

12th June, 2024

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

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

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

Dear Sir,

Sub: Transcript of the earnings conference call for the quarter ended March 31, 2024 pursuant to Regulation 30 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015.

Please find enclosed the transcript of the conference call for the quarter ended March 31, 2024 for your information and records.

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

Yours faithfully

For IFB Industries Ltd.

Ritesh Agarwal
Company Secretary and Compliance Officer

Encl : As above



“IFB Industries Limited
Q4 FY’24 Earnings Conference Call”
June 06, 2024



MANAGEMENT: **MR. RAJSHANKAR RAY – MANAGING DIRECTOR AND CHIEF EXECUTIVE OFFICER – HOME APPLIANCES DIVISION – IFB INDUSTRIES LIMITED**
MR. P.H. NARAYANAN – MANAGING DIRECTOR – ENGINEERING DIVISION – IFB INDUSTRIES LIMITED
MR. SOUMITRA GOSWAMI – CHIEF FINANCIAL OFFICER – IFB INDUSTRIES LIMITED
MR. JAYANTA CHANDA – CHIEF FINANCIAL OFFICER – ENGINEERING DIVISION – IFB INDUSTRIES LIMITED
MR. ARUP DAS – SENIOR VICE PRESIDENT – IFB INDUSTRIES LIMITED

MODERATOR: **Ms. NATASHA JAIN – NIRMAL BANG INSTITUTIONAL EQUITIES**

Moderator:

Ladies and gentlemen, good day, and welcome to the Q4 and FY '24 Earnings Conference Call of IFB Industries Limited, hosted by Nirmal Bang Institutional Equities. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing star then zero on your touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to Ms. Natasha Jain from Nirmal Bang Institutional Equities. Thank you, and over to you.

Natasha Jain:

Thank you, Yashashri and good afternoon, everyone. Nirmal Bang Institutional Equities welcomes you all to the Fourth Quarter FY '24 Results Conference Call of IFB Industries. I would like to thank the management of IFB Industries for giving us an opportunity to host the call.

Management is represented by Mr. Rajshankar Ray, MD and CEO, Home Appliances Division; Mr. P.H. Narayanan, Managing Director, Engineering Division; Mr. Soumitra Goswami, CFO, Mr. Jayanta Chanda, CFO, Engineering Division; and Mr. Arup Das, Senior Vice President.

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

Soumitra Goswami:

Good afternoon, everybody. I welcome you all for IFB Industries Investors Call of the Fourth Quarter ended FY '24. I am Soumitra Goswami, the Chief Financial Officer of IFB Industries Limited. I have with me Mr. Rajshankar Ray, Managing Director and Chief Executive of our Home Appliances Division; Mr. P.H. Narayanan, Managing Director of our Engineering Division; Mr. Jay Chanda, CFO of our Engineering Division; and Mr. Arup Das, Senior Vice President.

Now I will inform you about the result. First, quarter 4 results. Revenue for the quarter was INR1,067 crores against last year's INR994 crores with a growth of 7%. PBDIT for the period was INR54.35 crores and which percentage to revenue was 5.10% as compared to last year's INR37.50 crores, which is 3.77% on revenue. PBDIT came across a growth of 45% year-on-year. Hike in PBDIT is due to revenue growth of 7% and decline in material cost by 160 basis points. PBT for the period was INR16.23 crores against last year's loss of INR3.35 crores.

Now the annual result. Revenue for the year was INR4,344 crores against last year's INR4,126 crores, which is a growth of 5%. PBDIT for the period was INR240 crores and percentage to revenue was 5.53% as compared to last year's INR183 crores, which was 4.43% on revenue. PBDIT amount came across a growth of 31% as compared to last year. Increase in margin is due to 5% growth in revenue and decline in material cost by 200 basis points. PBT for the period was INR90.36 crores against last year's INR34.40 crores. This percentage to revenue was 2.08% against last year's 0.83%.

With this, I will request to start that question-and-answer session, please.

Moderator: Thank you very much. We will now begin the question-and-answer session. We will take our first question from the line of Pratik Shetty, an Investor.

Pratik Shetty: Yes. Sir, first, can you talk about the material cost savings and the operational cost savings that you had highlighted in your presentation one quarter back? The numbers don't seem to add up.

Soumitra Goswami: Mr. Ray, can you please take this question?

Rajshankar Ray: Yes. So the two cost reduction initiatives that we were talking about, which is the material cost and the fixed cost reductions. The material cost reductions are actually all on track as per whatever internal plans we have made. And if you look at the last FY results, vis-a-vis the previous year, you will clearly see the reduction in the material cost.

The category mix of the material cost varies. So the material cost that you see is the blended average of AC material cost and the washer material costs. As we have said, the maximum impact of the AC material cost which is what completed in Q4, will be fully visible in Q1 and Q2 of this year. So the material cost is on track.

On the second point of the fixed cost reductions, where we had put down in the investor report that we are looking at roughly about a INR6.5 crores to INR7 crores reduction on the fixed cost hedge, those work is still WIP. The full impact of that has not come in the Q4, but the work is on track, and we expect that in Q1 and Q2 of this year, the complete benefits of those actions will be realized.

Pratik Shetty: So sir, if there was AC similar to -- I understand that AC was higher this quarter compared to last quarter. But if it was similar as compared to last quarter, what would have been our margin with that mix? All I'm trying to understand, is there any improvement this quarter because the numbers are actually much lower? So I'm a little lost when you talk about that we have seen some improvement, but the numbers suggest absolutely opposite?

Rajshankar Ray: So actually, it's a fair point that you're making, and I'll try and explain this. So if you look at air conditioners, for example, and the material cost work that has been completed in the quarter, the impact of that material cost work you will not see in the quarter because the raw material pipelines are anywhere between 60 to 90 days.

So even though you may actually complete material costs work in March, until and unless the fresh production is made in an April or a May, you will not see it reflected. So the clarification that we would like to make is that whatever hedge of material cost reduction that we have worked on and basis which we had said that material costs will drop, you will see a lot of it reflected in the results in terms of the material cost percentages of last year versus the previous year. The full impact of that will be visible in Q1 and Q2.

Now the question you asked is that if the AC thing was okay, then what would be the impact? And that question was also asked in the previous investor call. Then we had said that if you look at the level of the PBDIT losses in the last year, for example. So if INR160-odd crores is the PBDIT over the last year, the AC is negative. And to that extent, the AC loss, if it -- even if

it has been 0, the PBDIT would have been higher by that much, which is the target that we have in this fiscal year. Does that answer your question, please?

Pratik Shetty: Yes, there's a little more quantification of that would have helped that -- so let's say, by when do you think we will touch double-digit margins? By when can we see IFB reporting double-digit margins?

Rajshankar Ray: So we wouldn't want to give a specific guidance on this, but because this question has been raised earlier, I'm only talking appliances now, because the rest of IFB -- as far as the appliances side is concerned, we had two things to do mainly for the double-digit margins. One is the material cost, where, by and large, we've completed all the work and now the impact has to show in the Q1 and Q2. Most of it will be seen in Q1, what is left in Q2.

