if I was keeping an inventory of, say, 5 lakh AC, that was constituting close to INR700 crores. This year, the same 5 lakh AC inventory is probably at something like INR940-odd crores.

So that is the kind of difference which has happened in terms of the increase, especially because of the copper and all the other components, even the controllers or the other things. So that is leading to a higher inventory level. Yes, there has been some softness in the month of June also, which actually led us to miss the inventory levels by maybe INR100-odd crores lower if that would not have been there. But one of the key reasons is that the very high commodity prices, which is reflected in the sales as well. So if you see the average selling prices of both AC, washing machine, etcetera, are up 12% to 15% on a Y-o-Y basis because of the higher commodity price, but the input prices have also risen very sharply.

Bala Murali Krishna: Yes, great, sir. My second question is regarding the washing machine. So washing machines, I think compared with the room AC is consistent, but which will -- sales would be consistent all over the quarter. So what was our previous capacity? And what was the capacity utilization before commissioning this new facility? And the new facility, what kind of utilization level you are expecting maybe by the end of the year?

Pramod Gupta: Vikas ji will you like to take that question?

Vikas Gupta: Yes. So basically, sir, this new capacity, which is coming online will bring our total capacity to around 3 million. And we are hopeful that in next 1 or -- maybe by -- not by end of this year, maybe by the FY '28, we should have almost around 70% to 80% utilization of our total capacity. So we are seeing a rapid volume growth in our washing machine business. So we are trying to position this plant to take care of the demand that comes up in next 2 to 3 years.

Bala Murali Krishna: Just a follow-up on that, sir. So we added capacity. So what was the...

Moderator: Sorry to interrupt you, Mr. Krishna, but may I request you to rejoin the queue.

Vishal Gupta: Just hold on. Let him continue please. Let him continue. Yes, tell me Mr. Krishna.

Bala Murali Krishna: Yes. What I'm asking, sir, so we have added a capacity because the previous capacity would be reached some optimum level of capacity utilization. So I'm asking about what was the previous capacity utilization? Because maybe when we -- when this capacity will also reach some optimal level of utilization in your view, maybe then we'll go for again for some capex, that's why I'm asking.

Vishal Gupta: So Mr. Krishna, the current capacity utilization that we were able to achieve was almost on the annualized basis, almost around 70%, which now -- because during the peak season, the capacity utilization go above 100%, so usually what happens, we have to create a capacity to care of the peak demand.

So peak demand may not be so high during the normal months. So the capacity utilization, if you look at on the annualized basis for the previous capacity was almost around 70%. With the new plant coming up and within next 2 to 3 years, we should be able to have a utilization of almost around 70%.

Moderator: The next question is from the line of Vidhisha from P.R. Kothari.

Vidhisha: Sir, am I audible?

Vishal Gupta: Yes.

Vidhisha: Sir, after the compressor unit comes online, so what kind of margins do we expect? And what is the fixed asset turn that we're expecting post commissioning of all of capex.

Pramod Gupta: Overall, on a company basis, we all the time target that fixed asset turn should be more than 4x. Compressor contribution to the margin, I will not be able to spell out right now, but it will also depend on the competitive positioning and how the other people behave in the compressor pricing, etcetera.

But we hope that given the fact that first line that we will be commissioning will be largely used for in-house manufacturing of AC, compressor will be margin additive for us. That is the hope that we have.

And we think that if the compressor QCO is implemented from 1st of April 2027, then compressor pricing should also remain good, and it should be giving us good, decent margins because pricing power will be there in the system because imports will probably be restricted.

Vidhisha: Okay, sir. And you said 4 plus, this is on a gross block basis and any margin guidance for the next year, if possible?

Pramod Gupta: No, no. Margin guidance is not there even for this year. This is an aspiration which we have that I have told you that 8% kind of a margin is what we want to reach for the full year. And this is -- please don't construe anything as a guidance. We are just telling you on what is -- what are we aspiring. And given the backward integration and new capex, etcetera, and hopefully, the better volumes in the coming quarters, we think that 8% is something which we should be able to achieve.

Moderator: The next question is from the line of Aditya Mehta from GK Capital.

Aditya Mehta: Sir, just have one question on the seasonality of the business. Since we are diversifying to refrigerator, washing machine, compressors, so what impact it will have on the seasonality, which we have been seeing more dependence on the RAC business? So how it will go on in the next few years?

