



**“V-Guard Industries Limited
Q1 FY26 Earnings Conference Call”**

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Moderator: Ladies and gentlemen, good day and welcome to V-Guard Industries Limited Q1 FY '26 Earnings Conference Call hosted by Nirmal Bang Equities Private Limited. 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. Arshia Khosla from Nirmal Bang Institutional Equities. Thank you, and over to you, ma'am.

Arshia Khosla: Thank you, Palak, I, Arshia Khosla, on behalf of Nirmal Bang Institutional Equities, welcome all of you for the first quarter FY '26 earnings call for V-Guard Industries Limited. From the management today, we have Mr. Mithun K Chittilappilly, Managing Director; Mr. Ramachandran V, Director and Chief Operating Officer and Mr. Sudarshan Kasturi, Senior VP and Chief Financial Officer.

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.

Mithun K. Chittilappilly: Thank you, Arshia and the team at Nirmal Bang for hosting today's call. A very warm welcome to everyone joining us to discuss our company's operating and financial performance for the first quarter of FY '25-26. I trust that all of you have had the opportunity to review the investor presentation we had shared earlier.

Top line growth for the first quarter FY '26 was subdued due to weak summer season and the high base of last year. Consolidated net revenue from operations for the quarter is INR1,466 crores, a marginal decline of 0.7% over the revenue recorded in the corresponding period of the previous financial year.

The Electronics segment comprising of Stabilizers, Inverter Systems, UPS Systems and Solar Systems delivered moderate revenue growth at 4.5% Y-o-Y in the first quarter. Demand for Stabilizers was subdued in line with the overall demand trends for cooling products. But this is offset by good growth for other products within the segment.

The Electrical segment, which remains our largest revenue contributor that includes Wires, Pumps, Switchgear and Modular Switches, registered a Y-o-Y growth of 7.6%. Hence, the performance was steady, both from a top line and margin perspective.

In the Consumer Durables segment, covering Fans, Water Heaters, Kitchen Appliances and Air Coolers, we reported a revenue degrowth of 16.3% Y-o-Y. Growth was impacted by early onset of monsoon, which curtailed the summer season and caused a sharp drop in demand for cooling products.



Sunflame reported top line de-growth of negative 5.4% on a Y-o-Y basis in Q1. There has been some improvement in light of interventions undertaken earlier. And the business has done well in general trade, but continues to face softness in the CSD channel.

We have also initiated actions to merge Sunflame operations with V-Guard, which will fast track a realization of the synergy benefits. Since the merger is with the wholly owned subsidiary, there will not be any share exchange ratio or change in the shareholding pattern of the company.

In Q1 FY '26, revenues from non-South markets grew by 2.1% Y-o-Y now contributing 52.3% of the total revenues, while South market degrew by negative 3.3% Y-o-Y. Our strong markets, that is the Southern and Eastern regions were relatively more impacted by the weak summer.

We reported a gross margin of 36.7% this quarter compared to 36.6% in Q1 last year. On a sequential basis, the gross margin improved by around 110 basis points from 35.5% in Q4 FY '25. As we had indicated last quarter, margin recovery is nearly complete and we are back to the pre-COVID margin level.

EBITDA, excluding other income, for Q1 stood at INR124 crores, declining 20.7% on a Y-o-Y basis. The EBITDA margin was 8.4%, a reduction of 210 basis points from 10.5% recorded in Q1 FY '25.

Consolidated profit after tax for the quarter was INR74 crores compared to INR99 crores in the same period last year. The decline is due to the operating deleverage on account of flattish revenues. We expect the demand to normalize in the coming quarters and continue to invest in brand building and capacity enhancement.

With that, I conclude my opening comments, I would like to thank Arshia and the team at Nirmal Bang for hosting this call and I would like to request the moderator to open the floor for Q&A. Thank you.

Moderator:

Thank you very much. We will now begin the question and answer session. The first question is from the line of Rahul Agarwal from Ikigai Asset. Please go ahead.

Rahul Agarwal:

Hi, good afternoon. This is Rahul from Ikigai Asset. Mithun, three questions. Firstly, you are entering into Lighting, just to understand what are you thinking about it, what are the products, which segment are we talking about?

Second question was on ECD. I understand Fans and coolers would have seen a very large impact. But when I look at the company history, first quarter has never been, has never seen EBIT loss, right, except if I remove the COVID period '21-22? So is it more of a function of -- I understand operating deleverage; but because of newer plants, is there more opex sitting there, which is why this is impacted or the ad expenses, which have been a bit higher Y-o-Y, is that impacted for a specific campaign?



