



PG ELECTROPLAST LIMITED

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

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

Scrip Code: 533581

Scrip Symbol: PGEL

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

Dear Sir/Madam,

Pursuant to Regulation 30 of the SEBI (Listing Obligations & Disclosure Requirements) Regulations, 2015 and in reference to our submission dated January 30, 2026, please find enclosed Transcript of the Earnings Conference Call held on February 03, 2026.

This is for your information & Records.

For **PG Electroplast Limited**

**Deepesh Kedia
Company Secretary**



“PG Electroplast Limited
Q3 FY '26 Earnings Conference Call”
February 03, 2026



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

MODERATOR: **MR. SHALIN CHOKSY – JM FINANCIAL INSTITUTIONAL
SECURITIES LIMITED**

Moderator:

Ladies and gentlemen, good day, and welcome to PG Electroplast Q3 FY '26 Earnings Conference Call hosted by JM Financial Institutional Securities 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 touch-tone phone.

Please note that this conference is being recorded. This call may contain forward-looking statements based on the currently held beliefs of the management of the company, which are expressed in good faith and in management's opinion, are reasonable.

These forward-looking statements may involve known and unknown risks, uncertainties and other factors, which may cause the actual results, financial condition, performance or achievements of the company or industry to differ materially from those in forward-looking statements.

These forward-looking statements represent only the company's current intentions, beliefs or expectations, and any forward-looking statements speaks only as of the date on which it was made. The company assumes no obligation to revise or update any forward-looking statements.

I now hand the conference over to Mr. Shalin Choksy from JM Financial. Thank you, and over to you, sir.

Shalin Choksy:

Thank you, Iqra. Good morning, everyone. On behalf of JM Financial Institutional Securities, I welcome you all to the Q3 FY '26 Earnings Call of PG Electroplast Limited. We have with us the management represented by Mr. Vikas Gupta, Managing Director; and Mr. Pramod Gupta, Chief Financial Officer.

With this, I will hand over the call to the management for the opening remarks, post which we can open up the floor for questions and answers. Thank you, and over to you, Mr. Gupta.

Vikas Gupta:

Thank you, Shalin. Good morning to everyone. And thank you for sparing your valuable time and joining this call today. Hope all of you are doing well. Let me start by saying that we had a good quarter in both room ACs and the washing machine sales. The room AC business picked up in terms of sales. We had a 80% plus Y-o-Y growth in our -- and in our washers, we grew our business by 45%.

With this quarterly performance, we have been able to grow our RAC business by 27% in 9 months of FY '26 despite the industry posting an almost 15% to 20% decline in the same period. Our washing machine business also has shown a robust growth of 46% in the 9 months of FY '26. Our television joint venture, Goodworth Electronics has also ramped up well and posted a revenue of INR670 crores in the 9 months of FY '26 with the EBITDA of almost around INR16.7 crores.

We remain optimistic that the room AC business will see an increased, penetration-led growth with the recent rationalization of GST, and we believe that in the medium term, growth in room

AC business will be robust. We are expanding our capacities in room air conditioners, washing machines and air coolers and the client engagement across large and emerging brands remains strong.

We are maintaining the guidance we had shared last quarter. We will be using this year to consolidate, focus on operational levers and execute our platform and capacity investments with discipline. These are the foundations we need get in place for the next phase of growth.

We remain confident in the long-term opportunity in the India's consumer durable market and in PGEL's position as to be our key enabler in that space. Our focus remains unchanged to scale profitably, stay capital efficient and deliver consistent value to all our stakeholders.

With this now, I hand over the call to my colleague, Mr. Pramod Gupta, our CFO, to elaborate on the financials. Thank you.

Pramod Gupta:

Thank you, Vikasji. Hello, and good morning, everyone. I'm sure all of you have seen the financials in detail already, but let me take you through the quarter 3 numbers. Consolidated revenues were at INR1,412 crores, which was a growth of 46% over Q3 last year. Of this, the product business contributed INR1,140 crores or 80.7% of the total revenue.

The AC business contributed INR932.5 crores, which was a growth of 80.5% over the same period last year. We had also -- and this AC business accounted 66% of the total revenue. Washing machine business was up 45% at INR194 crores during the quarter.

Our 100% subsidiary, PG Technoplast reported revenues of INR1,067 crores during the quarter. Now coming to the profitability. EBITDA for the quarter stood INR126 crores and net profit was at INR60.3 crores. Now in this EBITDA, we had a forex loss of INR8.2 crores versus the same quarter last year, a loss of INR1.4 crores. We have also made a provision of INR1.35 crores for the impact of New Labour Code, which is a part of employee expense in the quarter.