As far as the fixed cost reduction is concerned, we've been working on it for two quarters now and the impact also has to show in Q1 and Q2. Some part of it will show in Q1, some part of it will show in Q2. So in terms of the kind of margin structures that we need to deliver, which we've discussed in previous investor calls as well, we would expect in H2 and H3 -- I mean, sorry, in Q2 and Q3 of this year, to be able to get to those levels. Does that give you a specific answer?

Pratik Shetty: Yes. Absolutely, sir. And sir, last question is regarding ACs. Last year, how many ACs did we manufacture? And how much was its own brand and how much was it third-party? And this year, do you think we can do 4 lakh -- 3.5 lakh, 4 lakh ACs or it will be lower?

Rajshankar Ray: So we have actually -- and we put it in the investor report as well. We have increased our volume target. We have taken a target of roughly about 400,000 ACs for the year, but we have revised it to 500,000. The trends of April and May have been good, and we've reported that as well.

The growth this year will come from brand sales, not so much from OEM sales. OEM, even if you see the last year, on the INR200 crores odd revenues that we did in Q4, AC OEM was only about INR8.5 crores, and we put it in the investor report as well. But the growth this year will come from IFB branches. And that, I think, is a positive thing going forward.

Moderator: Next question is from the line of Gunit Singh from Counter Cyclical PMS.

Gunit Singh: Sir, the losses in our associate, IFB Refrigeration, they have widened year-on-year. So I mean, what is the reason for that? And by when can we expect it to break even or show us positive contribution in the bottom line?

Rajshankar Ray: Soumitra, would you like to answer that, please?

Soumitra Goswami: When it can -- when it will be coming to breakeven, Mr. Ray you have to answer. The loss in '23-'24 in Refrigeration over INR59 crores and we have taken share of 41.40% from that, which is INR24.16 crores. Now they made a loss of INR59 crores against a total revenue of INR161 crores. Mr. Ray, if you can answer that when it will reach a breakeven point in IFB Refrigeration.

Rajshankar Ray: Okay. So if you see the product availability to the market from IFB Refrigeration Limited started in June 23. And by the time the full product range, which was required in Phase 1 was completed. It was November '23. So realistically speaking, in terms of the first season, which has actually been this March, April, May period where really the complete product range has been available. As far as IFB Refrigeration Limited's own targets are concerned, my understanding is that within this year, they will be above breakeven, not just breakeven.

Gunit Singh: Sir, what kind of volume do we need to reach to breakeven in this segment?

Rajshankar Ray: So to reach breakeven, IFB Refrigeration Limited needs to do roughly about 35,000 to 37,000 refrigerators a month. And in terms of breakeven and other financial commitments, et cetera, for a healthy P&L, then to get to a level of about 50,000 refrigerators a month, which is a plan that they are working on.

Gunit Singh: All right, sir. And what were sales numbers for AC in Q1 FY '24?

Rajshankar Ray: Q1? Or you are talking about Q4?

Gunit Singh: Q1 FY '24 and the entire year?

Soumitra Goswami: So Q1, I cannot share it right now. But Q4, I can tell you. Q4 figure is air condition, brand is 85,786 and the air condition OEM was 4,822 for quarter 4. And for the entire year, it is 199,168 for brand and 42,256 for OEMs.

Gunit Singh: So -- from about 2.5 lakh, we are expecting to reach 5 lakh sales AC this year. Is that understanding correct?

Soumitra Goswami: Yes. We have taken a target of 490,000 of air conditioner in the year FY '24-'25..

Gunit Singh: That's almost double the volumes...

Soumitra Goswami: Mr. Ray, already has communicated that 5 minutes back to another investor...

Rajshankar Ray: In the investor report, we've shared that the volumes of April, May itself has been quite high. So it's more than 100,000 ACs in just 2 months. So, right, we believe that this sort of volumes of April.

Gunit Singh: And that is for the AC division and for the Refrigeration division currently in Q1, we have already seen 2 months looking at the current numbers, I mean what kind of volume growth are we looking at in the Refrigeration division also in Q1 and say FY '25.

Rajshankar Ray: So it would not be right for me to comment on the IFB Refrigeration-related plans, but in line with the numbers per month for sustainable financials that I mentioned, those are the kind of annual numbers that are being planned by the company.

Gunit Singh: Can we target [inaudible 0:15:25] in Q1?

Rajshankar Ray: It might not be Q1 per se, but most definitely, it will be Q2.

Moderator:

Next question is from the line of Prolin Nandu from Edelweiss.

Prolin Nandu:

Yes. I joined the call late. So can you help us understand what was the supply chain issue that you faced in Q4 of FY '24? And given that this is the peak season, where 60% of our annual sales in a way or more than 50% happens in this quarter. What -- I mean, what was it that impacted us in this quarter?

Rajshankar Ray:

So you have 2 parts to your question. One is related to supply chain issues in the fourth quarter. And what challenges we are facing currently? Have I understood this correctly?

Prolin Nandu:

No, no. What I'm trying to understand is that in terms of this is -- this month, right, January, February, March, these 3 months are very, very important for the aircon kind of segment, right? So I mean, what was it that we were not able to foresee in terms of supply chain issue? That is my number 1 question because see, FY '25, you have given us the number in terms of growth, right, what you are aspired to be. But we did a call sometime in second week of February. Until that time, I think we did not highlight any supply chain issue. So it must have happened in last -- second half of the quarter, so what went wrong? And we have listed out in some sense in the -- of this peak summer season, right? So yes, that is my question.

Bikramjit Nag:

Mr. Ray -- I would like to answer this, please, if it's okay.

Rajshankar Ray:

This is Bikram Nag, please.

Bikramjit Nag:

I think the major issue that we faced was one is, I don't think that we foresaw such a jump, that's point one. But more importantly, we also wanted to streamline creditor repayments. It was very important for us to streamline creditor repayments. And therefore -- and also because we never saw the jump. Basically, we -- the one major item which we have, which is the compressors, which are being imported, we ran short.

And we also ran short in April, May. We could have done much, much better than what Mr. Ray spoke about, 100,000 ACs being sold. We could have done much, much more. And thereafter, the last minute, it was impossible to get in the stocks, but we just did not foresee it. And also, we took a decision internally in the month of Jan, Feb that we must streamline payments. I think both these points together caused an issue, but we have corrected that now. However, it's taking some time.

Prolin Nandu:

Sure, sure. So just to add to that, right? I mean this is how the -- typically the summer seasons are, right? I mean, sometimes you will have early monsoon...

Bikramjit Nag:

No. But -- if you see the past few summers, sometimes, dealers have been stuck up with stock, and they don't destock, and all of those things happen. And it was very important for us to streamline payments. I was very concerned about that.

Prolin Nandu:

All right. Understood, sir. Yes. Correct. So now what I'm trying to understand is that does it mean that we will have to wait for the next year to see what kind of an operating leverage does this business bring in, right? Because, again, Q4 of FY...

Bikramjit Nag:

We are seeing the fact that it's turned it even though it's unaudited, even though it's turned EBITDA positive now, which is April, May, et cetera, because of volumes, et cetera, I think June should be similar. Overall margin impact in April, May has been much, much better. It's not a 10-odd percent, which is what I thought we'll get to by the end of Q4. That has not happened. But the intent to get to 10% and driving it very hard. That is happening at all levels of the company, that is now happening as far as Appliance division goes. And you will see the benefit of this at the end of Q1.