Thirdly, some comments on Inverter sales and Wires? That would help.

Mithun K. Chittilappilly: Yes. So I'll start with the Lighting. So as you know that we are having a portfolio of categories in the Electricals space, and Lighting is the largest sub segment within the Electricals space. I mean Lighting and Wires are the two large categories. We were present in Wires and Fans, which are the two other large segments, but Lighting was absent.

And we have been getting a lot of feedback from the channel that there is a huge white space, then we are not present and this is creating some gap in the product portfolio. So this is point number one. Point number two is we are already having a very, very good network of Electricals' retailers across the country.

A good part of the 100,000 retailers we have is from the Electrical segment. And Lighting has almost 95% overlap with the Wires retailers. So this is the second point that we have the channel. So I think it's also; now we believe that we are having enough bandwidth to start creating a new category and this is the thought behind it. Ram, do you want to add anything about the Lighting category?

Ramachandran V: As you already said, I think it's mainly that we have been under a bit of pressure from our trade partners to expand our portfolio and to include Lighting because this company has a bouquet of offerings on the Electricals side, and that has been the primary driver for that; and it is to complete our basket of offerings. There are a lot of synergies, both on the channel side and even on the GTM side. So, the effort required for us to get into Lighting is very, very minimal, and that's why we decided to go for it.

Mithun K. Chittilappilly: Yes. On the ECD side, the ECD has got Fans and Air Coolers. Within Fans, there is a segment called TPW. TPW business has significantly been lower and so have been the Air Coolers. So I think both these have pulled out a good percentage. As far as loss is concerned, we don't think it's a huge issue. It is a transient issue.

And yes, there would be some advertisement expenditure that was booked in both Fans and Air Coolers. So it is very much possible that is also one of the reasons that we are hitting a loss. But I think this time, we had an extremely cool summer. So last year, we had a very, very massively hot summer, which propelled demand for a lot of categories, especially cooling products.

This year, we had the reverse where we hardly had any kind of summer, especially in the Southern part of the country and the Eastern part. So, these two being our core markets, we faced the headwinds. Wires has done well, because there is a favourable raw material price situation in which there were some step-by-step increases of copper prices over the quarter, which meant the demand situation was good.

We were also having inventory to supply. So Wires, in fact, has done well. Switches & Switchgears also have done well. They have also grown well. That's not because of any price increase. So just so you get, I think we have made some corrections in the team and channel



and all that, and that's beginning to deliver fruits. So that's the scenario, as far as your question is concerned.

Rahul Agarwal: Just a follow-up. So on Lighting, what kind of products are we talking about? And is it that we are also going to get into manufacturing of this?

Mithun K. Chittilappilly: Initially, we are not looking at manufacturing. I think with regards to most of our categories that we have entered, they have been seeded by the outsourcing model. Initially, we will not be manufacturing, but I think once we get a certain scale, definitely, we will look at manufacturing and bringing in efficiency.

We are looking at the consumer part of the Lighting and the residential part of the Lighting. So this is the initial focus. Anything that is going into consumer and residential Lighting is what we would look at.

Rahul Agarwal: Got it. And a follow-up on ECD, then maybe I'll be back in the queue. Was the primary sale for fourth quarter very high and hence channel inventory was high and hence, our performance on Fans and coolers was a bit subdued versus peers because when I benchmark other listed companies, it looks like our degrowth is much higher. Any thoughts on this?

Mithun K. Chittilappilly: So I think it's more than pre-selling it. It's more of a geographical issue. So South India has a much higher share of TPW sales in summer than other parts of the country. And V-Guard is one of the largest sellers of TPW Fans in South India. So for us, it's got to do more with; rather than selling it in March, most of the degrowth has come from the TPW segment.

In fact, the Ceiling Fan sales have not grown much. The second is Air Coolers. Air Cooler also, beyond a point, we are not able to sell the product because we sell on advance. So we sell with a similar kind of terms at the market leader, which is an advanced payment. So even in Air Coolers, there is no question of channel being staffed too much because the credit partners have to pay advance. So hope it's clear.

Rahul Agarwal: Perfect, Thanks for answering the questions.

Moderator: Thank You Sir, The next question is from the line of Aniruddha Joshi from ICICI Securities.

Aniruddha Joshi: Two questions. So now we are merging the acquired entity with ourselves. So what are the synergy benefits by merging the Kitchen Appliances business? I guess most of the operational synergy benefits are already there, but still, there will be some benefits in terms of reduction in the number of invoices or double billing to the trade, etcetera. So what are the total synergy benefits that we can look at? That is question number one.