Looking from the balance sheet point of view, we remain quite liquid and our balance sheet is healthy. We have currently cash and equivalents of INR483 crores. Return on capital employed stands at 18.6% and our net fixed asset turnover remains healthy over 6x. We are maintaining our guidance, which we have given in the first quarter '26 of INR5,700 crores to INR5,800 crores of sales, about INR300 crores of profit.

We are continuing with our investments in Greater Noida, Supa, Rajasthan and Sricity facilities and the capex will be around INR700 crores to INR750 crores. Again, reiterating that our long-term investment, operational model and growth priorities remain unchanged.

With that, I would like to open the floor for questions.

Moderator:

The first question is from the line of Koushik Mohan from Ashika Group.

Koushik Mohan:

Congratulations for the good set of numbers. Sir, I just wanted to understand what was the volume growth in this Y-o-Y and Q-o-Q?

Pramod Gupta: This number I can give you offline. Right now, I don't have this number handy, but we can take it offline.

Koushik Mohan: Okay. Sir, and also on the balance sheet, I can see that we have an inventory of INR1,280 crores. So do we have a breakup of how much is the finished and how much is the raw material in this by any chance?

Pramod Gupta: Yes. Raw material inventory is almost close to INR1,160-odd crores, and only INR120 crores is just finished goods, which would have been the production probably of the last few days in the AC business. So largely, it is the raw material inventory, which we are carrying.

Koushik Mohan: And sir, how are we seeing future growth on AC sales or the washing machine sales and everything? Like how is the growth over the market side in the inventory side and everything for the clients?

Pramod Gupta: Washing machine business continues to see strong momentum. We are continuing to grow at about 40%, 45% growth, and we hope to maintain that momentum even in 4Q. On AC side, given the fact that there is a very huge channel inventory, which is still there and temperature has still not started rising in the Southern India, where typically the summer starts early.

We are cautiously optimistic, and we hope that this summer season goes well, and we are prepared for that. But we will say that last quarter numbers were largely because of the fact that there was a huge channel filling, which was taken by some of the brands because of the rating change, etcetera, and that drove the numbers.

But we will have to watch out for how the summer season starts in the month of February, late February or early March to give a clear guidance on the AC business. But we stand by our guidance, and we think that we should be able to reach INR5,700 crores to INR5,800 crores sales for the full year.

Moderator: The next question is from the line of Vishal Dudhwala from Trinatra Asset Managers.

Vishal Dudhwala: So first of all, congratulations on a good set of numbers. So I have a couple of questions. First question, can you quantify your refrigerator units, like how many units will you produce annually basis?

Pramod Gupta: Vikasji, can you take this?

Vikas Gupta: So Vishalji, we are putting up a capacity of 1.2 million refrigerators in our Sricity factory. So that should be up and running by the fourth quarter of FY '27. And so that will be the installed capacity. And in the first year, we hope to have a loading of almost around 30% to 40% on that capacity.

Vishal Dudhwala: Okay. And second, like as you mentioned that we are on a line of guidance. So if we calculate Q1, Q2, Q3 PAT, so we have roughly done INR130 crores, INR132 crores of PAT and we require for Q4, INR160 crores to INR170 crores in Q4. So I just want to know how will we want to do that?

Pramod Gupta:

Typically, our fourth quarter is the strongest quarter even in the last year, last financial year, if you see out of the total PAT of INR290 crores, we actually delivered INR146 crores in the fourth quarter itself. And there are multiple factors which work in the favor in the fourth quarter. One is obviously the seasonality of the AC and cooler business.

And typically, a lot of operating leverage also kicks in during this quarter. So we are hopeful that the trend will probably continue, and there is no reason to doubt that because summer is setting in, and we are hopeful that the plans that we have, we will be able to achieve that.

Vishal Dudhwala:

But as you mentioned, like you will focus for RAC business in end of Feb, so...

Pramod Gupta:

No, no. I'm saying -- as I said, we will focus on end of the Feb. I'm just saying everybody will get to know how the AC season will pan out only towards the end of February. But the season is continuing. We have good amount of orders. We are making the ACs as per the plan. And we are very sure of the numbers which we have guided you for.

Vishal Dudhwala:

Okay. And the third thing, like I want to know that every OEM player are currently renegotiating their pricing with the OEM players. So how the margin will be secured as OEM player has very thin margins?

