

11th August, 2025

The Manager
Department of Corporate Services
BSE Limited,
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

Symbol: **IFBIND** | ISIN: **INE559A01017**

Dear Sir,

Sub: Transcript of the earnings conference call for the quarter and three months ended 30th June, 2025.

Pursuant to Regulation 30 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 and in furtherance to our letter dated 6th August 2025 regarding the audio recording of the investor's earnings call for the quarter and and three months ended 30th June, 2025, please find enclosed herewith the transcript of the said call.

The said transcript is also available on the Company's website i.e. <https://www.ifbindustries.com/financial.php>.

This is for your information and record.

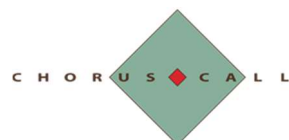
Yours Faithfully,

For IFB INDUSTRIES LIMITED

Ritesh Agarwal
Company Secretary



“IFB Industries Limited
Q1 FY ‘26 Earnings Conference Call”
August 06, 2025



MANAGEMENT: **MR. BIKRAMJIT NAG – CHAIRMAN – IFB INDUSTRIES LIMITED**
MR. SOUMITRA GOSWAMI – CHIEF FINANCIAL OFFICER – IFB INDUSTRIES LIMITED
MR. P.H. NARAYANAN – MANAGING DIRECTOR, ENGINEERING DIVISION – IFB INDUSTRIES LIMITED
MR. C.S. GOVINDARAJ – EXECUTIVE DIRECTOR, MANUFACTURING OF HOME APPLIANCES DIVISION – IFB INDUSTRIES LIMITED
MR. JAYANTA CHANDA – CHIEF FINANCIAL OFFICER OF ENGINEERING DIVISION – IFB INDUSTRIES LIMITED
MR. KARTIK – HEAD, FINANCE AND ACCOUNTS, HOME APPLIANCES DIVISION – IFB INDUSTRIES LIMITED
MR. RANJAN MOHAN – NATIONAL SALES HEAD, HOME APPLIANCES – IFB INDUSTRIES LIMITED

MODERATOR: **MS. ARSHIA KHOSLA – NIRMAL BANG EQUITIES PRIVATE LIMITED**

Moderator: Ladies and gentlemen, good day, and welcome to IFB Industries Limited Q1 FY '26 Earnings Conference Call hosted by Nirmal Bang Equities Private Limited. This conference may contain certain forward-looking statements about the company, which are based on beliefs, opinions and expectations of the company as on the date of this call. These statements are not the guarantees of the future performance and involve risks and uncertainties that are difficult to predict.

As a reminder, all participants' lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing star then zero on your touch-tone phone.

I now hand the conference over to Ms. Arshia Khosla from Nirmal Bang Equities Private Limited. Thank you, and over to you, ma'am.

Arshia Khosla: Thank you, Sruthi. I, Arshia Khosla, on behalf of Nirmal Bang Institutional Equities, welcome all of you to First Quarter FY '26 Earnings Conference Call of IFB Industries Limited. From the management today, we have Mr. Bikramjit Nag, Chairman; Mr. Soumitra Goswami, CFO; Mr. P.H. Narayanan, MD, Engineering Division; Mr. C.S. Govindaraj, ED, Manufacturing of Home Appliances Division; Mr. Jayanta Chanda, CFO of Engineering Division; Mr. Kartik, Head, Finance and Accounts, Home Appliances Division; and Mr. Ranjan Mohan, National Sales Head, Home Appliances.

I would now request the management to give their opening remarks, post which we shall open the floor for Q&A. Thank you, and over to you, sir.

Soumitra Goswami: Good afternoon, everybody. I am Soumitra Goswami, the Chief Financial Officer of IFB Industries Limited. I welcome you all for IFB Industries Limited Investors Call for first quarter FY '25-'26. I have with me Mr. Bikramjit Nag, Chairman of IFB Industries Limited; Mr. P.H. Narayanan, Managing Director and Chief Executive of our Engineering Division.

Bikramjit Nag: Soumitra, she just said all that. So you can just get on to the call. She just said who all are there.

Soumitra Goswami: Okay. Now I will inform you about quarter 1 results. Revenue for the quarter was INR1,310.82 crores against last year INR1,244.44 crores, which is a growth of 5.33%. PBDIT for the period was INR69.95 crores and its percentage to revenue was 5.34% as compared to last year's INR86.55 crores which was 6.95% on revenue.

Fixed expenditures for the quarter was within budget. However, in case of some expenditure, expenditure have crossed the last year's expenditure. PBT for the period was INR33.93 crores against last year's figure of INR52.40 crores. Quarter 1 PAT was INR25.36 crores, which is 1.93% on revenue against last year INR38.84 crores, which was 3.12% on revenue.

With this I'll request to start the question-and-answer session.

Bikramjit Nag: Hi, this is Bikram Nag here. Just one point, please, before we start the Q&A. If you see the results, there is increase in fixed cost as well as some in material costs. Kartik will explain -- Kartik and Mr. Govindaraj will explain exactly why and the remedial measures which are being

taken. And Mr. Mathur will explain the issues on sales, especially related to AC due to monsoons, etcetera, early onset of monsoon, etcetera, and us not getting the required sales in washer, which has caused margin issues and remedial steps to be taken in Q2, which are underway. Okay. Please start. And Kartik, you will answer most of the questions, but I'm here.