Prolin Nandu:

Sure, sure. Understood. And can you help us understand in terms of retail, right, while we might have missed out on overall sales target, but more on the qualitative kind of number, right, where you have in the past, mentioned that our wallet share in some of the counters have been quite less and because there was no presence of let's say, brand promoter there and also -- and where we have a very good sales team, our market share in some of the micro market is as high as 10%. So has there been any change in terms of the presence in some of the key counters?

Bikramjit Nag:

I think we've seen improvements in that. However, what has happened is, let's say, some of the key counters, the material has only gone in, I think, Mr. Ray, in the month of April, May, right, and not in March.

Rajshankar Ray:

Is the question on air conditioner?

Prolin Nandu:

Yes, it's on aircon?

Bikramjit Nag:

Yes. Aircon only I'm talking about. So I think it's moved into some of the key counters significantly. And that benefit, we'll see, but it's moved into some of the, Mr. Ray, correct if I'm wrong, only in the month of April, May, right?

Rajshankar Ray:

Yes, at the end of the -- end of fourth quarter. So actually, I would just like to add to what Mr. Nag is saying is that this was actually the first season where our presence was much more broad-based than before. And that is, of course, on the problem side led to this issue of not being able to foresee exactly how much lift would come. This is the point that Mr. Nag made. But I think given the fact that the spread is much broader than before, we feel that it's a very positive sign for the rest of the year.

Bikramjit Nag:

And if you see one of the worrying things in Q4, which has been significantly corrected in the first two months of Q1 is that washer sales have not moved. We are not able to understand exactly why as yet, but washer sales in April, May -- overall things in April, May is better. And what we looked at was not only streamlining payments to creditors, etcetera, but also to get our ratings up, also to get ROCE up in the division.

So overall, in all of those areas, there have been significant upward movement in April and May, significant, which we'll report in the July meeting. However, the washer sale has not moved up to the extent that we want. And we are putting a lot more emphasis on that, again. ACs moved up, but there is an issue of stock. And in refrigerator also the same issue of stock came up because we did not give adequate orders for the compressors. But that has been corrected now.

Prolin Nandu: Sure. Understood, sir. And I think you already answered this, but in terms of other fixed costs, what I wanted to understand is that you mentioned -- you had mentioned in the last call that you are planning to work with some outside consultant. So are we -- I mean, where are we there? We have already hired someone to help us there?

Bikramjit Nag: No, we are doing -- I think we are still in like discussions with them. One of the things that we saw is when we went into discussions with them and saw the various areas they will help us to focus on, etcetera, etcetera, focusing or to focus on to, we thought before we get them on to this, there are a lot of areas we can do ourselves.

And we put in a team to do all this ourselves to a great extent and a lot of benefit we are seeing we can get -- we can move ourselves on to getting in terms of the bottom line. And we thought let us do this first before we get these guys into the thing because they typically take 60 to 90 days just to get going. And we just thought a lot of the things we can do ourselves is better, not to outsource. However, in certain areas of IT, etcetera, we have done some outsourcing.

Prolin Nandu: Sure. Understood. And lastly, on your engineering division, right, you had plans for some inorganic growth opportunities or organic acquisition as well. So what is the pipeline there? Can you help us understand?

Bikramjit Nag: We have about 7, 8 companies that we are looking into. Yesterday and today, in fact, the M&A team has met one of them and the process is on. Out of the 7, I think all like 7 we are interested in, the sizes are a minimum of INR300 crores, going upwards. And they are all in areas, some are in areas which are -- which like we are not into, but it falls under the auto-com space and some are in stamping, which we understand well. But the areas which are niche, etcetera, which we are not in are very, very interesting, and hence we are looking at those as well. So minimum size we will go for is about INR300 crores upwards.

Prolin Nandu: Understood. And that's the kind of -- I mean, INR230-odd crores is the cash that we have on the book, right? So that would...

Bikramjit Nag: As we've said in the investor call, we will not do anything until the cash moves up to over INR500 crores.

Prolin Nandu: Understood. And also in this core stamping segment, your focus will be to move into areas which are engine neutral, right? Did I heard that correct?

Bikramjit Nag: Correct. Absolutely.

Moderator: Next question is from the line of Anand Mundra from Soar Wealth. Please go ahead.

Anand Mundra: Sir, I wanted to understand, post our September conference call on 15 November, we promised to investors that by Q4, we would be able to do double-digit margins. And that was also not Q2, sir, but it was on 15 November, the call has happened. But the margins are quite different. So what is the main variance? You explained earlier about material different than that. But all these things on 15 November, we will not -- we are not able to project for 31st March, sir?

Bikramjit Nag: Mr. Ray?

Rajshankar Ray: Okay. So the point that you're raising is a correct point. And the indication that we have given is that the results would flow quite quickly. But having said that, the raw material pipelines and the fact that the full impact of the material cost has not been realized in Q4 and the fixed cost reduction, which is a key component of the double-digit margin, which is still WIP. And like I explained a few minutes back, has not been realized in the Q4, which has to be completed by us in Q1 and Q2 and hence the delay. So the only point we would make is that the action heads which are committed are fully on track. However, the results are not realized as yet.

Anand Mundra: My only worry is, I'm tracking the company from last 5, 7 years. Earlier, I used to -- I remember you said that INR200 crores revenue per month, you will be able to do 10% margin. That was INR2,400 crores top line. At that time, our top line was INR1,500 crores, INR1,600 crores. Then the figure moved to INR3,500 crores top line. Sir, I'm not saying that always the aspiration is there for 10%. But if you pick out any conference call, sir, we always promise but we have never delivered, sir. So my only worry is, again, we have promised for Q2. So what -- have we already taken the step, sir? Or we will reduce it? We are expecting it to be reduced in Q1 and Q2 and the 10% margin will come?

Bikramjit Nag: I will answer this, Mr. Ray. I will answer this. Okay. I think your question is perfectly legitimate and this is a worry that I also have. And my constant discussion with Mr. Ray, the others in the appliance division is as follows. We've gone through minutely how costs have gone up from 2016 onwards? And every area from 2016 onwards we have looked into, including how schemes have gone up with key accounts but we have not got the required volume out of the key accounts, etcetera, etcetera.

So all aspects of that has been done -- all aspects of that is being detailed -- sorry, that is being detailed. It's still WIP. And we have not done a good job at this. And hence, we have lost out in March. And hence, we've not been able to keep our commitments. And hence, the results have not been good. And it's not something that I'm happy about. It's not something anyone is happy about in the company. And we have to fix this. I'm not giving any further commitment, but saying we are really driving towards double-digit margin.

Now, on Q4, it has not happened, but you will see Q1, April, May has been significantly better, but nowhere near what we need to do. Hopefully, June, we'll get closer to the target. And thereafter, we should hit the target. And one of the reasons now, suddenly, we are not able to understand why there has been a slight slowdown in washer in the month of Jan, Feb, March because that's where we have significant margin. We are not able to understand this. However, as I said, April, May has been better. But margin-wise, April, May has been much, much better for us overall. And the effects of cost reduction is paying off.