Pramod Gupta:

Right now, I'll be very upfront with you. Percentage margins is not what we focus on. We actually focus on per piece margin, which is what is what we get to make an AC. And there, we are not going to be compromising because of the price increase in the commodity. Typically, commodity prices are a pass on. And therefore maybe with a lag of 10, 15 days or a month maximum, we hope to pass on the price increase.

In fact, whatever inventory we had from the previous year, we are almost exhausted with that. And whatever new buying, which we have done in October, November, December, based on that, we have actually asked for the price increase and negotiated with most of the brands for the January, February dispatches. And we remain optimistic that we should be able to maintain the per piece margin in terms of overall absolute amount, which we demand from our customers.

Vishal Dudhwala:

So sir, don't you think like if you won't compromise on your pricing, you can lose some market share to another OEM players?

Pramod Gupta:

Well, we think there are not -- pricing is not the only reason on which the customer typically decides on the business. There are multiple factors apart from the pricing. And given the cost leadership, which we have, I think that -- and the quality and the other factors which we give to the customer, the stickiness is rather high. And we have seen in the past 5 years since the time we have started our AC business, we have not lost a single client. And in most of the clients, our market share has actually increased over a period of time.

Vishal Dudhwala:

Okay. Just last question. So do we have the same clientele as RSG for the refrigerator? Or can you just give some light on order book of refrigerators?

Pramod Gupta:

Vikasji?

Vikas Gupta:

No, Vishal. So basically, we are in discussion with all our clients wherever there is an overlap in the product categories, like there are clients for our washing machines and air conditioners, which are already into the refrigerator market.

So we are in discussions with them. So it is still very early for us to comment on that, but we will keep you updated once we are able to close some kind of a contract with some clients. But we are hopeful to do that in the near future.

Moderator:

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

Keyur Pandya:

Sir, two questions. First on the RAC side. You mentioned Q3 sales was boosted by, say, pre-buying from the brand. Has that continued in Jan-Feb as well in backdrop of continuously increasing RM prices, I mean, raw material prices. So just first question on that.

And second, on slightly medium term that at around 1.5 million room ACs, you are probably 10% of the overall market share of the AC market and around 20% of the overall outsourced market share. Now from here on, is it fair to assume that it's difficult to gain market share at a very sharp pace and that backdrop, what are the growth drivers, which are very large?

And say, for example, TV or washing machine at relatively low scale versus AC may grow at faster but not enough to offset, say, absolute growth. So just something on medium-term growth drivers. These two questions.

Pramod Gupta:

Yes. So as I was saying earlier to one question that there is a channel inventory, which is on a slightly higher side. And obviously, because of the higher inventory in the system, brands are right now having a little muted outlook in the sense that they are going a little slow. But we have seen a decent order book, and we continue to have a good order book. And we are already seen a 27% growth in the first 9 months in the AC business.

And we are optimistic that whatever assumptions we have made, which is about 18% to 20% growth in the AC business for the full year, we should be able to achieve that number, irrespective of whatever is happening to the market in the next 2 months, and we have a good visibility and order book to the same tune.

Coming to the medium-term outlook. Yes, you're right. We have become sizable. We are almost 11% to 12% of the overall manufacturing of AC in India currently, and we do have a largest market share. But if you see in last 3, 4 years because of the PLI and because of the other things, there has been -- there has been a good capacity addition, which has happened in the brands and a lot of in-sourcing has also shifted.

And in fact, in the last year, everybody used to talk about in-sourcing versus outsourcing. But given the fact that this AC business remains seasonal, in our opinion, the economics is actually not in favor of doing in-sourcing, and it makes more sense to actually outsource the AC manufacturing. And therefore, in the medium to long term, we think and we believe firmly that economics will prevail.

And once this PLI and all these things get over, then the capital allocation in most of the cap companies, even the brands will be towards doing value creation, which may not be necessarily happening today by setting up the own capacity because the in-sourcing actually is a very expensive proposition because of the fact that the business seasonality still remains very high.

And outsourcing, at least partially makes much more sense and we think that will continue. So net-net, what I'm trying to say is that there are 2 or 3 growth drivers for us, still, which is, one is obviously that outsourcing should increase over a period of time.

Second and bigger thing is that we think the market growth itself probably should accelerate over a period of time from here because the penetration levels are low. And we are probably now for the first time, seeing that the continued growth. And then last year, GST cut also came.