And question number two, in case of Lighting, no, obviously, this segment, we have seen the technology changes are so ramping that even most of the larger players are also finding it difficult to, in a way, generate value. So what will be V-Guard's right to win in this segment? This obviously, we have the brand as well as the distribution network also, but what will be the focus area.



I mean, whether it will be B2C more, B2B more and even the distribution network for many players is also separate from the ECD or rest of the distribution networks. So how are we thinking on these lines? Ya these are the two questions.

Ramachandran V:

Yes. I think fundamentally, we're going to be leveraging the brand and the channel and our channel relationships. I think that's going to be our fundamental focus. I think initially, our strong focus is going to be in our core markets, which is South primarily had to start with, which is where we will focus already, and we are pretty confident that we can get some good and quick early wins in that area.

Yes, I think there are challenges. There are different challenges with different categories, I think the challenges with Lighting that are different in nature from other categories. But I think as an organization over a period of time, we have significantly matured in both our sourcing capability and development capability. And we have very strong Electronics capability in the company also.

And so we are pretty confident that we can navigate this. Of course, there will be a learning period as with any business, and there will be a learning curve that we will observe in our case also. So I think that is on Lighting and the question on Sunflame. So I think more than synergy benefit, it is a question of bringing V-Guard's capability into Sunflame for driving growth in Sunflame. Initially, Sunflame is a small entity, which was managed by the promoter. It was thinly staffed, it was run in a very, very agile manner, and we had challenges to quickly move in our capabilities before understanding the business. I think that we've taken 18, 24 months to understand the business, and we are now moving fast with the quick integration.

To give you an idea, I mean, synergy benefits, financial benefits apart, I mean, that's not the focus of why we are doing this. I think I'll give you some sense of; for example, we have about 70 days, we have integrated the customer service nationally. And what I would say, the call resolution rates, 24-hour call resolution rates have gone up to almost 60%.

And this will progressively get better. So that's one example. So we just want to bring the functional strengths of V-Guard into Sunflame, which we believe will significantly empower Sunflame's growth. That, of course, includes also our channel partners and our business systems where we have a very strong nationwide sales infrastructure and a very aggressive sales infrastructure, which is extremely capable to scale up businesses in shorter period of time. So I think thus far, we have been keeping Sunflame away from V-Guard's capabilities, to see what will happen to Sunflame. Our capabilities are growing faster, primarily our focus is going to be on R&D and NPD and go-to-market. So, we believe we should be able to significantly strengthen Sunflame going forward.

Aniruddha Joshi:

Okay. Sure. Sir, this is very helpful. Thanks for the explanation. Just one last thing. Will Sunflame be rebranded under the V-Guard umbrella? I mean like Sunflame by V-Guard?

Ramachandran V:

I think as we have said the last time in the previous call, so we have something where we have a project for the long-term strategy, for Sunflame, yes? I think once we conclude that, maybe



you'll have a point of view, in maybe a couple of months, on that side. So, we will come back. We haven't made a determination in terms of how we will treat that. But of course, I mean the moment there is integration of Sunflame and V-Guard. V-Guard's name will be carried by every Sunflame pack, as the manufacturer. But that apart, how to position Sunflame whether as a sub-brand or as an independent brand, I think there is work happening in that area. We are doing some work with consumers and we are also internally doing some work to understand what are the best ways to go forward. We have some proposals and a point of view, but we have not firmed it up yet.

Aniruddha Joshi: Okay. Sir, just one bookkeeping question. Lighting, are you looking at any revenue targets, let's say, over the next 2 years or 3 years?

Mithun K. Chittilappilly: No, we wouldn't like to give out any projections as of now. We will update in the next call. I don't think we'll be giving more projections anyway. But our first 6 months to 12 months, we'll be setting up capability and systems and then only we will look at launching.

Aniruddha Joshi: Okay. Sure Sir and many thanks.

Moderator: Thank You Sir. The next question is from the line of Keyur Pandya from ICICI Prudential Life Insurance. Please go ahead.

Keyur Pandya: Sir, first, on the Lighting side. So you talked about the synergies of, say, cross-selling, GTM distribution, et cetera. In general, we are seeing that because of the price deflation, I mean, very few brands have been able to grow their Lighting sales in terms of value and also a lot of competition from the smaller brands – value conscious brands. So any specific reason? I mean, from that perspective, why you would want to enter the segment where growth is not there either because of the I mean, technology change or price cuts, but the value growth has not been there? That is first point.

Second question, on the overall margin side, I can see that the employee costs have grown at a faster pace, that you earlier explained, that as you grow in-house manufacturing, some of the overheads move in-house. So if I look at slightly longer-term data, your EBIT margins, EBIT margins are more or less similar. So your gross margin has gone up, but depreciation, employee costs and overheads have also gone up and EBIT margin are more or less in the range of 7.5%.