Anand Mundra: Sir, April to June because your AC season is also there, washing machine season may also come. So hence, your margin -- operating leverage will play. So hence margin may come, but I don't know whether it will be sustainable in December quarter because your AC sales will be lower or September quarter.

Bikramjit Nag: No, what happens normally in the month of December is if you see all other companies, including Daikin, Hitachi, LG, Samsung, the AC production goes up because they push the material to the dealers -- because you can't produce so much of the...

Anand Mundra: That happens generally in December, yes...

Bikramjit Nag: So from November...

Anand Mundra: Let's see -- okay. Sir, my another question is, we did -- in April and May, we did 50,000 ACs, as you mentioned, 1.1 lakh ACs for two months. If I -- ACs generally sells for 5, 6 months in a year, and if we are selling 60,000 per month, so it would be -- we won't be able to more than 3.5 lakhs or 4 lakhs in a year. And our target is 4.9 lakhs or 5 lakhs as per the presentation.

Bikramjit Nag: No, what will happen in the month of December, Jan, Feb, the dealers pick up stock. So you produce a lot, lot more and you do that. Every company does that apart from us. I think now that the distribution is much more in place, we'll be able to see throughput of this.

Rajshankar Ray: I just want to add to what Mr. Nag said, this is Rajshankar here. You see for us, the seasonality of the industry or the manner in which it goes up and down is relevant, but not entirely relevant because our participation in terms of the network that is available and the network that is selling a product like air conditioner is still low.

So having seen in this season that we have got the throughputs from the counters where we were present, we've got the product pricing combination right. The demand has been healthy. Our point that we will increase whatever we have thought for the year is not driven so much by season up and down, but by the fact that we can expand the network quite significantly compared to what it was the previous year. So I hope that gives you the clarification that you required.

Anand Mundra: Understood. Sir, what is our capacity in AC sir?

Rajshankar Ray: See, our capacity currently is 500,000 ACs with an assembly line running in single shift and some of the feeder lines running in two shifts. And we are working on increasing it in line with what we require.

Anand Mundra: So in April and May, we were running at 100% capacity, sir?

Rajshankar Ray: In April, we were running into full capacity. In May, actually, the plant delivery to the market was less because of the supply issues that Mr. Nag expanded on.

Anand Mundra: Okay. And sir, you mentioned the INR167 crores PBT loss. That was with respect to AC plant for last year, FY'24?

Rajshankar Ray: No, I was talking about INR160-odd crores PBT for last year. And that...

Anand Mundra: FY'24 you said or FY'23, sir?

Rajshankar Ray: '23-'24.

- Anand Mundra:** The year for which we are talking about. Okay.
- Rajshankar Ray:** And that includes the negative component of the air conditioner. So this point was actually made in the previous investor call as well that even if that negative is zero it does contribute to a significant increase in terms of the overall PBDIT for the division.
- Anand Mundra:** Okay. So I missed -- what was the negative amount in FY '23-'24 in AC segment?
- Soumitra Goswami:** AC PBDIT was INR42 crores minus in '23-'24. What Mr. Ray is telling INR167 crores -- INR167 crores is the [inaudible 35:32] full figure PBDIT included into this INR42 crores negative figures from AC. Suppose if AC would have been breakeven then this figure would have been more than INR200 crores.
- Anand Mundra:** Okay. Understood sir. So sir this year when we are targeting 5 lakh ACs what would be our profit -- what would be the estimated PBDIT if it happens?
- Rajshankar Ray:** We will not give that. We will not give that now. Our first task is to -- as I said our first -- our only target is to hit double-digit margin. Everything will get covered in that.
- Anand Mundra:** Okay. Understood sir. Sir one more thing sir with respect to refrigerator plant, so what is our capacity in the plant sir?
- Rajshankar Ray:** Yes 1 million and with some debottlenecking it can be increased by 10%, 25% more basically.
- Anand Mundra:** Okay. And how much we are targeting to sell this year sir?
- Rajshankar Ray:** So IFB Refrigeration Limited the company has a target of about 6.5 lakh refrigerators and like I shared...
- Anand Mundra:** Higher than the -- much higher than the number of ACs we are estimated to in refrigerators?
- Rajshankar Ray:** It's a much larger market the refrigerator market. So -- if you see relatively the refrigerator is a much larger market..
- Anand Mundra:** And sir what is the pricing -- how is pricing is decided? Suppose the cost of the product is INR100 the company which is doing manufacturing. We are buying at INR100 and we are selling at what price sir?
- Rajshankar Ray:** Sorry this is the question...
- Anand Mundra:** Sir how much markup they are taking while billing it to IFB Industries?
- Rajshankar Ray:** Soumitra, would you like to answer that, please?
- Soumitra Goswami:** No we are like following whatever the transfer pricing guidelines are. We are within that and...
- Anand Mundra:** My only point was to understand how much losses we are making in that plant cumulative in both the companies together?

- Soumitra Goswami:** So we will not make any loss when we hit a minimum volume. We are still a little -- I think last month Mr. Ray you were about okay. I think about 35,000, 38,000 refs and you are at breakeven -- depends on the mix what about that.
- Rajshankar Ray:** Both April and May figures are good in refrigerators.
- Anand Mundra:** Noted sir. Sir one more question sir, what is our gross margin similar in both ACs and refrigerator or refrigerator gross margins are much higher?
- Rajshankar Ray:** So we don't specifically comment on the gross margin structures per se, but the cooling products in general in the industry would be similar and washers is higher. I hope that answers your question basically.
- Anand Mundra:** Yes. And I think Mr. Ray I think you tell them also that a lot of work is being done to reduce cost -- material cost even in these two and to drive up margins.
- Rajshankar Ray:** Yes correct. Both ref and AC that work is on because one of the advantages we have now is provided, of course, we get sales right. We have a lot of volume and the vendors are coming forward to really give us very good terms now and that is helping us which means essentially price, credit period we don't have any like issues. We have like streamlined things as I said.
- Anand Mundra:** Understood. Sir actually it's good that we have introduced these two products so we can utilize our IFB points and throughput would be much higher. And how much sales you are targeting through IFB points the refrigerator and the AC, sir?
- Rajshankar Ray:** About 15%.
- Anand Mundra:** Only 15%, sir?
- Rajshankar Ray:** Yes. As of now 15%.
- Management:** So actually if you see both the categories of refrigerator and ACs the smaller network which is fed by distribution is very strong participant as far as the industry is concerned. So where the contribution of washer may be higher in an IFB store in ACs and rest it will be slightly lesser. Though, of course, in volume terms it will be very high.
- Anand Mundra:** Understood sir. Sir one more thing what is our profitability...
- Moderator:** Mr. Mundra I request you to join back the queue please as we have other participants waiting.
- Anand Mundra:** Thanks a lot sir. Wish you all the best.
- Moderator:** Thank you. We'll take the next question from the line of Manoj Gori from Equirus. Please go ahead.
- Manoj Gori:** I have couple of questions and apologies probably I have joined a bit late. So commenting on the overall demand and obviously cooling products have been doing very well. If you can throw some highlight on the washers probably what is the outlook and also if you can

comment on the recent month market share movement whether we are gaining, we are losing or we are maintaining market share.