So all these things make us hope that penetration levels will increase -- start increasing. So overall, medium term, we remain very positive on the AC business as such. Also, I want to highlight one thing, you need to do the comparison of AC market with probably China, which is much cold country than us, and they consume every year over 10 crores AC and they make close to 20 crore ACs. And the largest player there makes about close to 5 crore ACs every year.

And so the percentage gain or percentage market share probably is not the right way to look at it. Here, the basic thing that we'll have to work is towards basically the product development, innovation and cost leadership. So in our terms, we call it cost leadership and product leadership, and we are every year working to improve both those things.

So I think as the penetration grows, we continue to remain optimistic that we can probably continue to show better than the industry growth. Obviously, the delta that we have enjoyed over the last 3, 4 years may not be as high. Like, for example, even this year, the industry is probably seeing a 10% to 15% decline, at least in the first 9 months, and we have still posted 27% growth.

So that kind of a growth may not happen, but we still hope that we can probably do better than the industry growth in the coming years also because outsourcing will increase. That is on the AC side. Yes, we are taking a lot of other measures to actually improve the medium-term growth. Refrigerator is one such aspect. Washing machine is growing faster than the company's overall growth rate.

We are working towards electronic components. And there are certain other initiatives also which are in the works, which I cannot disclose right now, but we are aware and we are working towards it, but our growth is mostly organic. We tend to actually believe a lot more in organic growth and given the kind of dynamics which we have, we will be continuing to focus on those aspects.

Our capital efficiency remains very key to our capital allocation decisions. And therefore, we do not tend to actually go overboard on the inorganic initiatives in our company. We think that the product lines where we are working in India, the penetration levels are still low, and we can continue to show very, very healthy growth for at least next 3 to 5 years, and we can continue to grow at a healthy pace.

Keyur Pandya:

Just one follow-up. So ref would probably at -- from zero base can continue to grow at fast pace. Washing machine, what is the line of sight for growth, say, not for just for Q4, but say FY '27 or for FY '28 also, but at least for '27. That is first. And second, this land finalization in Maharashtra under the subsidiary next generation, any specific purpose, I mean, the quantum of land is much higher. So if you can just give more detail on utilization or usage of that land?

Pramod Gupta:

Vikasji, can you take the first question and then I will talk.

Vikas Gupta:

Sir, regarding washing machines, we are seeing, again, there is a movement towards the outsourcing, especially in the semi-automatic category. As this segment is very price sensitive and it's a mass segment product, we are seeing a trend where the brands are starting to outsource. So the semi-automatic market as a whole may not be growing.

But we feel because of the outsourcing phenomena increasing, there will be a growth in the manufacturing of semi-automatic washing machines with the players like us. And on the top of that, we are already working on the fully automatic top load platforms, and we are going to start our work on the front load wash machines as well.

So we have a decent visibility, and we are very confident that we should be able to maintain a strong growth rate in the FY '27 also, which will be similar to what we have achieved in the past years.

Pramod Gupta:

Coming to the piece of land that we have taken, as we have been saying that we think that the potential of growth in each of the categories, where we are working, is very -- still very high because penetration levels remain low. And we think that India will eventually go China way in terms of penetration in some of these product lines, especially AC, washing machine, and the capacity, which we have to plan for the next phase of growth actually have to be keeping in the mind the kind of potential that we see.

So as I was saying, that today, we are just making -- 15 billion ACs that the market that we have today for the industry and the largest player, which is probably us or one of the competitions, is actually making just about 18 to 20 -- sorry, 1.8 to 2 million AC. But if this industry continues to grow and we have done some simulation at our end, we think that we reach 3 crore to 4 crore ACs by '31, '32.

And even if we maintain our market share, we will have to probably be making probably close to 50 lakh to 60 lakh ACs over a period of time. Now if that is the kind of capacity which we have to plan, then the kind of land and the other utilities, which we have to plan has to be multiple times of what we are doing today.

So keeping that in mind, now the internal thought process in the company is to work towards larger campus where we can actually have a lot of backward integration through and that will drive the cost leadership in the company.

And also, we will be able to work on technologies and innovations on that in these large campuses, where we can have fully integrated manufacturing facility. So that was a thought

process, and that is why we are -- we have taken these 2 land parcels. One is Sricity, which is 52 acres, and this is a 72-acre parcel then in Ahmednagar.

Vikas Gupta:

Just to add to what Pramodji has said, just to add to that, please understand, we have already -- like our land utilization in the current factories invest in District of Ahmednagar is already saturated. And what we feel, as Pramodji has said, that we -- for the next phase of growth for coming 5 to 7 years, we will require a large parcel of land.