Moderator: Thank you very much. The first question is from the line of Lakshminarayanan from Tunga Investments. Please go ahead.

Lakshminarayanan: Sir, if I just look at your advertising expenses, it's almost INR285 crores or thereabouts, right? And in addition to it, we also have the sales representative cost of around INR126 crores or so for the last financial year. Now if I put this in context of the other companies like Voltas, Blue Star, Whirlpool etcetera, our advertising expenses is far higher for the proportion of the sales we actually do.

So I just want to understand, is there an opportunity to actually balance between the 4,000-odd people you have as sales representatives at the counters versus is there an opportunity to kind of reduce advertising spend? Are we getting the right return on advertising budgets? That's my first question.

Ranjan Mathur: What I've understood is you wanted to know why our cost of ad and promo more compared to Voltas and other companies?

Lakshminarayanan: Yes. Yes.

Ranjan Mathur: So let me, first of all, tell you that in our ad and promo, the CSR cost is also included, which majority of the companies don't include in their ad. Point number two...

Bikramjit Nag: Ranjan, first, please give your name, so that they know you are answering the question.

Ranjan Mathur: Yes. I'm Ranjan Mathur, I'll be replying this. So what I was trying to explain to you, see in case of, we take CSR cost along with ad and promo expense.

Lakshminarayanan: No, but your CSR expenditure is also called out separately as other -- in the other expenses that's in a separate line item. So I didn't understand that.

Kartik: Kartik here from Finance. What Mr. Mathur means is customer sales representative. The person who is there on the counter. So our ad and promo cost includes that cost as well. So on this head there's definite opportunity to optimize the ad and promo cost.

Lakshminarayanan: Okay. Okay. So that is the something which you pay for...

Bikramjit Nag: Kartik, give them like clarity. Advertising cost is not INR240 crores.

Kartik: Yes. Our ad and promo cost annually is around INR100 crores and we are working on reducing the ad and promo -- optimizing the ad and promo cost by increasing the visibility with the same spend. We are also evaluating and working with partners to help us how to reduce the cost and optimize the benefit from this.

Lakshminarayanan: Got it. Sir, there is an expense of around INR126 crores paid towards IFB Appliances, right? So that is your promo cost, right, the CSR cost you're mentioning?

Ranjan Mathur: Yes.

Kartik: Yes, correct.

Lakshminarayanan: So INR284, minus INR126, that's still around INR160 crores of advertisement spend.

Kartik: No, our advertising spend purely is INR100 crores annually. Apart from IFB Appliances, we have another agency who also provides us customer sales representative. So if we remove that cost and our annual cost will be around INR100 crores on ad spend.

Bikramjit Nag: Give the other party name, Kartik.

Kartik: Yes, the party name is Genius.

Lakshminarayanan: Sir, what is the total number of customer sales representatives you have on counters?

Ranjan Mathur: Currently, we have 4,000 odd customer sales representative across the country.

Lakshminarayanan: Okay. Okay. But IFB Appliances, itself has 4,000 people. So Genius is that plus this right?

Ranjan Mathur: Plus, they're.

Bikramjit Nag: So what is the total number? Ranjan, answer the question.

Ranjan Mathur: The total number will be around 4,600-odd 600 are on Genius folks.

Bikramjit Nag: Soumitra, can you please give clarity, what is the advertising cost exactly?

Soumitra Goswami: Yes. Actually, for the quarter, we are talking about first quarter. First quarter sales promotion expenditure was INR30 crores versus last year INR28 crores, which has increased by INR2 crores only, that is due to increase in in-shop branding in the dealer counter, point one. Point two, CSR costs have increased...

Bikramjit Nag: Out of the INR30 crores, how much is advertising?

Soumitra Goswami: Sir, this is the full amount of advertisement, INR30 crores is advertisement and sales promo cost for the first quarter against INR28 crores...

Bikramjit Nag: Kartik, how much is advertising only?

Kartik: Yes, sir. We'll work out and give it.

Moderator: The next question is from the line of Navid from Bastion Research.

Navid: So sir, if I look at our gross margins for the quarter and if I compare the gross margin with same quarter last year versus the previous quarter as well. I can see some healthy improvement. Is this

a correct understanding that the project which we have taken up with Alvarez & Marsal consultant that has started to pay off the improvement you are looking for?

Kartik: Yes, Kartik here. Yes, the project with Alvarez & Marsal started from 15th Feb. In quarter 1, we have got a reduction of around INR3.5 crores due to this project. but when you compare with quarter 1 of last year versus quarter 1 of this year, there is a slight dip in the gross margin.

This is mainly because compared to quarter 1 of last year, there is an increase in commodity prices, which is mainly in copper, GP, Gas and also, there is an INR depreciation against U.S. dollar, which is around 3%. But this has been mostly offset because of the cost innovation, whatever has been done. And the net impact is that the material cost has increased by 65 basis points with respect to last year quarter 1.

