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Phiroze Jeejeebhoy Towers
Dalal Street
Mumbai 400 001
Scrip Code: 500575

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

Sub: Transcript of the Q1 FY26 Earnings Conference Call

Dear Sirs,

Further to our letters dated 5th August, 2025 and 8th August, 2025, we enclose herewith a copy of the transcript of the Q1 FY26 Earnings Conference Call held on 8th August, 2025.

The same is also being made available on the Company's website at:

https://www.voltas.in/images/Investor/schedule-announcements/download/Transcript_of_Concall_for_Q1FY26.pdf

Thanking You,
Yours faithfully,
For **VOLTAS LIMITED**

Ratnesh Rukhariyar
Company Secretary & Compliance Officer
Encl: as above

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A **TATA** Enterprise



“Voltas Limited
Q1 FY26 Earnings Conference Call”
August 08, 2025



MANAGEMENT: **MR. PRADEEP BAKSHI – MANAGING DIRECTOR AND CHIEF EXECUTIVE OFFICER – VOLTAS LIMITED**
MR. MUKUNDAN MENON – MANAGING DIRECTOR DESIGNATE – VOLTAS LIMITED
MR. K.V. SRIDHAR – CHIEF FINANCIAL OFFICER – VOLTAS LIMITED
MR. NIKHIL R. CHANDARANA – HEAD – CORPORATE FINANCE – VOLTAS LIMITED
MR. VAIBHAV VORA – HEAD TREASURY – VOLTAS LIMITED

MODERATOR: **Ms. BHoomika Nair – DAM CAPITAL**

Moderator: Ladies and gentlemen, good day and welcome to Voltas Limited Q1 FY '26 Earnings Conference Call hosted by DAM Capital Advisors. 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. Bhoomika Nair from DAM Capital. Thank you, and over to you, ma'am.

Bhoomika Nair: Yes, thanks. Good evening, everyone and a warm welcome to the Q1 FY '26 Earnings Call of Voltas Limited. We have the management today being represented by Mr. Pradeep Bakshi, Managing Director and CEO; Mr. Mukundan Menon, Managing Director Designate; Mr. K.V. Sridhar, Chief Financial Officer; Nikhil R. Chandarana, Head, Corporate Finance and Vaibhav Vora, Head Treasury.

At this point, I'll hand over the floor to Mr. Bakshi for his initial remarks, post which we'll open up the floor for Q&A. Thank you, and over to you, sir.

Pradeep Bakshi: Good evening, everybody. As Bhoomika has explained, with me, I have got in the room, Mr. Mukundan Menon, K.V. Sridhar, Vaibhav and Nikhil. And I would now request my colleague, Mr. K.V. Sridhar, who is the CFO. He will give you the brief synopsis of the results for the quarter 1, '26. Over to K.V. Sridhar.

K.V. Sridhar: Thank you, sir. So good evening all. Glad to connect with you all for the first quarter results for Voltas. I'll just start with the global performance, a bit category performance, and then go into the details of the specifics of the Voltas category performance. The IMF now expects global growth to reach 3% in 2025, driven by early spending ahead of expected tariff changes, lower overall tariff rates and government spending in some regions. However, persistent trade policy uncertainty, escalating geopolitical tensions and uneven inflation patterns, especially in U.S., continue to weigh in on investor confidence. The consumer durables sector is experiencing headwinds. After peaking in late 2024, growth has turned negative in May 2025. Credit flow to the segment has tightened, and a decline in electricity consumption points to a subdued demand for cooling products such as air conditioners. While the RBI's recent rate cut indicates a pro-growth policy stance, discretionary consumption remains fragile.

During the quarter, weather-related volatility had a significant bearing on temperature-sensitive categories, most notably the air conditioning category. The summer of 2025 arrived late, stayed mild, and ended abruptly, curtailing peak demand for air conditioners. These factors, coupled with a record base in the prior year, explain the short-term pressure on Voltas' topline and margins. Despite these temporary challenges, Voltas demonstrated resilience by retaining its market leadership in Room Air Conditioners and maintaining stable performance across its core business segments. In addition, while Washing Machine and Refrigerator categories also faced headwinds, Voltas Beko continued its aggressive growth trajectory, achieving year-on-year growth of 33% alongwith market share gains.