And as a company, what we are trying to position is we are trying to create 3 large manufacturing hubs, one in North, one in -- the second one in West and the third one in South. So all these locations will be the -- going forward, the multiproduct locations where we will be producing all our product categories going forward.

So to have a better utilization of the assets and to have economies of scales at all these three locations and where we can offer the products that we manufacture from these three locations to have a better cost efficiency in the terms of logistics cost for all our customers. That is also one of those ideas.

Moderator:

The next question is from the line of Bhavya Gandhi from Bajaj Alternate Investment Management Limited.

Bhavya Gandhi:

Sir, is it possible to provide the capex split for the INR700 crores, how has it progressed? As of now, what are the commissioning dates and expected revenue and margins from this capex? And when can we expect those revenues to start reflecting in terms of numbers?

Pramod Gupta:

So out of the INR750 crores, INR300 crores we had earmarked for the refrigerator facility, which we are putting up in the Southern India. And this will -- this product -- this project is going to actually become operational only in the fourth quarter next year. We just did a ground-breaking there.

Almost close to INR200 crore kind of capex have actually gone in the washing machine capacity and the new campus, which we have actually built in Greater Noida. And that is almost ready and we hope to start doing commercial production very soon in that. Some work has trial production, etcetera, is going on already there.

There is another small campus, which we are building in Bhiwadi of about 10 acres, where we are actually in the final stages, where we have actually going to be putting up the tool room and some of the facilities for basically our plastic molding business, especially for the sanitary ware where we are doing some interesting work. So that campus, we hope to start probably by this quarter end.

And then we have done some capex in the ongoing facilities in Supa and Bhiwadi for AC manufacturing. Both of those are also ready and they will be actually contributing in the fourth quarter. Apart from that, there is a land parcel, which we have bought in Supa for 72 acres, close to about INR84 crores has been spent on that. That we will be probably looking to start construction sometime maybe next year.

So that is the breakup of the capex. Large part of the capex will actually start contributing in the next 1 year in our opinion. And some of the capex will be operational this year only barring the -- most of the capex will be operational, this year barring the capacity, which is coming in the refrigerator in Sricity.

Bhavya Gandhi: So just to sum it up, for the next year, what could the growth number look like? I'm trying to understand...

Pramod Gupta: It's too early to say. See, the issue is that it will depend on the market conditions. AC still remains a very large portion for us. And there, the -- how the actual summer season pans out this year is going to be quite interesting to watch out. Because what has happened is that because of the channel inventory, things are still not very clear. But we remain optimistic that the medium-term growth outlook is good, and we are not planning for season to season.

Obviously, we are taking a 3- to 5-year view on all the CapEx which we do. And therefore, we are optimistic that all the capacities, which we are creating will be optimally utilized over a period of next 3 to 4 years.

Bhavya Gandhi: Got it. And what could be the revenue number look like basis all this capex that we are doing? I understand maybe next year, you are not able to guide. But once the INR750 crore capex fructifies, what could the number look like in terms of revenue? Should we take the asset turn that you mentioned, 4% to 5%? Or how is it?

Pramod Gupta: Yes. Yes. Typically, on a fully operational basis, we internally try to have asset turn fixed, asset turn of about 4x at least on the overall numbers. And that is what is at least you should assume will reap the contribution which will be coming from the ongoing capex in the next few years.

Bhavya Gandhi: Got it. And on the PLI scheme, will it affect outsourcing players as well? Because I think that is usually a pass-through. So that benefit also will go away while you say that in-sourcing will be reduced once the PLI goes away, will it impact outsourcing EMS players as well -- in terms of margins, I am talking about?

Pramod Gupta: See, what I'm talking about is today that in the last 3, 4 years, there has been a lot of capacity, which has come up in the system. And the capacity has both come in outsourcing players as well as the brands themselves.

And actually, if you see on an overall basis, there has been a shift towards in-sourcing because almost the outsourcing imports, which were there, they have become zero. So what has happened is like since 2021, some of that gap, which was filled by some of the outsourcing players like us and some of it went actually the in-sourcing capacity of the brand.

Now what is happening is that some of these brands actually change their policies, internal policies to start outsourcing because also they thought that there was an additional advantage, which they were getting because of the PLI benefits or those things.

But what we are seeing and realizing is that -- most of the brands are not able to utilize the capacities as per plan and most of them -- most of them, at least our analysis says that the

manufacturing remains uneconomical in the sense that it is not doing any value creation for them.