So just to understand, are we yet to see any benefits of in-house manufacturing or why they are not yet visible since that EBIT level margins are more or less similar levels? These two are the questions, and then will get back in the queue.

Mithun K. Chittilappilly: Yes. So regarding the second part, which is EBIT margins, I've said this in earlier calls. So if you look at 2019, our larger two competitors, they used to have EBITDA of about 14%. Today, both of them are at 10%, whereas we are still having a similar EBITDA of about 9% to 10%. So you can see that the competition intensity, competitive intensity in the sector has gone up and margins have come down for most companies. Whereas we have maintained margins if



we look at last 6 years. So, I hope that answers your second point. The first point is on Lighting, Ram, you want to take this?

Ramachandran V: Yes, I think you're right. I think the Lighting as a sector has not seen value growth and fundamentally because of price erosion. That part is true. But I think that every business has a different dynamic and a different challenge and that needs to be managed independently and separately and appropriately.

Fundamentally, yes, not having Lighting and having Lighting has its own advantages and disadvantages as part of playing in the portfolio. But I think it's important because we have partners and our partners have businesses. We have a gap in our portfolio and we believe that incrementally for us, at least for the next 7, 8 years, I think this is not going to be a challenge. Although it can be a challenge for an incumbent player who's been in the industry for many years, as well.

The other part of it is also that, yes, I mean, even though there is not value growth, but I think that these businesses are profitable. And they are able to do that by managing different cost elements differently. So I think at least for us, I mean, next 7, 8 years, I don't see this question being a challenge for us, while it may be a challenge for the industry. But I think what it will do, it will strengthen our partner's capability and it will help us to, what I would say, expand our network faster and it will also help existing categories to travel more deeper and wider.

I think in the past, we had multiple challenges. But we believe many of our challenges for some of the categories that we had integrated, in the past, are slowly and progressively getting out of the way. We now have room to nurture and support one more category.

Keyur Pandya: Understood, sir. Sir, just one small question on the Electronics side. So relatively weaker quarter. And despite that, you have maintained margins up of 19%. So barring for seasonality versus Q1, Q2, Q3, which are relatively smaller, should we assume that, I mean, annualized margin of higher than 18%, 19% are sustainable margins? You have earlier talked about some strategic initiatives as well. So in that backdrop, what are the sustainable margins in Electronics?

Mithun K. Chittilappilly: Yes. Sudarshan, do you want to take this?

Sudarshan Kasturi: Yes. Okay. On Electronics, yes, I mean the Stabilizers did see a decline in line with air conditioner and other cooling products. But then that was made up by a strong performance in other products. The Inverter Battery business did well, Solar did well, so that's sort of made up. Margin wise, it's been good, but I don't think we should take 18%, 19% as a steady state margin. So there are some quarters where we get better margins than usual. Something like 17% should be okay.

Keyur Pandya: No, sir, on an annual basis?

Sudarshan Kasturi: Yes, so 19% is a bit; it's a good number for that category. That may not remain at that level all the time.



Keyur Pandya: Okay Sir. Thanks a lot.

Moderator: Thank You Sir. The next question is from the line of Raman KV from Sequent Investments. .
Please go ahead.

Raman: I just wanted to understand that there has been a degrowth in Q1, which you already suggested in your previous call. The original guidance of 14% to 15% revenue growth, is it still doable? And with respect to the margin, can we expect margin to improve going forward?

Mithun K. Chittilappilly: So I think how we look at it is when we have a good year, like last year, we grew by about 17%-odd. So in a challenging year, the growth could come down to 12% to 13%. So I think about 11% to 12%; 11% to 13% is what we'll be aiming for this current financial year because first quarter has been extremely challenging.

So what happens with that is almost 60% of our products, 55% to 60% of our products are dependent on summer. So when you start with a very, very adverse weather. It is very difficult for these categories for then to perform till Q4. So Q4 will determine now how the growth will shape out. But typically, we have seen that if we have a good year, we'll grow at 17% and a challenging year at 11% to 12%. So that's what this year looks like.

Raman: And sir, on the margins part?

Mithun K. Chittilappilly: Margins, I think we should be between 8.5% to 9.5% in this financial year. So let's see how it goes.

Raman: And sir, my next question is with respect to the Lighting segment, you did like earlier; sir also suggested that there has been value degrowth. So I just wanted to understand how much value creation do you think this segment will do in terms of your entire business?