Navid: So Kartik ji, just to clarify, I can be wrong. With the numbers which I have done, in Q1 FY '25, the gross margin was 38% and in Q1 FY '26, which is this quarter, I can see gross margin almost touching 40%. So I have 160 basis point improvement here. So this is encouraging to see and therefore, the question which I wanted to understand the improvement on -- the improvement sustainable? Can we consider a 40% gross margin as a steady state number as we move forward from here?

Kartik: Sir, are you referring to the Appliance Division, gross margin or the company-level gross margin?

Navid: No, no, company level gross margin.

Bikramjit Nag: Kartik, company level, gross margin is mostly driven by Home Appliances division only.

Kartik: Yes. So then I will talk separately because the margins are not 40%. I'll connect to you separately to give more details on this.

Navid: Sure. And regarding the other operating expenses, there is a sharp increase of around 23% on a Y-o-Y basis. Sir, just wanted to understand what are the factors that are driving this high increase because our revenue has just increased by 4%, 5%.

Kartik: Yes. So as far as operating expense is concerned, as we explained earlier, customer sales representative cost has gone up. This is because we have added 680 numbers of CSR compared to last year. Second, our professional cost has gone up due to engagement with A&M. And the third point is even compliance cost and salary costs also has marginally gone up. So these 3 together, this 4 together has increased the...

Moderator: The next question is from the line of Lakshminarayanan from Tunga Investments.

Lakshminarayanan: I wanted to understand what is the total capacity for front loaders and top loaders and refrigerators across our plants? And what kind of utilization we are actually aiming at for this year?

C.S. Govindaraj: Okay. This is Govindaraj here. As far as the front loader is concerned, we can make about 85,000 washing machines in a month, and we'll be touching about 95% to 100% capacity in the season

ahead both in August and September and October, we should be able to touch 95% to 100%. As far as air conditioner is concerned, we can make about 65,000 as of today.

And the peak, whatever we have touched in the month of March and April was we have touched about 100% utilization. And as far as refrigerator is concerned, the plant has been built up about for 1 million capacity. And the peak we have touched is about 50,000. That is about 50% utilization. And in the season ahead, we will be able to touch about 60% to 65% utilization.

Lakshminarayanan: Okay. This air conditioners you mentioned is per month, I think, right?

C.S. Govindaraj: Yes, per month, yes.

Lakshminarayanan: And washing machine, what is the split between front loaders and top loaders, sir? Can you just explain that?

C.S. Govindaraj: In front load -- we have a separate line for front loader. We are now going to touch about 85,000 in September and October. And in top loaders, we have a capacity of making about 60,000. I think in the month of September, we'll be doing about 55,000. So about 90% utilization.

Lakshminarayanan: Sir, the second is that when I actually look at some of your products, I see that the tie-up with some of the credit cards, which you have is comparatively less when compared to the tie-ups which some of the other brands have. So have you looked at it in terms of again, reworking or revisiting this particular thing in terms of sales?

And how much that would actually shave up your profits or so. I mean, if you think you have to, there is a subvention something which you need to give, et cetera. Can you just touch upon your tie-ups with credit cards on at least some of the products you said?

Kartik: Yes. We are working on this. As you said, we are strengthening our team on consumer finance and affordability so that our cost has to further go down. At the same time, affordability to a customer has to go up. And that is a sellout for IFB, which will help us to increase our sales.

Lakshminarayanan: Okay. Okay. Now is it like -- will it hamper our gross margin because of this?

Ranjan Mathur: Look, this is Ranjan Mathur. In our case, what we see is we are in a business of selling products rather than selling cash discount, which is the trend in the market. So what we do here is we give our products at the right price and then give support in terms of cash discount. But that cash discount, what other brands do is they raise the price and then they give cash discount and burn money. So we -- the impact on our team in terms of liquid cash will not be that much as the other brands will have.

Lakshminarayanan: Got it. Okay. Sir, and the third question, which I have is that in terms of our services outreach, what kind of services network we have, sir, aftersales network and then whether it is run on a franchise mode or on a company-owned and how you have strengthened in the last 1 year?

Ranjan Mathur: So our service is basically on the franchisee mode. But the network is very strong pan-India right from J&K to Kanyakumari, the network is really good. And our endeavor is to provide service within 4 hours of the complaint register, and that is what we all are driving.

Lakshminarayanan: So how many you have now? Like how much was it last year?

Ranjan Mathur: Just give me a minute, I'll give you the exact figure.

Management: I think it's about 1,400, if I'm not mistaken, but just check.

Ranjan Mathur: 1,530 franchisees.

Lakshminarayanan: Okay. And they are all different franchisees, I believe, right? Every franchisee is different, it's not one group or couple of group.

Ranjan Mathur: No, no. No, we don't entertain that.

Bikramjit Nag: Kartik also please look into this point, the franchisees are covering how many pin codes?

Kartik: Yes, sir.

Bikramjit Nag: Franchisees covering how many pin codes in how much time? So how many pin codes in 2 hours, how many in 3 hours, how many 4 hours and like that? Can you please differentiate it and come up with this another time.