Pramod Gupta: Obviously, with all the diversification initiatives which we are taking and there are certain more things which we are doing in terms of new product lines as well as new lines of business. We hope that the overall dependence on AC will surely come down.

Today, AC contributes almost 60% to 65% of the sales in the company, which we want to bring down closer to 50% to 55% over the next 2 to 3 years, especially given the fact that the new lines of business will be added and some lines like washing machine and electronics and even in the plastic, etcetera, there are certain things which are increasing at a much higher, faster growth. So we are hoping that will bring down the dependence as well as the seasonality on the overall business.

Aditya Mehta: Okay. And secondly, what peak revenue can we expect from the compressor business at full utilization?

Pramod Gupta: See, it is the first line, which we are commissioning. One line can give you roughly about 2 million kind of output at 80%, maybe about 1.6 million, 1.7 million compressor. And you can take for the calculation point of view, about INR2,850 or INR2,900 kind of pricing per compressor. So that is the kind of output which you can have. But the plant which we have commissioned as the land and building is good enough to totally deploy 4 lines.

And first line has taken us -- is going -- is taking us close to about 6 months to commission. But the next line, we think we will be able to commission in a much shorter time, maybe 3 to 4 months because there are some critical components which -- critical plant and machinery components, which have a long lead time, which will not be required in the second phase of growth. So we can actually, in the same plant, go 4x the initial capacity. And also the future expansion will be much faster.

Moderator: The next question is from the line of Kumar Divyanshu, an individual investor.

Kumar Divyanshu: Is my voice audible?

Vishal Gupta: Yes.

Kumar Divyanshu: I just want to ask 2 questions. The first one is regarding the order book. So could you please comment on that, what is the order book as of Q1 FY '27? And what order book you have executed? And the second one is of the capex that -- any capex plan we are having?

Pramod Gupta: No, we do not share any order book numbers. And typically, the order book is not in terms of any firm commitment. It is basically the brands with whom we work, the partner brands, they typically give us a forecast of how much numbers of washing machine or ACs they are looking to outsource in the season. So AC season is coming to an end. So there, we don't have a fresh order book as of now.

That fresh order book will be starting to get built from October -- September and October beginning time for the coming season, which will be starting from December onwards. And in washing machines, we do have some commitments in terms of volumes from our client partners, but I am not allowed to basically kind of share the numbers from that. And we have never had a practice of sharing those numbers.

Kumar Divyanshu: Okay, no issue, sir. Any capex plan if you are having.

Pramod Gupta: This year, the total capex that we have is about INR400 crores, which is going to actually be utilized in completing the ongoing projects of compressor and refrigerator. And we are, as Vishal ji had mentioned, recently kind of taken up a big land parcel in Salarpur where we are consolidating our plastic moulding and some of the other business, which we were doing in Greater Noida, etcetera. So those are the only capex for this year. This year, more focus is on completing these projects and start basically sweating these assets.

Kumar Divyanshu: Okay, sir. And considering of Q2, I want to ask any approximation that do you see any like festive demand opportunity, which will be there. So it will benefit to the Q2 revenue or something like that?

Pramod Gupta: We do not give any quarterly basis guidance, we have never given. We are hopeful...

Kumar Divyanshu: Just only approximation that the festive season is approaching and is going to start in some days or in some months -- within 1 month, so it does -- you see that any benefit of this will effect on the Q2 results or something like that, any benefit?

Pramod Gupta: No, no, we don't comment on that -- those things. Q2 numbers, etcetera, I won't comment actually.

Moderator: Ladies and gentlemen, due to time constraints, that was the last question for today. I now hand the conference over to the management for closing comments. Over to you, sir.

Vishal Gupta: Thank you all. Thank you for attending this call. Meanwhile, Nikhil, can you share the contact number of the gentlemen who wanted to have some direct interaction. So you can share my number with him and share his number with me so that whatever queries he has, we can take it on later.

And all others whosoever have any questions, they can take our numbers from Nikhil or Nikhil, you need to coordinate whatever questions they have, follow-up questions, we need to take care that those questions are addressed effectively by us, please. Thank you. Thank you all.

Pramod Gupta: Thank you.

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