Mithun K. Chittilappilly: So I think when we did some research on the industry, we found that players like Signify, which is the largest player with trade brand, Philip's, Havells, Crompton and Surya Roshni. All these four players are making healthy EBIT margins in the business. Now the question is on the value growth.

We found that there are sub segments which are growing, for example, Down Lighters and Premium Architecture Lighting for residential is growing whereas the growth in lamps, et cetera, may be slightly plateaued. So there are sub-segments which are growing. It's not that like the entire industry is de-growing.

And the third thing is we are present in categories like Solar Rooftop where there is a value degrowth of 20%, 25% every year for the last 3 years. So it's not something that cannot be managed. It is something like Ram said, every category has its own challenges. We don't foresee any growth challenges in the first 7- 8 years. But once we become larger, we'll have to see.



But I don't think that this category will remain like this forever. I think there are some tailwinds, especially on people migrating from tubes and lamps to more expensive luminaries as the houses become more premium and as people start to spend more on interiors. This is something that is ongoing. So I think within this particular, Lighting is a very large category. I think it's close to INR1 lakh crore or something like that. If you look at the entire Lighting in the country, including institutional and all that. So there are sub-segments within the Lighting, that are growing. So yes, there are the Lamps; the prices of lamps, the LED lamps are coming down, primarily due to efficiency in design of the PCB boards and all that.

But I don't think it will keep going on every year. I think a lot of the value decline is probably close to the bottom as far as that is concerned. But we are more interested to sell a bouquet of products, not just lamps, which will make sure that we make money.

Raman: And sir, my final question is with respect to the factories, Indian factories for in-house manufacturing that are coming. So what is the current percentage of in-house manufacturing? And when will the new factories be coming to online?

Mithun K. Chittilappilly: So currently, we're at 65%. We have 1 factory, which is 1 more plant for Fans, which is undergoing development. We expect that to be operational in 18 months' time. That will make Table, Pedestal, Wall – Fans and Ceiling Fans as well. We will have both the TPW as well as Ceiling Fans. And yes, we are also setting up one more – that is more of an expansion of the existing Battery unit. That, I think, will take about 24 months time.

Raman: Ok. Thank you sir.

Moderator: Thank You Sir. The next question is from the line of Sonali Salgoankar from Jefferies India. Please go ahead.

Sonali Salgoankar: Thank you sir for the opportunity. Sir, I again have question on Fans. Sir, correct me if I'm wrong, but is Fans as seasonal product or it is all the year around product. So I was just trying to understand it better. Why would unseasonal rains or a disrupted summer lead to such a big decline in the sales and also a negative EBIT?

Mithun K. Chittilappilly: Okay. So I think in Fans, we have three categories: Ceiling Fans, TPW and Exhausts. The Ceiling Fan business has pretty much throughout the year kind of sales, but there will be maybe like a 10%- 20% variation between in-season and off season. But the TPW business, especially the pedestal Fans, it is an extremely; the pedestal Fan is the largest part of TPW and is an extremely seasonal business because what happens, especially in South India, where especially markets like Andhra, Telangana, Tamil Nadu, even Kerala. It gets so hot that the Ceiling Fan is not able to really cool because it's really, really hot. So people put a second Fan in the bedroom, which can force air from the side through the windows, which is cooler than the roof which is already hot. So a lot of the purchase Fans, at least in South India and East India goes for this reason and they are extremely seasonal.

So I hope this is clear. So if you look at the pan-India sales, 70% is Ceiling and 30% is TPW whereas if you look at South India for us, this drops down to almost 60:40. So in South India,



the share of TPW sales is high. And V-Guard traditionally has been more stronger in TPW. Of course, recently, we are also getting good traction in Ceiling.

So please understand that you will find that players with a South skew will have this kind of a challenge. And secondly, there is one more category with Air Coolers. So Air Cooler is also our large, it's about INR140-odd crores. So a large decline in Air Coolers also brings down the Consumer Durables' sales in first quarter and Air Coolers is also a high gross margin category for us.

Ramachandran V: Just one more point I want to add. See, this year, last year, the summer was exceptionally strong. And this year's rains have been exceptionally heavy, and I was just looking at some long period average data, in the initial months that I saw long period average is nationally almost in double digits and more, yes. And in fact, in the Southern states, it's more than 30% up.

And besides what Mithun talked about, we are a company which is over indexed in terms of sales in South and East, right, which have received very, very heavy rains. So the pressure is further getting amplified in our numbers, yes. But as Mithun has already said, Ceiling Fan sales are flat for us, and the drop is in this particular category is because Southern market has seen very, very heavy rain.