For the quarter ended 30 June 2025, the Company reported a Consolidated Total Income of ₹ 4,020.65 crores, against ₹ 5,001.27 crores in the same period last year. Profit Before Tax stood at ₹ 202.72 crores compared to ₹ 451.52 crores previously. Net Profit (after tax) was ₹ 140.61 crores, compared to ₹ 335 crores in the corresponding period last year. Earnings Per Share (face value per share of ₹ 1) for the quarter ended 30 June 2025, was ₹ 4.25, compared to ₹ 10.10 in the same period the previous year.

I think it's already been shared earlier. Now if you go to the specific performance segment-wise,

Segment A – Unitary Cooling Products (UCP)

The Unitary Cooling Products segment experienced one of the most abrupt seasonal reversals in recent years. Q1 FY2025 had delivered an exceptional summer, with soaring temperatures and heatwaves driving air conditioner (AC) sales to record highs. Voltas had then registered 65% growth in AC volumes, gaining further market leadership. This strong base created a high reference point entering FY2026.

Unfortunately, Q1 FY2026 presented the opposite scenario. Summer arrived late, was markedly cooler across large parts of the country, and gave way early to monsoon conditions. As a result, the peak Air Conditioner, Commercial Refrigerator and Air Cooler selling season was shortened by several weeks, leading to a substantial drop in primary offtake.

Voltas had entered the season with robust channel stocking, anticipating a continuation of demand trends from the prior year. However, as temperatures remained subdued, consumer footfalls in stores declined noticeably. Retail sales in key metros and Tier 2/3 cities fell below expectations, and inventory across trade channels remained elevated. Voltas undertook tactical interventions to support secondary offtake. Consequently, factory operations had to be scaled back mid-season to avoid overproduction. This under-absorption of fixed costs, combined with higher warehousing and holding expenses, put short-term pressure on profitability.

Despite these challenges, Voltas maintained its No. 1 YTD June 2025 market position in room air conditioners at 17.80%, reflecting enduring brand trust and strong channel relationships. It is important to reiterate that the fundamentals of the Room AC business remain intact. From FY2022 to FY2026, the segment has maintained a robust volume CAGR of over 20% for Quarter 1.

The Company has initiated realignment of inventory and production to reflect actual demand conditions. The festive season and the possibility of a second summer in certain regions may further aid recovery. The Company has started preparations for upcoming revision to the energy star labeling regime later this fiscal. While recovery for the segment may take a few quarters, the company remains cautiously optimistic that its strategic investments and ongoing initiatives will support long-term growth and reinforce its leadership in the cooling products segment.

The CAC (Commercial Air Conditioning) segment also remained steady, with continued demand for VRF systems, Cassette ACs, and Ducted products. While Retrofit and Customer care margins were softer, they are expected to normalize as execution cycles stabilise.

To summarize, for the quarter ended June 2026, the UCP segment registered a revenue of ₹ 2,867.86 crores, as compared to a significantly higher performing previous quarter of ₹ 3,802.17 crores in Q1FY25. The Segment reported an EBIT of ₹ 104.37 crores in Q1FY26 as compared to ₹ 327.02 crores in Q1FY25.

Segment B - Electromechanical Projects.

Project execution under the EMPS segment was largely stable during the quarter. Voltas continued to deliver steady performance across geographies, supported by strong internal controls, timely certifications, and prudent receivables management. International projects in the UAE and Saudi Arabia remained a key part of the portfolio and contributed to both revenue and margin.

For the quarter ended June 2025, segment revenue was ₹ 921.83 crores, compared to ₹ 949.13 crores in the same period last year. The segment result was ₹ 49.24 crores, as compared to ₹ 67.49 crores last year.