Kartik: Yes, sir.

Moderator: The next question is from the line of Shreyansh Jain from Swan Investments.

Shreyansh Jain: Sir, my first question is, sir, I'm just looking at your refrigeration ramp-up. So somewhere in the presentation we've written, we've done about 1,18,000 units for this quarter. And on Page 8 of the presentation, we've said that we are doing about 18,000 a month in refrigerators, right? So 54,000. So I'm just trying to understand that differential is all OEM sales or all rep sales are branded sales?

Ranjan Mathur: So there is another company which we have IFB Refrigeration. So 18,000 is for IFBIL.

Bikramjit Nag: Kartik, why don't you explain properly, Kartik?

Kartik: Yes, sir.

Bikramjit Nag: It's very a simple thing, explain it.

Kartik: Yes, sir. Sir, 118,000 is a total refrigerator manufactured and sold by IFB Refrigeration Limited, where IFB Industries is holding 40% stake. Out of that, IFB Industries is setting approximately 18,000 per month.

Shreyansh Jain: So the difference is what OEM sales, sir?

Bikramjit Nag: No, no, no. Shreyansh, I'm just telling you clearly, 1,18,161 is the figure of IFB Refrigeration Limited, and that is around 39,000 -- around 40,000 per month. And IFB Industries is selling -- had sold 36,000 -- sorry, 54,000. That is actually 18,000 per month. Is it clear?

Shreyansh Jain: No, sir, not able to actually understand.

Bikramjit Nag: The IFB Refrigeration Limited is a separate company, right? We are having a shareholding there of 41%, correct? IFB Refrigeration is directly selling to dealers, distributors through branches, and they are giving some material to IFB Industries also. IFB Industries is dealing to their dealer and distributor. Whatever sales is happening from IFB Industries Limited, that is 18,000 per month, and in case of IFB Refrigeration, it is 40,000 per month. It is not the question of balance quantities pertaining to OEM production.

Shreyansh Jain: So the structure is really confusing. And so then INR66 crores...

Bikramjit Nag: It's not confusing. IFB Refrigeration Limited is a separate company, clear? Is that point clear to you? IFB Refrigeration Limited is a separate company. Is that point clear?

Shreyansh Jain: Yes, sir.

Bikramjit Nag: Okay. IFB Refrigeration Limited has sold 18,000 per month to IFB Industries Limited. Clear?

Shreyansh Jain: Yes.

Bikramjit Nag: Now suppose IFB Refrigeration Limited is hypothetically producing 50,000 a month. 18,000 sold to IFB Industries Limited are balance suppose hypothetically under 30,000 sold under IFB Refrigeration Limited in different states where IFB Industries Limited is not selling it. You understood? And 2,000 went into stock. That's a math of 50,000 produced, clear?

Shreyansh Jain: Right, sir. So then the INR66 crores of revenue in quarter 1, this is IFB Industries revenue for 54,000 units, right?

Bikramjit Nag: Yes, correct. Correct.

Shreyansh Jain: Okay. So then are we trying to say we have two distributors -- two separate distribution teams, one in IFB Refrigeration and one in IFB Industries for refrigerators.

Bikramjit Nag: IFB industries sells refrigerators in certain states, hypothetically, let us say. IFB Refrigeration is selling in Maharashtra, IFB Industries does not sell in Maharashtra. Clear?

Shreyansh Jain: Okay. Okay.

Bikramjit Nag: So IFB Refrigeration has some people to sell it in Maharashtra, correct.

Shreyansh Jain: Got it. Sir, the second question is what would have been the volumes for us in air conditioners for quarter 1 versus last year?

Bikramjit Nag: Yes. Kartik, you can answer that.

Kartik: Yes. During the quarter, we have sold 1,15,000 air conditioners against last year 1,29,000. And as far as OEM is concerned, we have sold 9,800 air conditioner versus last year 6,600.