Sonali Salgoankar: Understood. Sir, so would you ascribe that majority of, or rather the main reason for the drop in your EBIT margin is because of loss of operating leverage on the general volumes? Or is there any further reason to that?

Mithun K. Chittilappilly: I think it's majorly operating leverage. There would be some A&P expenditure on Fans and Air Coolers that would have happened. But I think it's mostly operating leverage.

Sonali Salgoankar: Sir, your A&P spend as per your presentation are almost flattish year-on-year. So your overall is 3% so...

Mithun K. Chittilappilly: Sonali, it may not be spent on the same categories, right? So there could be changes within the category here.

Sonali Salgoankar: Understood. Got it. Sir, just one last question from my side about the merger of Sunflame. Sir, you did mention certain points on that, but exactly what is the difference post-merger versus being a 100% subsidiary, wherein we are expecting a faster pace of synergies right now?

Mithun K. Chittilappilly: Yes. Ram, do you want to take this?

Ramachandran V: Yes, Sonali, I explained this earlier, right? So let me again explain to you the same, I mean clarify the same observation. See, for example, earlier, Sunflame and V-Guard used to operate as separate entities. The operational bandwidth inside Sunflame was very, very narrow. So it was very difficult for us to replicate our understanding and know how to run some processes systems more efficiently than the way that it is running at Sunflame.



So that was the reason, initially, we wanted to keep these two separate so that we are able to preserve the agility. We are a much larger company work through multiple functions, right? And it would have been very difficult to integrate Sunflame at that stage. But after about 18 to 24 months, the knowledge is in place. And V-Guard's internal stakeholders have understanding and exposure to Sunflame. And we have, as part of our integration projects defined a governance framework. We are able to move fast. Now what difference will it make I think as I explained to you, giving an example of service earlier in about – it's about 70 days now since the systems are coming together. They have come together progressively. We are now and we have completed the service integration. We expect in 3 months, right, to reach a similar level of customer service TAT – turnaround time. Same is the thing with quality, the kind of systems that we have in managing quality and the kind of process we have for qualifying vendors.

All of this is very different, right? So this all activities and capabilities will flow, yes. We have maybe 1,500-odd feet on street, we have 1 lakh-plus customers. Many of them are in Kitchen. Now it's a lot more easier for us, right, to land the Sunflame offering into many of our customers and channels, if it is managed throughout the same sales system.

So these are the kind of advantages that we will get. So I think it's fundamentally going to make Sunflame stronger in its ability to realize outcomes, positive outcomes, right, be it on service, be it on quality, be it on MPB, or be it on sales, yes?

Sonali Salgoankar: Understood. Thank you sir.

Moderator: Thank you Ma'am. The next question is from the line of Shivkumar Prajapati from Ambit Investment Advisors. Please go ahead.

Shivkumar Prajapati: My first question is regarding the competition density versus the rising private label players, say, Amazon Basics? And what differentiates V-Guard's products in price-sensitive markets?

Mithun K. Chittilappilly: I think the hyper competition today is among our various brands. I don't think private label is such a big worry, at least in India. What we're seeing is even globally, private label usually works in categories which can't be differentiated like chips or flour or food products and stuff like that or something like generic items like maybe lamps and those kind of things, bulbs or something like that.

But as soon as there is design involved as soon as there are features involved, private labels usually don't have a chance because they are not coming as they are not having that kind of sophisticated capability to make products. So, for example, if you asked me, V-Guard has about 4,000 SKUs today. I don't know any retailer who has the wherewithal to even manage an additional 500 SKUs. So that is the kind of variety that brands offer vis-a-vis a private label.

So we have seen that the larger chains, they have time and time and again tried to do this, but it has not really made any much dent, as you would have seen, right. I mean there was a time when Big Bazaar brought out a lot of private labels. Then Reliance keeps trying to do it so. It happens, but I don't think in our kind of categories, it has really made much of a dent as yet.



So the hyper competition is between existing players getting into adjacent categories. It is also certain new brands that are coming up are disrupting the existing categories, maybe using new lines of sales like B2C or e-commerce and stuff like that.

So I wouldn't say private labels, but definitely competitive intensity is up. It's primarily also because many companies are not growing and they are thinking that the grass is greener on the other side and are entering new categories. So that's the thing.

I think we have also seen a lot of exits for the last 1 or 2 years, we've seen many companies refocusing or removing themselves from the marketplace. So I think it's a natural process of cleansing. I think whenever we have something like a slowdown and stuff like that or COVID also was a big shock. Whenever we have these kinds of shocks, people tend to exit and go back to their core because they have to protect their core business.