The total carried-forward order book as of 30 June 2025 stood at over ₹ 6,200 crores, ensuring visibility for future quarters. Cost discipline, project governance, and on-ground execution efficiency remain core to the Company's strategy in this segment.

Segment C – Engineering Products and Services

The segment faced some challenges during the quarter, influenced by broader macroeconomic trends and industry-wide pressures. For the quarter, segment revenue was ₹135.44 crores, compared to ₹160.78 crores in the same quarter last year. The Segment Result for the quarter was ₹40.11 crores, as against ₹44.84 crores in the corresponding quarter last year.

The Engineering Products and Services segment saw softer performance, driven primarily by external pressures. The Mining and Construction Equipment vertical was affected by lower sales of power screen machines, although this led to an improved margin profile due to favorable product mix. Operations and maintenance contracts remained stable and provided baseline support to revenues.

In the Textile Machinery division, capex sentiment remained subdued among customers, especially in international markets. Demand in the agency business remained limited, and spending caution impacted both revenue and margins. Voltas is focused on consolidating its presence in spinning and post-spinning segments while improving service capabilities to position for the next upcycle.

Voltbek:

Voltbek continued its robust growth trajectory in Q1 FY2026, selling close to one million units and achieving 33% year-on-year volume growth. The washing machine category drove the expansion, supported by a refreshed product lineup and an enhanced retail presence. Market share gains were recorded in both semi-automatic and overall washing machine segments, while the refrigerator category also improved its standing—particularly in direct cool models.

Voltas Beko's growth was backed by agile manufacturing, timely availability of fast-moving products, and a steady pipeline of product innovations and new launches tailored to evolving consumer needs. Improved traction across general trade, modern retail, and e-commerce channels was complemented by enhanced retail visibility, focused marketing campaigns, and operational efficiency -- driving both volume expansion and margin improvement. Voltbek's growing scale, expanding product portfolio, and increasing consumer acceptance continue to strengthen Voltas' overall appliance business while reducing its reliance on seasonal product categories.

Voltas Beko's trajectory strengthens Voltas' overall consumer appliance portfolio, while also diversifying seasonality risk inherent in the cooling products category.

Outlook

To summarize, at an overall outlook, Voltas views the performance dip in Q1 FY2026 as temporary. Inventory normalization, tactical cost control, and a demand rebound during the upcoming festive period are expected to support sequential recovery. The Company retains its market leadership across key cooling categories and remains fundamentally strong. Further, Voltbek continues to grow and market share gains remain encouraging.

The project business continues to progress steadily.

Across all segments, Voltas is investing for the long term—with sharp focus on innovation, execution excellence, and customer-centricity. Thank you.

Moderator: Sir, should we begin the question and answer session?

Management: Yes.

Moderator: Thank you, sir. Ladies and gentlemen, we will now begin the question and answer session. The first question is from the line of Natasha Jain from Phillip Capital.

Natasha Jain: So my first question is on the RAC side. Can you tell us how July month was for Voltas? What is the current inventory looking like for you at a brand level as well as the channel level? And did you see any pricing pressure or are you continuing to see that? That's my first question?

Pradeep Bakshi: So we have just concluded the month of July and the numbers are getting consolidated. So I'll not be able to comment on this. And since we are mainly talking about quarter 1, I think better we restrict to quarter 1 numbers at the moment because that's in my control, and I can talk about that. Coming to your question on the inventory, inventory in the trade, you are talking about or inventory, you're talking about the brand inventory?

Natasha Jain: Sir, both. At Voltas' level and at the channel level?

Pradeep Bakshi: So we have -- having seen a wonderful '24, '25, we had planned for a big sales during this year as well. So entire industry had planned in a big way, and we had augmented our capacities. And therefore, all of us are carrying inventory. So talking specifically about brand Voltas, we are

carrying an inventory of about 3 months or so at best. And as far as trade partners are concerned, they are carrying inventory on an average about 2 months.

Natasha Jain: And sir, are we continuing to give trade discounts or indirect discounting like free installation, does that still continue?