- Bikramjit Nag:** You tell total, Kartik. 1,20,000 this year first quarter against last year corresponding quarter 1,37,000. Then it will be easier for them to understand.
- Shreyansh Jain:** Sir, my last question is, what is the kind of cost savings we envisage in quarter 2 and quarter 3. I think in the presentation, we tried to mention that, but I think somehow got missed. So what is the kind of cost savings that we -- because you said bigger impact expected in Q2?
- Bikramjit Nag:** Kartik, you can replay. We discussed this today.
- C.S. Govindaraj:** Yes, this is Govindaraj here, I'll explain. The quarter 2 innovation, what we are expecting is, it will be to the tune of maybe about INR15 crores to INR20 crores, and in line with the target whatever we have taken for the fiscal year.
- Shreyansh Jain:** Okay. And that run rate should also be continuing for the balance 3 quarters.
- C.S. Govindaraj:** Yes, it will continue and it should improve on, so that we are in line with the yearly target...
- Moderator:** The next question is from the line of Saikiran Pulavarthi from Pulavarthi Advisor.
- Saikiran Pulavarthi:** Sir, just a broad level question is that in terms of the market share, except for the washing machines, you are not material enough in the rest of the segments and the larger ones like refrigerator or AC. So how do you look at yourselves in a very highly competitive industry when your market shares are very less? How can you able to improve your margins sustainably and also have very good return ratios?
- Ranjan Mathur:** So this is Ranjan Mathur. First of all along with washers, we have good market share in our microwaves as well as dishwashers. We launched ACs -- and lastly, we -- as shared in last meeting, we sold [inaudible 0:28:36]. Here we intend to -- we are targeting around 5% margin. Generally in refrigerator, in span a 2 years, we are now touching around 40,000 every month. And -- so we are targeting around 65,000 per month, around 7-odd percent.
- Saikiran Pulavarthi:** Sir. But even in your presentation, you mentioned that by FY '26, you want to be like 5% market share in AC. And then probably now you were saying refrigeration at 7%. At that kind of market shares, yes, when your competition is like global players like Samsung or LG or Haier or Midea?
- So is it possible for you to sustainably improve the margins from where you are or how difficult or how challenging it is? Experience tells us that in the last 5 years, you guys tried a lot on the sales and improving the marketing but still the margins are still struggling. So we're just trying to understand these challenges is it subscale or is it because of something else?
- Or is it a problem of, say, what is the -- where is the issue? We as investors outside think that this is primarily because of probably the lower market share is not giving kind of a pricing power. That's our assessment. Is our assessments right? Or is it something else to think about?
- Ranjan Mathur:** No. Look, in this, I'll only say one thing. In terms of air conditioners, the responses which we got in the category in last financial -- last 1.5 years have been very good. And this year also, if you see despite a major drop in the industry, we were able to sustain our volumes. And same

thing is that refrigerator in a span of 2 years we are practically touching 4%. Our biggest strength is our network, we work -- we are working on improving our...

Bikramjit Nag: Ranjan, his question is not that. Please answer the question. If you don't understand the question, you ask him again to repeat the question. But he's asked a very clear and factual question.

Ranjan Mathur: Yes. Can you please repeat the question, please?

Saikiran Pulavarthi: My question is that except for the washers, you don't have a substantial market share in any of the products. And this industry is extremely competitive. So what I think is the single-digit market share is 5% or 6%, will you be able to have pricing power or not? And if not, then can this be impacting your subscale, what I can say, EBITDA margins, which was there for quite some time. So is it the right way to think about it? Is it something else or other which we should think about?

Ranjan Mathur: So as I was telling you, our market shares in microwave, our market share in dishwashers, our market share in clothes dryers are substantially at a good position along with our washers. Top loaders, which have -- after the launch of the new range we shared, the market share have further -- have started improving.

With regard to AC and rev, so as I just not shared, now the question which you are asking, whether we'll be able to sustain the margins and sizing. So in IFB, we firmly believe that we should give our good for technology products. And that product give us good, sustainable volumes. And that is what on -- that is how we are...

Bikramjit Nag: That is not his question. Kartik, can you answer the question? Ranjan, first, you hear the question well and answer the question.

Kartik: Sir, pricing power is not coming from the market share. If we see the new products what we have launched also our market share is only going up. And in front loading washing machine, we are #1 as far as the customer selling price is concerned, we have features and we give value for what price we are charging. In air conditioners, as you know, it is a crowded market. There are more than 40 brands operating.

If you look from the price point, we are in top 10. So lower market share doesn't mean that our price point is discounted. So margins will not get impacted because of market share. And also in air conditioner, if you see the market leader has around 20% market share. So 4% to 5% market share is a good market share to start with, which ultimately we want to further increase.

Moderator: The next question is from the line of Udit Sehgal from PinpointX Capital.

Udit Sehgal: Regarding the cost-down measures in the last con call, we had discussed that INR200 crores we are targeting from the material cost reduction. Around INR75 crores from the fixed cost reduction and INR20 crores from the warehousing and freight reductions. So I wanted to know, sir, what's the time line on that and from when do we start -- start to see these savings kicking in?

- C.S. Govindaraj:** This is Govindaraj here. We had already indicated that out of the INR200 crores plan, INR85 crores will be -- approximately about INR85 crores will get in the fiscal year '26 and we are on track of that. We will be able to achieve that INR85 crores.
- Udit Sehgal:** And like you said that some part of it was available in Q1, but we could -- I mean, it was offset by the increase in material costs. So could that happen in the future as well?
- C.S. Govindaraj:** Our estimate for the quarter 2 commodity price increase is not as high as what was happened in Q1. So we should be able to get substantial benefit from the cost innovation activities, whatever we are doing in Q2.
- Bikramjit Nag:** Mr. Govindaraj, please also inform them what we did not do in Q1, which have led to this. Why don't you and Kartik give them visibility? What did we do wrong?
- Kartik:** Even though we could achieve about -- in terms of 1.6% cost innovation, but the commodity price increase happened more than that. So that there was a less increase in the material cost, which should not have happened. Our cost innovation measures should be more
- so that the impact of the commodity we should have been able to absorb, point number one. Point number two, the realization took some time, which should've happened in Q1 has moved to Q2 because of the validation we had to complete.
- Bikramjit Nag:** No, Kartik. There is another point. What did we do wrong?
- Kartik:** Yes. Apart from that, overhead cost has gone up.
- Bikramjit Nag:** No, what did we do wrong on commodity pricing.
- Kartik:** Yes. Okay. We have now...
- Bikramjit Nag:** What did we do wrong? You should transparently say.
- C.S. Govindaraj:** What we could have done better is the control on the commodity pricing. We have pricing committee with regular follow-ups and why the commodity pricing and what measures we can take to mitigate that we do it properly, we have now corrected.
- Udit Sehgal:** Okay. So if I understand correctly, sir, from -- for FY '26, we'll get around INR70 crores to INR80 crores from the material cost savings. And for next year FY '27, we will get the full INR200 crores for the material cost savings. That's my understanding, is it correct?
- C.S. Govindaraj:** Yes, that's correct.
- Bikramjit Nag:** That is not correct. Total is INR200 crores, correct?
- C.S. Govindaraj:** Correct, sir. Out of that...
- Bikramjit Nag:** Out of INR200 crores, this year, you're supposed to get INR60 crores to INR80 crores. So the balance will be only INR120 crores, for example.