Shivkumar Prajapati: Understood, sir. And sir, would you please be able to help me with two data points. Number one is now like more than 50% of our revenue is from non-South market. So how many states will be contributing around INR500 crores plus of top line for the full year? And going forward, what do you see that which reason or state will be able to touch this market?

Mithun K. Chittilappilly: So I think we don't like to give out these numbers, but we have to understand that we also are in a country where you have something like a Maharashtra, which is like almost 10%, 15% of India's GDP and then you also have small states. So we have big states and small states. And we have states which are geographically larger. So like UP is a very large state. It's a large contributor to the GDP, but it is also very large. So we require more than multiple branches. In fact, we have three branches in UP alone. Whereas in a state like Kerala we're able to manage with one. So I don't think it's right.

I think we are slowly getting indexed to how the national market is indexed. I think earlier, we had a very, very high South skew. Now it has dropped below 50%. I think East has done well for us and the other markets are also responding. With the passage of time, we will hit that 65% of sales from the non-South markets, we are quite confident of that trajectory.

Shivkumar Prajapati: Got it, sir. And sir, is there any way or metric that you guys track for productivity of active dealer in South versus non-South region, something like average revenue per dealer?

Mithun K. Chittilappilly: See, again, it's not very easy just to see, we are not dealing with homogeneous crowd. For example, we will have a Wire dealer who will be doing INR1 crores a month, whereas it will be very hard to find a guy selling Switches for about INR1 crores. So it's not very, very; I mean, it's not very easy to do that. Ram, you want to talk a little bit about our sales?

Ramachandran V: Yes. I think Mithun saying this is correct. I think it's very difficult to have a thumb rule. But there are two issues with that. And at least as far as V-Guard is concerned, our GTM is category-based rather than company based. So we might have like many times, partners who are doing Switchgear, for example, right? And they may or may not be doing other product categories of V-Guard's. So some of those kinds of challenges we have.



So I think that may not be the right metric to look at as far as V-Guard is concerned. Also, again, as Mithun talked about, there are large states and there are smaller states.

There are states by town class. I mean there are cities by town class. And also our entry into different states or even in different geographies is at different stages. So even as we speak, there are new markets we are entering, right, because we still have a lot of room to cover in non-South. So I think it's a bit hard to measure; so we don't try to measure on that attribute. So we don't have a perspective like that for this reason.

Mithun K. Chittilappilly: So I think how we like to do is that more than in average revenue per dealer. We look at maybe average revenue per sales executive and those kind of metrics, that makes more sense. And in that sense, we find that Eastern markets since are quite close to the maturity as similar to our South market. And the other two zones are slightly behind in that sense. Other than that, it's very difficult.

I mean, it's going to be very, very difficult to have a single view to see. So what we look at is counter share, for example, if a retailer is selling 100 units and its split between 3 or 4 brands. There, we look at what was our ability to gain more share. This is one part.

Second is on influencers. So, for example, electrician, plumber, other kind of influencers. We also try to see how many of them we are able to cover in each zone. And again, it's very difficult because we don't have the market data. We are not sure that if someone asks you how many electricians and plumbers are there in India, you will get five different answers. So this is the kind of issue we are having. But if you look at it maturity-wise, we would say the Eastern markets we are almost there in terms of the maturity, in terms of the average throughput per employee and those kind of metrics. The other two markets are slightly behind.

Shivkumar Prajapati: Thank you sir. Thank you so much and best of luck.

Moderator: Thank you sir. The next question is from the line of Manoj Gori from Equirus Securities. Please go ahead.

Manoj Gori: Sir, Manoj Gori here from Equirus. I have one question. See, if we look at the Electronics segment, where we have reported 5% growth. So my question here is, if you look at your comment also sounded like South and East were very much impacted because of the poor season this year. And we have a lot of exposure to Stabilizers etc this year, the power shortages or power cuts were relatively lower. So in fact, that would have impacted our UPS and Batteries business as well. Can you throw some like the quality of this 5% growth given the current environment?

Mithun K. Chittilappilly: No. I think Stabilizers sale is directly linked to weather and the other one is linked to the occurrence of power cuts. So they may not; yes, you're right, ideally it should go hand-in-hand, but I can tell you that we have had severe power outages in the Southern part of the country because of very, very strong winds and rains. So it may not be right to correlate, but we are seeing a healthy demand for Inverters and Batteries, and we are also seeing very good demand for Solar Rooftops. So that is kind of offset. And we also have to understand that air



conditioner stabilizer is about 50% of the total sale of Stabilizers or 50% or 55% of current. It is not 100%. So the decline of whatever happens in that stabilizer to overall stabilizer may not; it will be half of that. So that is also one reason. It's not like 100% of what we sell is for air conditioning.