Because if you look at probably in the fourth quarter, our top line growth for home appliances was roughly around 3%, 4%, but when I look at AC sales have been growing at a significant pace. So washers seems to be at some pressure. Can you throw some light over there?

Rajshankar Ray:

So Manoj, I will answer this in four points. The first point is that we are not happy with the washer sales at all. And internally the work to ensure that the sales rises, plant capacity goes up has been driven very strongly this is the first point. The second is that if you go by the data which would be, let's say, GSK data even though we've always said that it is still not a right indicator per se.

But the data says that actually the market has been degrowing which is something we also don't understand very well on why this is happening, but the data say that the market degrew last year, it also degrew in Q4. On the same benchmark, the IFB market share is increasing. And we had said that we actually see a very large scope of increase because there was a segment of the 9 Kg and 10 kg front-loading segment where IFB didn't have a product. Last year was when we started ramping up the availability of the product.

So other than these three points the fourth point is something that we've said earlier, but we really have to deliver it is that we have our network size the extraction from that network potential is very high. We just have to do a much better job of getting that as far as washer is concerned. I hope that answers your question. As far as data is concerned, we are gaining market share.

Manoj Gori:

Sir secondly if you look at some of the brands probably new to the industry, probably if we name them higher or probably Voltas Beko seem to be doing very well in washer segment of late. So -- and we probably believe like even industry at times have been facing some heat. So how do we see this competition panning out and probably the aspiration that we look at improving our profitability across category. Does it impact us as well any risk because of the competition, please throw some light?

Rajshankar Ray:

Okay. So if you look at the washer segment, then the washer segment is a combination of three things which is the front load, the top load and the semi-automatics. IFB's participation is in the front load and the top load segments. The competitive intensity from specific people like a Haier or a Voltas our position has always been that there has always been competitive intensity.

So if you look at from the period Jan '21 till, let's say, a couple of quarters back the competitive intensity from a Samsung and LG who are actually pricing down in a market where raw material prices were going up was extremely intense. So that competitive intensity will always remain.

Now for IFB other than this last year's gain in share which is led by the 9 kT and 10 kT placement. From this quarter onwards, there is a complete new range introduction happening in both front loading and top loading segments virtually, the entire range is getting changed.

The new models which are entering are more packed with features better technology and we have looked at over the last 2 years, 3 years whatever issues we've had in terms of the right product price combination etc we have tried to address all those gaps. So for us in this year I think the opportunity comes from two specific areas in the washer segment.

One is this continuing growth in market share because of the 9 kT and 10 kT expanding more which was just a product gap which has got filled. The other is if we use the new product introductions well and the market placements happening fast we think that that is the biggest leverage we have for getting the volumes and the market share that we should get.

So I would specifically not be very worried about the competitive intensity from a Haier or a Voltas, but we would be internally much more focused on doing the execution where with the agenda that we have of the new product introduction and market extraction for the year. I hope that answers your question.

Manoj Gori: Yes sir. Sir, lastly I'm surely making you repeat on the margin side. If you look at, obviously, there has been some delay on what we were aspiring by Q4 about double-digit margins. We are now moving towards Q2. But -- so I just want to understand probably despite the RM prices moving up, competitive intensity, obviously, would have continued to remain on the higher level, they still remain confident of 2Q probably margins would be sustainably scaling up from the current levels despite RM price is moving up?

Rajshankar Ray: Yes, Manoj. And like Mr. Nag had shared the intensity and the internal pressure on making this happen across everyone in the company is very intense and it is something that we just have to come and deliver. So I think beyond that there is nothing to say. We just have to get it completed now...

Bikramjit Nag: And also as I said, April, May had been much better. Hopefully, June will do even like better and you will see the results, hopefully, Q1 significantly better than before, but it's still not at 10%, but we will get there.

Moderator: Mr. Gori, I request you to join back the queue please as we have other participants waiting.

Manoj Gori: Sure. Thank you and wish you all the best sir.

Moderator: We have a next question from the line of Natasha Jain from Nirmal Bang Institutional Equities. Please go ahead.

Natasha Jain: Just one question rather a follow-up on the previous participant's question. Sir, in terms of our fully automatic top load now what we've understood is specifically for LG and Haier they have offloaded some products which are DDM technology-based or rather artificial-intelligence driven. So in that sense do you think that our portfolio or our products are at match with those technologies? Just want to understand that?

Rajshankar Ray: So with what is being introduced IFB will not only match, but it will be a plus. And you will see that with the range that is getting introduced. So both in terms of customer benefits,

technology AI is bandied around a lot but the real AI, which a customer can meaningfully use and benefit from...

Bikramjit Nag: I think Mr. Ray, one of the points that she's saying is I think that this thing of AI and the way they are marketing it, which is a point we have discussed internally, I think we need to do a -- I mean, a much better job at marketing the AI stuff that we guys have. I don't think that it's been marketed as well as the others and that's the correct concern.

I think even the things you saw in Singapore, recently, et cetera, I think we are lacking behind in the way we are showing the thing on the product. And that is something we need to improve immediately. We have the technology. However, our marketing of that is not as good as others. I'm trying to say that.

Natasha Jain: Yes. Sir, because when we do our channel checks, we do not see visibility of an IFB fully automatic top load in terms of the artificial intelligence driven category. So maybe that would help in terms of pushing the sales.

Bikramjit Nag: We will fix this immediately. This is a point which Mr. Ray I think, this is something -- to fix.

Rajshankar Ray: Yes, that is true. And the other point that I'd just like to make is that as far as the top loader is concerned, our channel penetrations are much lower than front loads. And that aspect of the product that will enable the channel penetrations to increase is what is getting addressed with the new range, which is rolling out. So in addition to the point that you made, which Mr. Nag is responding to you, this is also an additional factor that will play out with the new range introduction.

Bikramjit Nag: Mr. Ray just before we go, I mean the question like goes rather is in our lab, can you please put these new stickers and all so that I can have a look at it immediately. And how this would be portrayed to customers, I would like to see this please first. This point is missing.

Moderator: And Natasha, does that answer your question?

Natasha Jain: Yes, it does.

Moderator: We'll take the next question from the line of Shubham Jain from NV Alpha Fund. Please go ahead.

Shubham Jain: I just had one bookkeeping question. So if I look at our debt, it has come down from almost at a gross debt level, INR200 crores to INR60 crores. And our lead liabilities have also come down from INR150 crores to about INR100 crores. So we don't see any year-on-year reduction in interest cost. So going forward, where do we see the interest cost going down to...

Bikramjit Nag: If you see a paper, Soumitra, it's not INR60 crores, it's INR40 crores?

Soumitra Goswami: It is actually -- as of March it is INR61 crores and as on 31st May it is INR40 crores, it's in May it is INR40 crores and by March '25, this will be INR21 crores. By March '25, it will be INR21.88 crores.

Shubham Jain: Correct. So my question is more on the interest cost because we have not seen any reduction in the interest cost from 4Q '23 to 4Q '24.