Pradeep Bakshi: So we have to remain competitive because you know that we are a brand leader. And we don't want to lose out our market leadership. And therefore, to retain our leadership position and support the trade, we are trying to remain competitive in whatever our offerings are, so that we continue to garner market share.

But we are not discounting per se at the moment. And we are hopeful that as we enter into the festival season now, festivities have already begun, Onam has begun and after that, Durga puja, Diwali, Navratras, Diwali, all this is going to continue. And the second summers are also likely to come in.

So hopefully, since the summer season was milder, I'm hoping that the festival season and the second summer should be looking up, and we will be able to make up for these losses. So hopefully, these inventories will get liquidated -- I'm not looking at discounting in a big way, to be honest.

Natasha Jain: Got it, sir. And my second and last question is on the numbers itself. Now if I see South India was a worse-off season than North India and Voltas is more indexed to North India. In fact, you are the leader in terms of North India market, where summer was still good until the first week of May. So relatively, still the numbers have been worse-off than our peers who were more indexed to the South part of India.

And then even on the margin side, I mean, now our capacity is at the same level versus everybody else's. So there also, the decline has been sharper than what we probably expected. So could you tell us, is it just completely reverse leverage or there are any serious one-offs that we may have accounted for in the UCP segment? That's it?

Pradeep Bakshi: Yes. So if you look at the summers never got set in into North India, unfortunately. As you rightly said, our North India is our big stay and the largest number comes in from there. Of course, we are brand leaders across regions, but in a bigger way in the Northern region, yes. But unfortunately, since the North India did not get to see summer this year, we have not been able to gain big way.

However, you will see that our market leadership has remained intact. And if you look at the market share numbers, in the entire quarter, right from April to May to June, we have continued to increase our market share. In April, our market share was 16.9%. May, our market share was 17.9%. And now currently, it is 19.3% market share as of June end.

So you'll see that while we may not have been able to get full summer season, still we have continued to gain more extraction from the market. Whatever may be happening, even if the

sales are low, we want to extract more and try retain our leadership position in that, and that's what we have been doing.

Natasha Jain: And for the UCP margin, any one-offs there?

Moderator: Ms. Natasha, I'm sorry to interrupt. May I request you to please rejoin the queue as there are several participants waiting in the queue? The next question is from the line of Siddhartha Bera from Nomura.

Siddhartha Bera: Sir, first question is, given this weak first quarter, would you have some guidance about the year? How much growth are you expecting given the outlook you have for the remaining months? And second is on the market share, if I look at last year, we had about 19% market share and close to 19.5% in the first quarter.

So have market shares sort of slipped sometime in between and now we have gained it back? And going ahead, do you think you will probably prioritize market share and try and gain more market share from where we are?

Pradeep Bakshi: So firstly, you are talking about having seen the dip in the quarter 1, how am I looking at the balance of the year, right? That's one question. Question number one.

So let me answer on that. Yes, quarter 1 was significantly low. And as I answered to the previous speaker as well, we are expecting the festival season onwards, right, from October, November onwards. And as we enter into the second summer and then finally, we'll get into the next year summer, we are expecting these will look better because in the past years also whenever summers were milder in the quarter 1, the quarter 3, 4 make up for the loss of that.

I'm expecting and hopeful that quarter 3 onwards, festival season onwards, we will again regain the sales and the business will be as usual and normal. So hopefully, the year-end should be somewhere either flattish or at best between 5% and 10% degrowth sort of number, I'm expecting for the industry. So this is the question one. Then what is the other question? If you can repeat please?

K.V. Sridhar: He asked about the market share of 19.5% to 17.8%, and we have gained now.

Pradeep Bakshi: Yes. Market share, yes, of course, I explained to the previous speaker. Again, we have gained in April, May, June, 16.9% to 17.9% to 19.3%. So we have, of course, definitely, we are -- our continuous endeavor has been to gain more share and to retain our leadership position.

Whether the market share was at 17.8% or 19.3%, you will appreciate that we have retained our leadership position in the category. And also other product categories also if you look at, in each of the categories, our market share has continuously been increasing across the other appliances as well.