Ramachandran V: Yes. One more point. Actually, what has happened is we have gone deeper into the value chain in Inverters & Batteries, right? So consequently, our competitiveness in that category has improved, right? So that is also aiding the business on top of what Mithun has talked about, right?

Manoj Gori: Thank you sir. Wish you all the very best.

Moderator: Thank you sir. The next question is from the line of Abhijit Mitra from Aionios Alpha Investment Management. Please go ahead.

Abhijit Mitra: So regarding this sudden spate of announcements, coming on capacity cuts on your cells and modules. I mean, what do you think can be the supply chain impact for Inverters and Batteries? And how do you think this will sort of impact the unorganized sector in this space? Any thoughts on this?

Mithun K. Chittilappilly: So you're talking about the Solar PV modules, right?

Abhijit Mitra: Yes, not only that but I mean, all sorts of cells, even for lithium carbonate, which goes into Batteries, they are talking of, cuts and all?

Mithun K. Chittilappilly: So I think definitely it is a supply and demand issue. So we'll wait and see. So for example, if suddenly U.S. is going to ban or slap antidumping duty for Indian PV manufacturers or cell manufacturers, definitely, that would mean lower prices in India. Because so far, we were not able to; because India has a huge anti-import duty against China. So the Indian players were protected and they were enjoying better prices and stuff like that. So we'll wait and see.

Regardless of that, there has been a decrease in prices year-on-year. So because there is obviously a glut of supply and also the technology is getting better. In terms of lithium, I think I'll ask Ram. Ram, do you want to comment on this?

Ramachandran V: Yes. I think yes, what you're saying is correct. There is a lot of uncertainty around this entire space. Naturally, I mean, right now, we know lithium is the primary, what I would say, alternate energy chemistry although we have investment in a company called Gegadyne which does not have lithium in it, but they are still not at commercial stage.

So I think, yes, I think it is going to be a big challenge for expanding energy storage. But we'll see, I think this is more; again, there has been a lot of uncertainty around some of these things, right? And I think what part of what is happening is basically about negotiating better outcomes for each other and what part is about protecting and guarding, I think we'll have to wait and see. I would say right now is uncertain. We would be speculating an outcome ahead



of something that is firmly announced, right? But yes, I mean, that naturally will be a challenge. I think on the Battery part, definitely, it will be a significant challenge, right?

Abhijit Mitra: And for Inverters and Batteries, what percentage of your; I mean, would there be imports from China as of now? I mean, are there any direct imports from China, which you'd be doing now?

Mithun K. Chittilappilly: Only the Solar Inverter is imported. So Solar business is about 20% of the overall Inverter business. Only that is imported. The rest of the products are all made in India. Only these small, that is up to 10KVA, of the Inverters are imported. The rest of the products in the large Solar Inverters and the regular Inverters are all made in India.

Abhijit Mitra: Okay. So you are importing the entire box, you're not importing to a PCB or NPCB separately?

Mithun K. Chittilappilly: So no one is; there is no technology in India that is available for small Inverters that is up to 5 KV. Almost 99% is imported.

Abhijit Mitra: Understood. String Inverters are all imported essentially.

Mithun K. Chittilappilly: Yes. Anyway, Electronics everything and anything is imported. So whether it's China, Taiwan or Singapore or South Korea, Electronics are anyway imported unless India starts making them.

Abhijit Mitra: Got it. Thanks for the clarity.

Moderator: Thank you sir. The next question is from the line of Anshul Jethi from LKP Securities Limited. Please go ahead.

Anshul Jethi: Thanks for the opportunity. So most of my questions have been answered. Just one last bookkeeping question. Just going through your segmental reporting in Electronics segment, there has been a decrease in the assets part. So has there been a significant reclassification in the assets? Or any major asset being divested?

Mithun K. Chittilappilly: One minute.

Anshul Jethi: Sure.

Sudarshan Kasturi: So, I think it's just normal business variations.

Anshul Jethi: No major divestment, right?

Mithun K. Chittilappilly: No.

Moderator: Thank you sir. As there are no further questions from the participants, I now hand the conference over to the management for closing comments.



V-Guard Industries Limited
July 30, 2025

Mithun K. Chittilappilly: Yes. So I think we can close today's call. Thank you all for taking time to join our earnings call. I would like to thank Arshia and the team at Nirmal Bang for hosting this call. We look forward to interacting with all of you in the next quarter. Thank you.

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

The transcript has been edited for clarity and it may contain transcription errors. Although an effort has been made to ensure high level of accuracy, the Company takes no responsibility of such errors.