So they have created -- allocated a huge amount of capital to that and still most of the manufacturing is just not making sense because they are able to get the product from them -- from players like us at 2%, 3%, 4% cheaper than their factory gate cost.

And that is why the outsourcing happens. And therefore, this phenomena of putting up the capacity is probably at some point in time, will start reducing in the brands, and they will probably start outsourcing more. That is what I'm trying to say. And therefore, I remain very optimistic that growth opportunities are likely to be good in the medium term also.

Bhavya Gandhi: Got it. Just, I mean, a follow-up, that PLI, does it affect us? Because once the PLI goes on, it's only to be...

Pramod Gupta: Nothing like that is going. PLI is going to go away for everyone. But today also, when we do the pricing of product, in none of the product pricing, the PLI benefit passing is coming. It is only about the net price at which you are going to products -- supply the product to the end brand.

Now if the brand is finding the price competitive vis-a-vis its own manufacturing or vis-a-vis other outsourcing company, then they try to outsource to companies like us or they will give the business to us or they may decide whether they want to do it in manufacturing. So that is the way this business works.

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

Tanay Shah: Congratulations on the great set of numbers. Sir, just one question first on the AC bit, right? You mentioned that the inventory levels are on the higher end. So what according to you is the industry inventory levels, let's say, at both at the brand and channel end?

Pramod Gupta: And I think the total number in my estimation is probably close to about 5 million, which is there in the channel plus brands. And typically, this is slightly on the higher side in comparison to specifically what the number is.

And one of the reasons has been very, very slow sales in this year, even in the off-season. So if you see the sell-out from the channel to the end customer has actually not picked up even after the GST cut. And that is what probably is the reason that the inventory has actually piled up in the system.

Tanay Shah: Sure. So given that the inventory obviously already is at around 5 million-odd, summers yet haven't picked up to a great extent, what kind of gives us the confidence on the fourth quarter and the first quarter production? I know that you did mention that you have healthy order books. But from that sense, what is your outlook on the RAC for, let's say, 4Q and 1Q?

Pramod Gupta:

So 4Q, we are maintaining -- see, despite showing a very robust growth in this quarter of about 80%. I'm still maintaining about -- for a full, year guidance of about 15% to 17% growth in the AC business, in the sense that first 9 months, we have seen a growth of 27%.

And we are still projecting a growth of about -- if you see the numbers which we have given in terms of the guidance. So we are still talking of a full year guidance of that number. So we are expecting that whatever acceleration now will probably happen is towards the end of the quarter.

In fact, we are hoping that because see, it is also the reaction of the brands right now, manufacturing is slow because our sales are slow generally with most of the brands and with also the outsourcing companies because the sellout is just not picking up the way it should have picked up from the channels.

But I'm hopeful that because this -- this is typically the peak manufacturing season, January, February, March. Now if in January and February, you are not doing a peak manufacturing in the industry as a whole, then there will be a huge pressure, which will probably come if the season is normal in March and April. And that is what I think is probably likely to happen once we see the season getting into effect.

Today, actually, everybody is in a wait and watch mode. Also, there is one more reason. Most of the channel is sitting on very low price inventory. And now given the price of commodity has risen so sharply, the price increases has to be taken by most of the brands as well as, I think, all the contract manufacturers.

Now channel is still reluctant to actually to absorb the full price hike because outselling is still not picked up in a very big manner. So I think once actual outselling happens, which is probably going to happen towards the end of this month, in my opinion, then we will actually get to know the full picture and the final picture.

Tanay Shah:

Right. So I think the summer needs to be very strong for the outlook to fall in our favor and 4Q may just simply see some sort of good growth?

Pramod Gupta:

Yes, yes. See, I'll tell you the reason. You have to look at the response function also. See, what happened for us, most of our brands were not doing manufacturing in the month of July, August, September. And October, November was slightly slow, but still they were okay.

And then December, everybody came asking for the product because they had to fill the channel. Now same thing is probably going through in the -- with the brands and channels that right now, everybody is a bit slow because everybody is waiting and watching. And if March is okay, and it's a normal summer, then probably we will see everybody coming and asking for the products maybe in March or April.

Tanay Shah:

Got that. That's fair enough. Fair point. That makes sense. Sir, and second is our current capacity right now for AC is around 400...

Pramod Gupta:

Yes. It's about 425,000 a month is what we can make every month.

Tanay Shah: Okay. And we're expanding that to around 450,000, correct?