Siddhartha Bera: Yes, sir. Sir, coming to that in Voltbek, we have seen a very strong...

Moderator: Mr. Siddhartha, I'm sorry to interrupt. May you please rejoin the queue, as there are several participants waiting in the queue. The next question is from the line of Naushad Chaudhary from Aditya Birla Mutual Fund.

Naushad Chaudhary: Two clarifications, sir. Firstly, on inventory. Can you share the absolute number because three, four months making it average and thinking, which month should I take becomes very difficult. So three, four months of the peak summer or the soft season, very difficult to understand the actual number. So it would be better if you can share the absolute number of inventory at Voltas level.

Pradeep Bakshi: I will -- actually, I am not carrying, to be honest, the full number because as you know, the -- as I said, July numbers are still getting consolidated. So after those numbers are getting consolidated after that only, I'll get to know the 3-year number. Probably you can come back to my team, Vaibhav, and we will try to answer you later on, on that.

Naushad Chaudhary: Should it be around 1 million, if I...

Pradeep Bakshi: It's not that. It's much lesser than that. But let me get the exact numbers.

Naushad Chaudhary: Last, on the project business side, last quarter, we had indicated we are seeing some green shoot of recovery. But if I look at the order book, it is consistently sliding. How should we look at this business? And what should we expect from the project business going forward?

Pradeep Bakshi: We have got a reasonably good order book in our hands, both international, we've got around INR1,600-odd crores and in the domestic project business INR4,500-odd crores. And the order books is at a quite reasonable levels.

In the project business, we are trading a bit carefully. Wherever meaningful projects are coming our way, which are having assured margins and the funding is properly available, there only we are participating. So we don't want to unnecessarily burn our fingers.

As you know that in the past few years, we had some issue in our international operations in the projects. So after that, we have taken a cautious call that we will book orders wherever it is meaningful. But however, we've got reasonable good order book in hand. And we've got a lot of inquiries in hand. Our teams are filling up tenders. And hopefully, in quarter 2, 3, 4, we'll have more quality projects in hand, and we'll be able to share good news with you later on.

Naushad Chaudhary: With this size of order book, should we expect any growth in the project business next year or should it be flat?

Pradeep Bakshi: Yes, definitely. Project business has been doing well. Domestic projects, especially even international also, we are faring reasonably okay. So you will get to see better traction from both these project businesses. Unfortunately, while we have seen a bit of a dip in the product business, consumer durable business, only the AC part.

However, if you would have gone through, project businesses, even textile machinery, mining and construction, all of them are on target, and they have performed well .

Moderator: The next question is from the line of Umang Mehta from Kotak Securities.

Umang Mehta: Sorry, sir, to again harp on the market share. But if we look at June exit, you are still down 200 bps Y-o-Y. So any assessment you've done as to what could be the key reason behind it? Have you changed anything on pricing, channel margins or anything you can kind of share?

Pradeep Bakshi: I think, I answered you on that. The reason for market share year-on-year dip is actually -- there are so many players entering into the fray at the moment. And if you look at, more than 65 players are available. And therefore, to some extent, it is likely to become a bit fragmented. It cannot continue to be 25%, 26% market share anymore.

However, our focus is to retain the leadership position as I've been continuously telling you. And if you look at our June numbers, we are at 19.3% market share, and we are keeping -- we're maintaining a fairly reasonably difference with the number two player, almost 400 basis points.

Umang Mehta: Okay, sir. Sir, the second one was on UCP margin. Now your cost structure is fairly variable in other expenses, logistics, service. So this other expenses in stand-alone is up INR35 crores Y-o-Y. You did allude to higher promotion. Possible to quantify how much was the higher promotion, which you gave this quarter? I mean 3.5% margin was a bit of a surprise, that's the reason behind the question?

Pradeep Bakshi: See, actually, of course, the promotional expenses, including advertising and also the sales costs, we had to spend a bit higher since summers were lower. And to retain our leadership position, we wanted to keep the trade and the consumers intact with our brand. And therefore, we have spent.