- C.S. Govindaraj:** No, the total will get INR200 crores.
- Bikramjit Nag:** Yes. So INR120 crores plus INR80 crores is INR200 crores.
- Udit Sehgal:** So this is like a onetime saving or it's like a recurring savings since we have reengineered the product?
- Bikramjit Nag:** Mr. Govindaraj, am I right or wrong?
- C.S. Govindaraj:** That's right, sir. The savings are recurring only and based on the target of overall INR200 crores, the realization will be about INR60 crores to INR80 crores in this fiscal year. The remaining we'll get in -- it's a recurring only. It's not onetime.
- Udit Sehgal:** Sir, ultimately, okay, the recurring part will be around INR120 crores or it will be INR200 crores, the recurring part?
- C.S. Govindaraj:** The recurring part will be about INR120 crores.
- Udit Sehgal:** Okay. And with respect to the fixed cost that we talked about that will be reducing around INR6 crores per month and the warehousing and logistics costs. What is the visibility on that?
- Kartik:** Kartik here. We have put in place a team for this along with Alvarez & Marsal. We have identified areas of overhead cost reduction, and we are setting internal tactics for this. So if you say freight, , we have done trial on network optimization for Bangalore. The project is complete. Now we are rolling out Pan-India. So we expect that the savings will start coming in from Q3 of FY '26.
- Udit Sehgal:** Okay. And regarding the fixed expenses, sir, is there any visibility on that?
- Kartik:** Yes, yes. This is for fixed expenses also, the same team is going to work on. And from Q3, we expect the savings to come in the P&L.
- Udit Sehgal:** Okay. And sir, if we look at the year-on-year sales, the sales have increased, but the margin has gone down. That's because of the material cost increase or some other reason?
- Kartik:** Yes.
- Udit Sehgal:** That should normalize going ahead since the cost savings will also kick in?
- Kartik:** Yes. As we explained, our service are in the pipeline. When will it come, may take some time. But we expect INR60 crores to INR80 crores to come P&L in FY '26. At the same time, we are putting a team for -- a pricing committee, which will look into commodities and find ways to reduce the commodity prices. So we expect the effect of commodity price on future quarters to be much lower or we expect a reduction in all this to add to P&L.
- Udit Sehgal:** Because our eventual target is to reach 10% EBITDA margin is what we've been targeting. So with these cost savings, you think in the next 2 or 3 years we can achieve that?

Kartik: Our intent is to hit double-digit EBITDA in this financial year.

Udit Sehgal: In this -- so that would be for the whole year, that would be like on the exit?

Kartik: Yes, the first quarter, we could not do, but we are working towards double-digit EBITDA.

Moderator: The next question is from the line of Naveen Baid from Nuvama Asset Management.

Naveen Baid: My question is on the Engineering division. What kind of growth are we seeing for the next couple of years? And in what segment of the Engineering division would you drive that growth?

Kartik: Mr. Narayanan, can you please take this question?

Panamanna Narayanan: Yes, I'm Narayanan here. Actually, we are now looking at almost 3x growth and we are also having fine blanking, we are also having stamping. So we are now trying to improve both in fine blanking as well as stamping. So we are also having plans. This year, we are looking at a growth of around 20%. So in the next 2 years, we are looking at around -- more than around 30% growth, which we are also working, other than automotive, other customers also.

Bikramjit Nag: Mr. Narayanan, he asked the question -- you started off by saying 3x growth. And then you said 20% and 30%. Does that add up to 3x? I'm just asking. JC Can you answer?

Naveen Baid: It's okay, if you can just throw some light on what is the...

Bikramjit Nag: One sec. Jayanta, are you there?

Jayanta Chanda: I had just got cut off. I just joined, Mr. Nag.

Bikramjit Nag: Can you please answer the question?

Jayanta Chanda: I didn't hear the question, please. Can somebody repeat the question?

Bikramjit Nag: Mr. Narayanan said 3x growth you are planning and then said you'll to 20% this year and 30%, 30%. Does 20%, 30%, 30% add up to 3x?