Pramod Gupta: No, no. Right now, it has already expanded. So like there is a 425,000, we can make a split AC and about 50,000 window AC is what you can make in -- every month.

Tanay Shah: Okay. Understood. And sir, on the refrigerator piece, I mean, could you just speak a little more on what our plans out here, 1.2 million capacity, which you're sort of putting up, what is the outsourcing opportunity given that even competition is putting up large capacities? So what are the product segments which you're targeting, DC or FF, just some more color on how we're looking at the refrigerator piece?

Pramod Gupta: Vikasji?

Vikas Gupta: Yes. So please understand what we feel as it has happened in the washing machines and automatic category, as it is happening in the RAC business as well, we feel the outsourcing trend will increase in coming times, especially in the single-door direct cool category of refrigerators because, again, these products are very price sensitive in the mass segment products. And we feel that it will grow, the outsourcing will grow in this particular segment.

And that is the first segment that we are targeting to look into, and we are already developing a product in the single door category, which should be up and running as we start the mass production towards the quarter 4 of FY '27.

So we feel going forward that we will be adding frost-free 2-door product also in that lineup. Our location of the plant for manufacturing of refrigerators in Southern India, we feel is a unique advantageous position for us because there are not many large manufacturing capacities available for refrigerators in Southern India.

And logistics and the freight cost plays a very important role in bringing a product all the way from Northern India to Southern India. So we feel that we will have that kind of a traction from the brands to pick up the inventory from our plant in Southern India for the Southern India market. So we are hopeful for the good business coming through in ref category.

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

Achal Lohade: Just two quick questions. First, in terms of the margin in this quarter, 3Q, was it normal? Or was there any pressure on margin for the third quarter, sir, for the RAC business?

Pramod Gupta: There was a bit of a pressure on the RAC modules because we wanted to actually gain the market share and also because we had a high inventory. So we were a little bit under pressure on that. But I'll just also like to highlight here one thing that there are two parts to the margin.

One is obviously the gross contribution, which you are seeing, that is looking on the slightly lower side this quarter because of the fact that we have actually shifted to SAP across the whole organization. And in the previous ERP, which we were having, there were certain raw material, which we used to classify as consumable, which used to be part of other expenses.

They have actually gone up, which has actually impacted the AC margins by almost close to 150 basis points. And overall, margins at the gross level by 120 basis points during this quarter. That is one of the reasons why gross contribution is looking up. But then at the same time, because of that, the other expenses are looking lower.

Now coming to the fact, yes, this quarter, just to gain the market share and also because the industry and the companies were -- that some of the clients, were having a little bit of a pain. We have tried to support them wherever possible by compromising a little bit on the margins.

But we hope that, that situation is over now. And now we are comfortable and also most of the brands are trying to take a price increase, and we have also taken a price increase in January and the February delivery. So that situation is almost over now.

Achal Lohade: Got it. And just a clarification on the channel sales. Did you say channel has seen a 10%, the retail sales is actually 10% down in first 9 months. And for us, it's 27% growth. Have I understood the number right, sir?

Pramod Gupta: Yes, yes. So I think the channel sales generally, by most of the brands and -- is down by, in our opinion, from the numbers which we have done and by anywhere between about close to 10% to 15%. And we have still been able to manage a growth of 27% for the 9 months this year.

Achal Lohade: Got it. Those were my two questions. I'll fall back in the queue.

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

Mohit Jain: Sir, you talked about the channel inventory and the overall inventory and you said for channel plus brand, it is at 5 million and which I believe earlier you have in the Q2 call said that as of 1st November, it was around 1.5 million to 2 million for the channel only. Now with such high inventory, and I guess nu star has hinted that they needed at least 10% price hike to pass for the recent increase in the RM and the INR depreciation.

So do you think with such high inventories and with the summers not starting as of now, even slightly delayed in the Southern India and Northern India is also right now having very cool weather. So do you think there's a likelihood that the price hike will not happen for at least next few months unless the inventories get depleted first?

Pramod Gupta: I don't think so. My sense is this that because the price increase will also happen because most of the brands are now selling only -- in fact, all the brands are selling only the new B-rated products on which they are obviously charging slightly higher price than what they were charging for the like-to-like basis in the earlier record thing.

That is one part. And because under that graph, they will be able to charge some price increase. And it's actually -- price increase always happens or the price adjustment always happens when the sales start to pick up.