However, as I said is, it will get made up in the subsequent quarters by gaining more traction from the market.

Moderator: The next question is from the line of Aditya Bhartia from Investec.

Aditya Bhartia: You mentioned that the margin hit that we saw was on account of under-absorption of costs as well as some of the other expenses on marketing side that we discussed. Now given that there is so much inventory in the channel and even companies are also carrying high inventory, it's very likely that factories will continue working at lower utilization level. And to that extent, it seems that under-absorption of cost will remain a trend in the next couple of quarters as well. Is my understanding correct?

Pradeep Bakshi: Yes, your understanding is correct because the inventory is there, so we have to be a little prudent and the factories cost may also remain unabsorbed to an extent. However, we are carrying out a lot of cost improvement initiatives across our business verticals. We want to save on the cost. So I think hopefully, we'll be able to make it up through cost improvement projects, and we'll be able to demonstrate in upcoming quarters.

Aditya Bhartia: Understood, sir. And are you also fearing intense competition on the pricing side or on -- in terms of extending support to the channel or to customers given that there's high inventory as well as, as you pointed out, so many players in the market?

Pradeep Bakshi:

See, of course, there is a bit of a desperation in -- amongst certain brands. They are trying to discount; however, we have retained our position as of now. And since the sales is not as much high, it remains whatever trends are being made by them, they remain unaffected, and we are not getting affected by those price drops by anybody as of now.

Aditya Bhartia:

And just one last bit. On the project side, sir, you mentioned that the project business has been steady. When we look at margins, margins have been slightly on the kind of lower side versus what we have done in the past. So how should we think about the margins in this segment from a slightly longer-term perspective? I know there are no losses, and we've kind of turned around to that extent. But is 5% kind of an EBIT margin looks like a sustainable number or can it be higher?

Pradeep Bakshi:

So 5% is definitely sustainable percentage on the project side. If you look at our past year numbers also, and we said we will -- our guidance also when I've given you, I always said, the projects will hover around 5% or so all through. So 5% is definitely sustainable.

There could be a small blip or time affect here and there. Otherwise, overall, in the project business, we've reasonably done well. And hopefully, you will get to see this year with more than 5% on the project side at least.

Moderator:

The next question is from the line of Sucrut Patil from Eyesight Fintrade Private Limited.

Sucrut Patil:

Yes. Sir, this is Sucrut Patil. I had a forward-looking question. As Voltas continues to lead in the room air conditioner and tries to expand its footprint in the commercial cooling and home appliances space, how are you thinking about integrating energy analytics smart maintenance platforms or AI-led demand forecasting into your product and service ecosystem in the next 1 to 2 years? And if you are planning to implement this, how do you think this will help Voltas build a differentiated tech-enabled moat in the climate solutions coming ahead?

Pradeep Bakshi:

Okay. So many questions again. So let me try and answer. Firstly, when you are saying, are we the brand leader, are we getting the more market share, all this, I have replied earlier also. Yes, we are the brand leader for more than a decade now, right from '12, '13 onwards, we are retaining our -- sustaining our leadership position.

And continuously, we are trying to extract more and more market share. For this quarter also, I've already shared how we have improved our market share on a month-on-month basis between April, May and June period. So that's answer number one. Secondly, when you're talking about the artificial intelligence and IoT-enabled products and services.

Yes, we have already have products which are IoT-enabled and they can work with Alexa and otherwise also if you've got -- if you want to operate your AC thousands of miles away through the Internet, you can get connected with our ACs.

Coming back to service, I have shared earlier also all on the commercial air conditioners, our -- all our chillers are connected through Internet with our office in the headquarter in my office, where a team of engineers are continuously monitoring all the installations across the country.

And they have already been able to move from the predictive maintenance to preventive maintenance because they get to see as to how air conditioner, how chillers are behaving in a particular site. And in case that needs any service, it gives a warning to them and they are able to connect with the client and they are able to address that. Similar kind of thing, we will try and implement in our other product categories also as we move ahead.