Soumitra Goswami: If you see the interest cost part, interest cost, if you see that our internet cost on borrowing, it was in the FY '24 total figure is INR14.65 crores for the entire year and it was INR16.70 crores in last year. And it will be going down further to around, say, in FY '24, '25 for INR14.65 crores, it will be going down to around INR6.3 crores for the whole year of FY '24, '25. We'll be getting that impact in '24, '25. Already, there is a reduction from INR16.7 crores to INR14.65 crores.

Shubham Jain: Got it. And will we see a reduction in non-borrowing interest cost as well?

Soumitra Goswami: Yes, normally interest cost also will be doing down because already we have made a modification in one of our very big lease agreement in our paper engineering division Malur. And from there, only the impact has come in the month of March '24, but the great impact will be coming in FY '24, '25. Because in case of '23, '24, we have only received the advantage only for 1 month. But that advantage we'll be getting in next year for the full year for the entire 12 months.

Shubham Jain: Got it. So what -- can we quantify that as well? What would that be for say, FY '25 as per our estimates?

Bikramjit Nag: But Soumitra that is only a classification issue. No, that's not a...

Soumitra Goswami: It's non-cash entry.

Shubham Jain: Yes, please clarify. That's the classification that doesn't impact...

Soumitra Goswami: Finance charge on the lead asset, it's a noncash and there is no cash movement. It's an accounting entry as per IND AS 116. What are the charges coming for the entire year, so around -- I'm telling you 8.6 will be going down to INR3.11 crores in FY '24, '25 for the full year due to the lease modification because we have gone -- we have received the impact only for 1 month in FY '23, '24. But for FY '24, '25, we will be getting for 12 month. The impact will be much larger.

Moderator: Thank you. We'll take our next question from the line of Shreyans Jain from Svan Investments. Please go ahead.

Shreyans Jain: Sir, my first question is, when you look at IFB refrigeration sales, is that happening via the associate or it forms a part of our stand-alone revenues?

Soumitra Goswami: No, IFB refrigeration -- okay, continue.

Bikramjit Nag: IFB refrigeration sales happens through IFB refrigeration. And some amount happened through IFB Industries. IFB Refrigeration is a stand-alone company as well.

Shreyans Jain: Right. But so what I'm trying to get to is when I look at your stand-alone top line for the full year is at INR3,400 crores...

- Rajshankar Ray:** It is insignificant.
- Shreyans Jain:** Yes. So it's insignificant, Ray, okay. And my second question...
- Bikramjit Nag:** But it will become significant tomorrow.
- Shreyans Jain:** No. So my confusion is when we do the retail sales for Refs that forms a part of IFB refrigeration. That's my question.
- Bikramjit Nag:** No, retail sales happens in IFB Industries as well as in IFB Refrigeration but not in the same like market. For example, in Maharashtra, retail sales only happen via IFB Ref because we get the GST benefit there.
- Shreyans Jain:** Okay. And so, then stand-alone INR3,400 crores of sales. And when I get individual product-wise top line, so the top line comes to INR2,700 crores or about INR2,800 crores. So there's a difference of about INR600-odd crores. So which segment is that which product category is that?
- Soumitra Goswami:** Can you please repeat the question, please?
- Shreyans Jain:** Okay. So INR3,400 crores of stand-alone appliance sales for the full year. Out of that, if I were to break it up into product wise, front load is INR1,260 crores, top load is INR470 crores, dryer is INR30 crores, industrial is INR126 crores, air conditioners is INR570 crores, dishwashers is INR56 crores, ovens is INR230 crores and home appliances is INR20 crores. So I say the difference is about INR600-odd crores. So which product category?
- Soumitra Goswami:** I am just explaining you total HSD appliance division total value, I'm just correcting it, it is INR4,014 crores on the entire year YTD, '23, '24.
- Shreyans Jain:** Gross sale?
- Soumitra Goswami:** Yes, I'm talking about gross sales only. Correct.
- Bikramjit Nag:** No, you talk net sales, he is talking net sales, please talk net sales. Rest will be service Soumitra. Mr. Ray?
- Rajshankar Ray:** Yes. Can just read down the breakups to them. I think that is clarified.
- Soumitra Goswami:** It is actually front loading INR1,752 crores. Top load is INR659 crores.
- Bikramjit Nag:** Soumitra, please talk net sales, please start talking net sales always. We should never talk gross sales.
- Soumitra Goswami:** Okay. That figure is not right now available with me...
- Bikramjit Nag:** Balances service, we will give this to you, please. Balance should be service.
- Shreyans Jain:** Okay. And sir, so you spoke about Acs and you can from 570 I think you can do about INR1,000-odd crores next year. And refs also you're saying from 30,000 a month you're

targeting to about 50,000. So I say ballpark for the year FY '25, we do about INR4 lakhs, INR4.5 lakhs and average reference realization can be around 15,000 is my assumption. So -- and I'm assuming the INR2,000 crores coming from AC and reference and the balance, even if I take a 6% top line growth, which is likely -- most likely -- so I think we can do about 20%, 25% sales for our appliance division next year.

Bikramjit Nag:

We would not like to give guidance on this. Having said that, just laying out our basic philosophy from now on, which is the company must be ambitious. The company must grow significantly year-on-year. And the company must fix its margins. Now whether that should be 25% or 15% or 50%? That's a separate point.

We will not get into that now. And also the company must have significant market share wherever the company is playing. I think this is the way company must actually move forward. We are fine-tuning management to cater to these ambition requests that the company has. I will leave it at that.

Moderator:

Thank you. We have a next question from the line of Saket Kapoor from Kapoor & Company. Please go ahead.

Saket Kapoor:

Yes. Sir, when we look at your consolidated numbers, there is a share of loss of associate to the tune of INR24 crores. That has gone up from last year number of 2.41. So if you could just explain to us the nature of the same and the reasons for these losses?

Bikramjit Nag:

That is on account of the refrigerator business if you see. Soumitra, correct?

Soumitra Goswami:

Yes, refrigerator loss at the PBT level of the company is INR59 crores...

Bikramjit Nag:

That's on account of refrigerator. Once refrigerator volume goes up, this will get fixed.

Saket Kapoor:

Okay. And sir, in this, what is our current stake? Or can you give a breakup? How is this refrigeration company is being held by that...

Bikramjit Nag:

It is about 41%, I think 41%, 42%...

Soumitra Goswami:

41.4%...

Saket Kapoor:

Okay. So when we look at our division segment reporting, we have our home appliances, engineering and then a small portion of motor and steel. So firstly, sir, what are the key synergies of having these verticals of home appliances and engineering under the same roof? How are they synergize in for a home appliance organization to have the engineering or the banking part also under the same fold. If you could explain that -- and --

Nag sir you were explaining -- one more point, so Nag sir, you were explaining about some M&A part of the story with INR300 crores type of infusion. I missed that point, sir, if you could just correlate once again.

Bikramjit Nag:

No, I was saying -- I was asked -- we were asked the question, what sort of size, etcetera, M&A, we are looking at. And I said we are looking at minimum INR300 crores revenue

company to buy. I was saying that as far as Engineering division goes. And then I was asked what sort of auto component, etcetera. And I said, we are looking at stamping our businesses, plus there are some that we are looking at, which are in the autocom space, but not in areas we are into now, however, very, very interesting areas. They are all non-IC engine by and large..