Jayanta Chanda: No, it doesn't.

Bikramjit Nag: Okay. So what is your plan?

Jayanta Chanda: The plan is that we have to grow organically, minimum 30% per annum. And also we have to grow through merger and acquisition route, which we are actively pursuing. And we have already seen 48 companies and due diligence have been done for many. So apart from that, we are also working on some breakthrough projects like which are new lines. For example, brake disc line, et cetera, we are working on these, which will give us additional revenues using the fine blanking methodology basically.

Naveen Baid: Okay. If you see our margins or margins had been...

- Bikramjit Nag:** Can I just pick that? Sorry. Sorry, I'll just say, Jayanta, it's important to learn how to present matters, you and the CEO both. There is a division, fine blanking division. What is your plan for that? Explain to the shareholders. What is your plan for stamping? What is your plan for Electronics division? Why don't you go step by step? Have some water and present.
- Jayanta Chanda:** Okay, Mr. Nag, I'll do that. So the fine -- the Engineering division basically has 4 verticals now. The primary vertical is the fine blanking division, which is about INR600 crores, out of...
- Bikramjit Nag:** What will be the growth in that? Get to the point.
- Jayanta Chanda:** We are aiming to grow it INR400 crores by the end of -- by March '27 new orders into the pipeline. INR445 crores by March '27. So this will come from new lines of business, which is the brake disc line as well as we are talking to increase our sprocket business with the various OEMs. So -- and we are pushing for newer businesses in the non-auto sector also with companies like ABB, et cetera.
- Bikramjit Nag:** You don't have to say all that. Just explain. What are the segments you're getting into? Just explain.
- Jayanta Chanda:** So automotive segment as well as we are also now embarking into the non-automotive and with the onset of EVs, we are -- there is a thrust to keep our portfolio EV-neutral so that we are suddenly not out of business. So gradually, we see the onset of EVs in automotive horizon. So we are aligned with that. And so this is in fine blanking.
- In stamping, our plant is in Bangalore, and it is working at full capacity. So there is -- we are adding some pressure in that facility there, but our -- we are also planning a new facility in north of India, because most of the big OEMs are there, including Maruti, Hero Motors, HMSI. So we are planning a new greenfield facility here.
- And we are also talking to innovative new products, contemporary products like the battery can for the -- so these products also, we are talking to the suppliers in Exide and Tatas and all that. So we are in advanced stages of discussion and we are hopeful of good order pipeline in the near future. We have a vertical which we call the aftermarket. That's about close to INR100 crores.
- We make the chain and sprocket kits. The chains we were importing from China, the sprockets we were manufacturing in our fine blanking plant. Now the government is imposing some restriction on imports, so our Board has cleared our investment for setting up a chain manufacturing plant in India. We will do that, but our Chairman has said to get the organization right before we move ahead with the procurement of the -- we are setting the organization right, which we will complete by the next 30 to 45 days.
- And thereafter, we are going for -- and we hope to put up this plant in the next 8 to 10 months. The supplier has been identified, the equipments have been shortlisted. We are in discussions with them. Very recently, we have set up, made a foray into electronics sector, we have named this Advanced Electronics division.

We are making components for a global player, very big player, who will be the ultimate consumer. We have made a beginning, and we are quite hopeful that this business will grow substantially for us and we are also in talks with other electronic players. So we want to grow this segment also, which is headed by a separate person and it's a fully independent vertical under the Engineering division.

Naveen Baid: I just had a [converse 0:50:43] question on this. So your margins saw a very sharp increase in FY '25. So you expect this margin to kind of stay around this level? Or -- because in the past, your margins have been volatile over the past 4, 5 years. So you see further improvements in margin from here on?

Jayanta Chanda: My answer to this question is, the last 2 years, we have been blessed with a stable commodity price, it has not been very -- now in quarter 1 this year, the steel prices have been increased by INR3,000. So in the automotive industry, it is the standard norm that we -- whenever there is an increase in RM input, we get it from the customer. But there is a lag of quarter to half year. So we definitely will defend the margins we have been doing but our target is to improve it further. And definitely, we will do that.

Moderator: The next question is from the line of Naitik from NV Alpha Fund.

Naitik: Sir, in the beginning of the call, you mentioned that our expenses have increased because increase in sales representatives and increase in professional and legal services. Can you quantify these charges, which has led to increase in bigger gross margin expenses on a company level?

Kartik: Yes. Kartik here. CSR expenses has increased by around INR7 crores for the quarter. Professional fees has increased by INR3 crores. And e-waste expenses has increased by another INR3 crores.

Naitik: Sorry, last INR3 crores you mentioned is for e-waste?

Kartik: E-waste, yes.

Naitik: Second question is, you briefly also mentioned about margins, gross margins had fallen in Home Appliances division. So that was primarily due to increase in RM cost? Or was there any other reason also?

Kartik: No, no. That was impact of commodity less recovery through cost innovation.

Naitik: Right. And my next question is what sort of growth do we expect in the washer segment top load and front load individually and in RAC this year? All 3 separately, if you can quantify.