Moderator:

The next question is from the line of Mr. Achal Lohade from Nuvama Institutional Equities.

Achal Lohade:

Sir, pardon me if I'm asking a repetitive question. If you could help us understand what is the industry decline for the quarter and for the first half? As in you said year-to-date market share, does that mean Jan to June or it is April to June?

Pradeep Bakshi:

Yes. So firstly, let me answer you on your question how the market has degrown, how the industry has degrown in the quarter 1. So firstly, I'm talking about fiscal year quarter only. Whenever we are addressing, we try to address the fiscal year. So my answer will be limited to the quarter 1 fiscal year, which is April to June period. The industry on a primary sales basis would have degrown by about 35% to 40-odd % approximately, depending on a brand-to-brand level basis. Yes, so this is it.

Achal Lohade:

And for us, on a year-on-year, if I look at the market share, what you've mentioned, it was 21.2% in 1Q '25 as in June '25 -- in June '24 quarter. Do I have the number right?

Pradeep Bakshi:

Yes, that's correct.

Achal Lohade:

And that has declined to 17.8%. Have I got that also right, sir?

Pradeep Bakshi:

For the full quarter, if you're asking our market share, yes, it is 17.8%. But the June end number is 19.3%. That's what I shared with you. And as compared to 21% what last year number June number was saying, as against that, we are at 19.3% currently.

Achal Lohade:

Okay. So that 21.3% is basically...

Pradeep Bakshi:

Yes, yes. No, not -- it is June end number, sir. Quarter number is 17.8%, as I told you, and June end number is 19.3%.

Achal Lohade:

Right. No, against the 17.8%, what was the average number for full quarter last year, sir, 1Q 2025?

Pradeep Bakshi:

Last year, it was 19.5% quarter number, sir.

Achal Lohade:

19.5%. Got it, sir. And the second question I had, just in terms of the margins, what is the extent of reduction in the gross margins in the UCP business? Is there any way to know that, sir? Is there any fall in the gross margins, material margins?

Pradeep Bakshi:

So I think we are addressing the EBIT, which we have shared with you. In the balance sheet also you would have seen the margins have in the -- so yes, of course, the EBIT level, we have shrunk

quite a bit. And as the reason is roughly around 4%-odd -- 400 basis points, we would have shrunk our profitability at an EBIT level.

And the reasons I have shared with you, it is under-absorption. See, firstly, there was a major dip in the quarter volume numbers, so unless and until you have got scale, the profitability doesn't come that much. So that is one piece. Secondly, having seen the last good year, we had augmented and we have made a lot of investments.

And those capacities at plants, especially has remained under absorbed. So probably because of under-absorption, the profits have shrunk in this quarter. However, as I told you, as we are going forward, we are making certain corrections. One, I have told you that cost improvement projects are being carried out by each of the businesses to see as to where all we can save from.

Secondly, as I told you, we are looking at festival season and quarter 3, 4 as a big number coming up from there, which should -- all these points should make up for this loss, which we have gained in the quarter 1. So hopefully, by the year-end, we will be able to protect and will be slightly better than what we are today.

Moderator:

The next question is from the line of Harshita Surana from UBS.

Harshita Surana:

So my question was given last year's strong summer season, we now have several new brands entering the cooling products market. And with this current year being relatively subdued and weak, the established players like Voltas could leverage their experience and navigate through it. But any colour on how these new entrants are finding the current environment? And any consolidation that you could see in the market happening currently?

Pradeep Bakshi:

See, all the new entrants are facing the headwinds at the moment. When the new players enter, it becomes very difficult for them to compete with the established players. And therefore, they have to face the onslaught of the bigger players who can afford, they come with the deeper pockets to sustain losses.

And therefore, the newer players are not able to establish themselves so much. However, some of the old players, yes, of course, they are resorting to discounts to gain more share in the pie, but it is not a sustainable practice. It is a short-term approach by these players.