Saket Kapoor:

Okay. Right. And then you also alluded to the fact of some INR500 crores number. That was a cash number or can you come again on that?

Bikramjit Nag:

No, I was asked, we have about INR300 crores cash now to INR290-INR300 crores cash, etcetera. And therefore, regarding the possible M&A, etcetera, what is our plan going forward, etcetera. I said our first target is to build a cash position to INR500 crores before we do any significant M&A. I was saying that.

Saket Kapoor:

Right. And lastly, on the synergy wise, sir...

Bikramjit Nag:

And if you see over the last 12 months plus 2 months of April, May, especially in the last 5 months, actually, January onwards, a lot of work has gone into fixing 2 things. One is the working capital imbalance which we had, okay? So that we've significantly fixed. There is still some amount left, which we need to prioritize on and fix. Two, our creditor payments were not in line with what we would like. That has been fixed. And third point is we were not focusing enough on ROCE. That has been done, and April, May has been a significant improvement on ROCE even in appliance division.

Moderator:

We'll take our next question from the line of Moksha Shah from Agility Advisors. Please go ahead. Her line is disconnected. We'll go on to the next question from the line of Aviral Jain from Siguler Guff.

Aviral Jain:

I think most of my questions are covered. But I just had 1 question regarding the loss of sale on OEM side. What was the conscious call, is it due to the supply chain issue?

Rajshankar Ray:

So the OEM was not a conscious call per se because it was one customer's overall OEM business basically was a question mark. Having said that, it has in this present period being good for us because the brand sales have significantly written. As we had shared earlier, the intention of having 1 or 2 partners on the OEM side who are helpful to utilization of plant capacity, and also for constant benchmarking in terms of competitiveness on price, etcetera, externally, that intention still remains. I hope that answers your question.

Aviral Jain:

Yes, thank you so much. And I just had a follow-up question. And you mentioned that you've seen some slowdown in Jan to March. Is that slowdown across companies in consumer appliances?

Rajshankar Ray:

No, the slowdown question, was it specific reference to the washer category, and that is across everyone. But it is not for other category. The other categories like air conditions, for example, have grown significantly.

Aviral Jain:

Understood. Okay. And the 9 kg and 10 kg product segment, which was launched earlier, has been received well by the market...

Rajshankar Ray: Yes, it has been received, and the upside on that is still very high. We have a lot of work to complete in terms of product placement, market reach. But yes, it has been received to us.

Moderator: Thank you. We'll take our next question from the line of Sanjay Ladha from Bastion Research.

Sanjay Ladha: Sir, my first question would be, as other participants has also asked the same thing that we have a home appliance -- yes, okay. So the other participants has also asked that what is the synergy between our home appliances and the engineering segment, which are there in our bucket list? And also, sir, since this home appliance and engineering segment are different from all together, are we thinking to demerge the same because both the segments are different and need different attentions. If you can throw some light from your perspective...

Bikramjit Nag: I will answer that. Sorry, sorry. I, like, did not answer it to the previous gentleman sorry about that. I would like to give the answer now. We started originally like my father started off as a fine blanking business, which is auto component. He then branched into appliances, etcetera. In India, we see various business houses having businesses where one may not be totally related to something else.

We don't see any issues with this because for a very long time, if you see the auto component business and the appliances business is totally run by different management. As far as my role or, let's say, corporate role goes, it is only to ensure right capital allocation to both the businesses. It's only to see the governance issues are in place, is to see the risk issues are being taken into account properly, etcetera, etcetera, and to help both the units to actually grow. There is no management focus between the two, which is confusing at the operating level, nothing like that at all.

And if you see companies, for example, if you see various companies which are doing exceptionally well in India now, I'm not going to take names, but very large market cap companies, etcetera, etcetera, very large companies. They are in diverse, diverse businesses, even under the same like -- at the same like company level. I don't think that's an issue per se. We have not faced any issues per se. In fact, so much so sometimes when a division doesn't do well, the other division does like better, it actually helps. That's our view. And there is no question of demerging.

Sanjay Ladha: Okay. Yes. Another question would be then, again, the refrigerated business, which we are doing with IFB Refrigerator, that again, the associate company. So why are we not integrating the same...?

Bikramjit Nag: I can answer that. I can answer that. Government of India came out with a policy to help spur investments, etcetera, etcetera, and also under Atmanirbhar and all of that. We said, if you have a new company, etcetera, you -- and if you do it within a certain time frame, then you pay 15% tax rate in that company. It was a very good move by Government of India. It was only for that reason, it had to be a separate company, point number one.

Point number two, we also wanted to fully ring fence IFB Industries Limited from issues that the company of that size and scale as far as investments go, may face in the initial time.

So if you see the banking has been kept out of IFB Industries, etcetera. And when we spoke to our existing bankers in IFB Industries, they said, we will funding, but you have to guarantee, we never wanted to do all this. One was the taxation reason and one was this, and it has worked out very, very well for us.

Moderator: Mr. Ladha, I request you to join back the queue, please, as we have other participants waiting. Thank you.

We'll take our next question from the line of Abhishek Ghosh from DSP Investment Managers.

Abhishek Ghosh: Sir, just if you look at the front-load segment, the top line growth has been about double-digit, the top-loader has suffered just about muted growth. So is it anything to do with the category or your market shares? If you can just help us elaborate between the 2 sub-segments of front-load and top loaders because the divergence as far as growth is concerned?

Bikramjit Nag: I think, Abhishek, it's the mix of the category and also the fact that the point Mr. Ray says in every quarter, which is we need to do a lot better work as far as extraction goes from counters that like we are in, and as far as the numeric reach also goes, I think it's a mix of both. Mr. Ray we can add for...

Rajshankar Ray: Yes. So that is correct. And to that I will add just one point. As far as the top-loader segment goes in terms of the product price position etcetera. There have been issues which have not been addressed, which are getting addressed with the new range, which is getting introduced from this month so. 70%, 80% on the first lever that Nag spoke about, 20%, 30%...

Abhishek Ghosh: So it's essentially to understand, sir, it is IFB specific issues and with the new models which are getting launched, through first quarter. We will see the reversal as far as growth in top load earnings release is concerned. That's the way one should?

Rajshankar Ray: Correct. As far as the industry is concerned, top loader in volume terms is bigger than front loader, so.

Abhishek Ghosh: And your market shares are much lower there?

Rajshankar Ray: Market shares are much lower, correct. Absolutely.

Abhishek Ghosh: So, in terms of pricing strategy, since because in the front load, you are already -- you are having a dominant market share. In this top loader segment, is there a differentiated pricing strategy that you have kind of adopted in order to be able to garner higher market share? Any thoughts on...

Rajshankar Ray: No. It is the same. There is no -- what you're specifically asking is, is there any discounting that you're doing from the point of your volume, no. Pricing remains starting in the same.

Abhishek Ghosh: So, it is largely on base...