C.S. Govindaraj: Yes. So in case of front load, the growth what we are targeting is around -- we initially, in the financial year, we were targeting from 25% growth, but the industry in front load is a bit segment. So we still feel that this festival season will be good and we'll be able to recover our volumes. And we'll be growing by around 20% to 25%.

In the top loader, we have been able to -- with the launch of new range, we have been able to grow at a much higher level and have been able to gain the share. Here we envisage around 35-

odd percent growth for us, which will be better than what the industry -- and we'll be able to gain some market share.

Refrigerator -- sorry, air conditioners, you asked. In the air conditioners, there was a drop of 30% plus in the industry in first quarter, but what we feel is our -- first of all, our -- because we were able to sustain our volumes compared to industry. And what we feel is in -- from quarter 3 and quarter 4, we'll be able to get the volumes which we have lost in quarter 1. So then we envisage a growth of around 25% to 30% in air conditioners.

Naitik: And sir, my last question is what sort of market share do we currently have in RAC segment?

C.S. Govindaraj: We marginally gained, we are at around 3%, 3.5%.

Moderator: The next question is from the line of Lakshminarayanan from Tunga Investments.

Lakshminarayanan: You mentioned e-waste provisioning. So approximately, what is the amount you would provision for the full year?

Kartik: Yes, our monthly cost is around INR2 crores. So annually is around INR24 crores to INR25 crores.

Lakshminarayanan: Got it. Got it. So the savings would be after accounting this only, right, the savings we are talking about?

Kartik: Yes.

Lakshminarayanan: Got it. The second question is that in terms of our compressors have you -- have we secured compressors for both refs and the ACs for the next -- even as we expand because there has always been some shortage in terms of compressor capacity in India, be it refs or be it AC. How secured we are in terms of the supply chain?

Kartik: We [inaudible 0:56:56]. We are aware of the demand-supply gap in compressor, but we are already discussing with a manufacturer. And as of today, we are secured with the quantities whatever is required in the -- for the season.

Lakshminarayanan: Got it. Sir, can you just help me understand what is the capital structure of this IFB Refrigeration, 40% is owned by IFB Industries. So what is the 60%?

Bikramjit Nag: I think individuals are owning about 20-odd percent. And others in promoter group are owning significant shares. A promoter group, meaning the one declared to SEBI as promoter group, they are owning shares.

Lakshminarayanan: Okay. And the rest is by the employees, you mean to say the 20%?

Bikramjit Nag: Various individuals, yes.

Lakshminarayanan: Okay. And is there a plan to kind of consolidate it at some point in time? Like if there are...

- Bikramjit Nag:** Yes, I think now if you look at the overall thing, IFB Refrigeration above our threshold volume makes positive EBITDA, et cetera. As we've said, 55,000 to 60,000 is what we must sell to make a decent amount of money. Hopefully, we will get there soon. And we hope to at least consolidate it in the near term. Near term meaning maybe in the next 6 to 12 months, hopefully, subject to Board approvals.
- Lakshminarayanan:** And strong in DC or no frost in the refrigerator?
- Bikramjit Nag:** So we now make more of DC, but the no-cost is increasing because we are producing more of that now. We are launching the 328-liter very soon. And after that, we will launch other models. Our brand prism ideally should have -- I mean, our ideal structure would have been to launch the higher-end models first because that's what IFB stands for. But then when we were considering the project, we realized that if you don't do the lower end also to succeed in this is going to become very, very difficult. So going forward, we will do more of the higher end.
- Lakshminarayanan:** Got it. And one last thing on washing machines. So have we -- I mean, are we -- do we still manufacture the fully drive -- driven washing machines? Or actually, we have moved to completely motor-driven?
- Bikramjit Nag:** We have moved completely to BLDC. We are moving completely to BLDC.
- Moderator:** Thank you. Due to time constraint, that was the last question. I now hand the conference over to the management for the closing comments. Over to you, sir.
- Bikramjit Nag:** I think one of the things we have to say is -- sorry, I'm just going to sum up something. Performance has been relatively weak. And all -- most of the participants have asked the question, what happened to the issue on cost, commodity costs, etcetera, etcetera.
- And I think whilst we were working with A&M on cost down, the team that was supposed to handle commodity price, etcetera, got defocused and some slippages have happened there. And that's an area that we need to tighten. I think that let us down.
- On the fixed cost increase if you see, increments were given, etcetera, which had to be done. But areas where consolidation of work, etcetera, should have happened, have not happened as fast as it should have. And that's also an area of slippage.
- So we have slipped. AC, of course, got affected due to the monsoons, I think, across brands. In other categories, in various areas, we've still not tightened and change management, where the required -- that work is still WIP. We've been very, very slow at it. Hopefully, in this quarter, a lot of that will get fixed permanently. Soumitra, anything else?
- Soumitra Goswami:** No, sir. Thank you very much to everybody for participating in the call. We'll meet again after quarter 2. Thank you.
- Moderator:** Thank you. On behalf of Nirmal Bang Equities Private Limited. That concludes this conference. Thank you for joining us, and you may now disconnect your lines.