Moderator:

The next question is from the line of Nirranch Jain from BNP Paribas.

Nirranch Jain:

Sir, just wanted to check firstly on the -- you have mentioned that you have already started preparations for the upcoming energy star labeling. So if I'm not wrong, so the industry is expecting around 4% to 5% price hike on the input cost. So when you're saying preparations, so does it mean that you're looking at a cost engineering and would try to absorb this kind of cost or are you looking for some kind of price hike for this? So just wanted some emphasis on what kind of preparations you are referring to there?

Pradeep Bakshi:

So you are dot on. See, all of us understand whenever the energy regime changes, there is going to be a cost impact. However, how much cost impact is going to come, it is difficult to assess at the moment because as you rightly answered yourself only that we will try to navigate these

changes through the value engineering also in a way. So probably we'll see as to how much can we reduce on that impact by the next table coming up.

So that actually, I'll be able to answer to you somewhere in November, December. By then, this value engineering project would get over. And also, we will be closer to the actual numbers coming up. So -- but yes, surely -- and whatever little impact has to be passed on, we will pass on also. And whatever through value engineering we can absorb, we will try and do that. Both ways, it will go.

Nirransh Jain: Sure, sir. And sir, secondly, I wanted to check on Voltas Beko profitability. Any guidance there or any thoughts on how we are looking at achieving the profitability like both either at the EBITDA level or at the PAT level right now?

Pradeep Bakshi: I thought you were going to compliment us on the -- what wonderful job Voltbek team has done. We have been able to gain a lot of market share. Last time when we had met and interacted, I told you that we are planning -- our first endeavor is to take the market share to 10%.

And I'm delighted to share with you in washing machine category, we are 8.6% already. And in refrigerators also, we've reached to 7.2%. We have gained quite a bit during this quarter and last year also, in last 1 year, a lot of work has been done in this direction and which has yielded good results.

So our first endeavor is to gain market share in this category. And once we've crossed 10%, automatically, you'll see that profitability also will come up with the higher numbers. So right now, yes, we are not profitable in this category and we are -- whatever we had budgeted -- budgeted losses, which is -- actually I don't count it as loss, I count it as an investment into the brand, so that continues to happen.

And there also, we are carrying out cost engineering, cost value engineering projects in that also, both ways we are. And I believe rather we should continue to work on the value engineering projects and try to reduce cost, so that we are able to offer better products and services to our consumers. That's our endeavor.

Nirransh Jain: But sir, are we seeing an increase in gross margins at Voltas Beko level?

Pradeep Bakshi: Yes, slightly, they have improved over the last 1 year

Nirransh Jain: Got it, sir. Thank you so much and all the best.

Moderator: Thank you. That was the last question for the day. I now hand the conference over to Mr. Bakshi for closing comments.

Pradeep Bakshi: So thank you very much, listeners and the investors. So I would like to share that having seen the performance of quarter 1, which was sort of a temporary blip; currently we are looking at tactical cost controls. We are also looking at as to how can we normalize our inventories by looking at prudently as to how much production is required, which all models, whatever models are in shortages, that only are being produced at the moment in the factories.

And we are also expecting a demand rebound in the upcoming festival season and the second summers in West and South India. Hopefully, with all this setting up, we will get to see our by quarter 3 and quarter 4, we have substantially improved on what we have projected so far.

The company's focus is to retain its market leadership position across categories, may it be cooling products or washing products. All these products, we want to remain fundamentally strong and retain and sustain our leadership position. Voltbek, I have already cited you that we continue to grow and continue to garner better market share in the category, which is very encouraging for us, and we want to replicate similar kind of thing across our product categories.

The project businesses, we are continuously being prudent and trying to progress steadily in them. We are not showing any anxiety of picking up projects, which are not meaningful and not profitable. And across all segments, Voltas is investing, we are investing for the long-term gain, looking at keeping sharp focus on innovation, execution, excellence and customer centricity. That is the focus. And with that approach, we want to return to your -- to shareholders on their investments. That's what we look forward to. Thank you.

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