Bikramjit Nag: What we've done is, in fact, if you see, one of the things that we've done is we have improved our MOP, etc. And that is helping us. As far as the retailers are concerned, I think you've also

written a letter to us, right? If I've not missed. So, I think the MOP matters have been fixed. A lot of work has gone into that and the retailers are very happy because their retention goes up. So, we have actually clamped down on etc. Which was happening at the retailer level and that has actually made the trade very happy with us.

Abhishek Ghosh: And you are happy, sir, with the overall acceptance of the new models that has been put out in the marketplace.

Bikramjit Nag: No, we are not happy as yet as far as the sales grow. So, we can't be happy. Are we happy with the product? Answer is yes. But we are not happy sales, we were happy with the sales, we would not be answering so many questions. So, we are not at all happy.

Abhishek Ghosh: Sir, because you have alluded to this guidance, which you have called out that in 2Q...

Bikramjit Nag: We have not given guidance, we have like given the difference between intent and guidance. And if you see significantly whatever we've done, including when we bought out stamping unit, let's say, day number 1, we said that our plan is to get INR7 crores sales a month. But it's taken us a lot of time, COVID hit, etc. I don't think intent and guidance should be mixed up.

Having said that, I stand by my point, our plan is to get our intent plan, etc. Whatever you call it, is to hit 10% margin. As far as Appliance division goes, as far as Engineering division goes, we are already at 15% and we have to further improve. There is no like dilution in this. But when you say in your letter, that we have misled, etc. That's a wrong statement. But I don't want to go further into that.

Abhishek Ghosh: Sir, our only feedback there would be is the trajectory has to be more sustainable, that is the only point because there is a trajectory to the end destination and it has to be on an improving trajectory. That's the limited point, sir, I would want to...

Bikramjit Nag: I am in agreement with you.

Abhishek Ghosh: Yes. Sir, just one other point is have -- because we also see some of the commodity prices increasing now. So, have -- is there a need to take any price hikes or anything just to be...

Bikramjit Nag: No, in fact, Mr. Ray and me had a meeting just a few days back, and 1 of the points I was telling him was that I saw on TV, I think on CNBC or somewhere that a lot of the brands have started increasing price. And I asked him that what is your plan? So, what he said was that he is going to decide on this after 15th of June. So, we'll stick with that. We'll see how it goes and then we'll take the call. As of now, we are not under pressure per se.

Abhishek Ghosh: Thank you so much and we wish you all the best for that.

Moderator: Thank you. We'll take the next question from the line of Sanjay Ladha from Bastion Research.

Sanjay Ladha: Sir, just wanted to understand about our marketing and distribution side of the story. So, since we are doing INR100-odd crores, INR150-odd crores of marketing side of -- to enhance our brand presence, but when we see on the ground, and you already alluded that the product

which we marketing on TV or other social media the mix or the sense of the product is not transferred to the customer.

And therefore, the brand has a good market, but the pricing may differ or the things may differ. So, if you can highlight about the marketing side of the story and distribution side of the story, that how we are planning to do that? And what are the steps we are taking on that side? And if you can quantify that steps, it will be really grateful?

Bikramjit Nag: Mr. Ray?

Rajshankar Ray: Yes. Okay. I'll answer that. So, as far as the overall marketing spend is concerned, the point here is that it has to become much more effective. So, if you are a consumer and you see IFB the way you want to see it, the frequency of your seeing it increases, then the spend is effective. Otherwise, it is not effective. So, one head that we are working on is in terms of how to make it more effective.

The, spend that you see is a combination of many things. So, there's allocation on digital, there's allocation on new store. In the -- this new financial year, the marketing areas will be focused on 2-3 major heads. And I will just detail them for you. One is what we discussed a little while back is the spend on the introduction of the new ranges in the front and top loader washer category.

And it is a very large launch, a big changeover. So, in terms of the in-store elements to ensure that the customer understands why that new machine is much better than what was there before and also better than competition, there will be a significant amount of allocation for that. And then, of course, there are the other elements of opening up a newspaper and seeing it going on social media and seeing it.

The, spend will be focused on that. The second is that in the second half of this new financial year, when the air conditioning -- next season starts in terms of the new ranges we've had and really positioning the AC category properly, there will be spend allocation on that. And the third is that the ramp-up of the refrigerated category will also require immediate spend.

So, the specific answer to you in terms of the effectiveness of the INR150 crores spend that is an area that we are working on, including getting rid of costs where we feel that the productivity is not okay, which is a part of the fixed cost reduction plan. The other is to move the, spend on to these 2-3 major heads, which are the growth drivers for this year. So, does that answer your question, please?

Sanjay Ladha: Yes sir, a little while, but I can come back again on that same. But another point which you are already mentioning and somehow this will be going from a year perspective that we are targeting to focus on fixed cost and material cost. And if you can quantify that, what are the material costs, which we are looking forward and what are the fixed costs, which we are looking forward was as many -- so we have -- if you can quantify that as well would be really...

Bikramjit Nag: We see -- I think Mr. Ray, I will take this. We will not quantify it in that manner. Having said that, if you look at material cost per se or overall cost per se, I think an internal discussion, which we always have is -- and Mr. Ray, can I talk about 2020?

Rajshankar Ray: Yes, please.

Bikramjit Nag: 2020, Q3, if you see. 2020 Q3.

Rajshankar Ray: 2021.

Bikramjit Nag: Sorry, 2021, Q3, if you see the results. No, Mr. Ray, it was 2020, Q3. I think.

Rajshankar Ray: Financial year 2021.

Bikramjit Nag: Which is 2020, Q3, if you see the material cost I think we need to achieve that.

Sanjay Ladha: But my question would be, how would be -- we are targeting that?

Bikramjit Nag: As far as -- I think it's a question of 2 things. One is value engineering, point number one. One is better like negotiation with the supplier. Two, in a lot of cases, we are doing very good resourcing work. We now have significant volume. Suppose we are buying, say, electronic chips from a supplier A, we can actually move to supplier B and we get significant reduction in the same for plastic components, etc.

Rajshankar Ray: And I'd just like to add to that point the goal of delivering that sustainable double-digit margin, actually, as all these elements built into it. So, if you see within the company, the gross contribution levels on washers would be higher than air conditioners, for example, which means that if you have to hit the double-digit margin at a sustainable level, then the contribution from the washer category has to be, let's say, near plant capacity. And if you have that baseline, then everything else is a top-up on top of that.

So, I think when Mr. Nag is talking about the internal goal that you deliver that double-digit margin, all these elements actually fall into that because only when all these elements are delivered with that top line trend happen. I hope that clarifies what you wanted to.

Sanjay Ladha: Fair point, thank you for answering us.

Moderator: As there are no further questions, I would now like to hand the conference over to Ms. Natasha Jain from Nirmal Bang for closing comments.

Natasha Jain: Thank you, everyone. On behalf of Nirmal Bang Institutional Equities, that concludes this conference. Thank you for joining us, and you may now disconnect your lines.

Bikramjit Nag: Thank you very much. Thank you.

Soumitra Goswami: Thank you.

Rajshankar Ray: Thank you.

Moderator: On behalf of Nirmal Bang Institutional Equities, that concludes this conference. Thank you for joining us, and you may now disconnect your lines.