So as I'm saying probably, yes, right now, the price increase may be slow, but as soon as we enter the February and March thing, I think most of the brands will probably post, of course, the

price increase and price increase can happen in many ways. There are several schemes which they keep on running. Some of those may be withdrawal or there will be some other measures which they will take to take a price increase.

But price increase is surely likely to come, there is no choice because the kind of movement, which we have seen in the commodities, especially copper and aluminum, it's not possible to actually absorb that kind of a price increase by anybody.

Moderator: The next question is from the line of Krushan from Hari Capital.

Krushan: Sir, I have one quick question is what are the asset terms in AC manufacturing business for us in terms of fixed effect and the total asset terms?

Pramod Gupta: Just give me a sec, I'll just tell you the AC business, the asset terms also.

Vikas Gupta: If you have some other questions, like we can follow up with that.

Krushan: And with brands having set up significant capacity over the last few years, do they use outsourcing partners for demand beyond their own capacity? Or is there some other dynamics at play where utilization is similar for our own plants, branch plants and outsourced plants?

Vikas Gupta: So please understand the outsourcing in RAC segment is not only influenced by the seasonality of this product. There are other factors also which play into the equation because it is not possible for the brands to make all the different SKUs, all the different models that they want to give to their channel partners because they would like to have different model lineups for the different channel sales channels like the -- for the online sales, they would like to have a different model lineup.

And for the offline sales, they would like to have a different lineup of models to avoid any channel conflict. So that is basically called as a DMDC means the different models for different channels.

So in that case also, the brands are always looking to outsource because they will also -- they will try to pick up certain models maybe for the online or for the large format retail chains, they will try to pick it up from the contract manufacturers like us. So there are various factors that play into the outsourcing game.

And I feel we have already said this thing in other call and our previous callers also have asked this question. So we feel outsourcing is a phenomenon that is growing. It can be seen from the numbers of the contract manufacturers, how the sales and the revenue has grown for the contract manufacturing companies in our space as compared to whatever is the growth of the industry.

Pramod Gupta: Coming to your first question about the net fixed assets. The total net fixed assets that we have deployed as of December in the AC business are close to about INR800 crores. And as of 12 months, we are having probably a fixed asset term on that at about 5.4x on that business.

Moderator: The next question is from the line of Mythili Balakrishnan from Alchemy.

Mythili Balakrishnan: A couple of questions. Wanted to check with you whether the current quarter had any PLI or any other government benefit that we have received?

Pramod Gupta: There was no PLI in this quarter. PLI typically comes to us in the fourth quarter. And we will be taking that PLI as and when we will get the confirmation from the government on that. And that will be last year's PLI, which would be INR37.5 crores, which will be coming in the fourth quarter to us.

Mythili Balakrishnan: Okay. So most likely, we'll have INR37.5 crores as PLI in 4Q?

Pramod Gupta: Yes.

Mythili Balakrishnan: Got it. Any other government scheme like there was a Maharashtra scheme, etcetera, which was there? There has been nothing per se in our margins, right?

Pramod Gupta: There is a INR1.5 crore kind of amount, which keeps on coming from the IPS for the PG Electroplast, which is there in the quarter.

Mythili Balakrishnan: Got it. In terms of the growth plans ahead, right, I wanted to get a sense of what is happening on the compressor side. Is there any development on that front?

Pramod Gupta: We are in touch with our partner, and we will be updating you as soon as we have any further information on that but we are very, very hopeful that we should be able to close it very soon.

Mythili Balakrishnan: Got it. And my last question is -- on this growth, right, we have done so much significantly ahead of what has happened on the industry side. Just wanted to get a sense from you of how you have managed to get this growth? Is it wallet share that you have grown or how exactly you have done this because this is quite a very -- it's a very good number when you especially compare it with what has happened in the industry?

Pramod Gupta: See, obviously, there are two, three reasons, the brands, some of the brands who are our key customers. There, the outsourcing is probably today much more than the in-house manufacturing. That is one. And they have actually continued to do that in the third quarter also to fill the channel.

Second thing is that probably we have gained market share, vis-a-vis the other contract manufacturers also. And that is also the reason because of which we have done well. But to put things in perspective, these numbers are looking too good, but overall, we have then close to 4.8 lakhs AC manufacturing in the fourth quarter.

So, on our overall numbers, they are not so big number, but yes, because this is typically a smaller quarter in comparison to fourth quarter. So that's why the numbers are looking on a percentage term slightly up.

Moderator: The next question is from the line of Abhay Jain from Hem Securities.

Abhay Jain: Congratulations for the great set of numbers. I have only one question. In the recent budget, the PLI for the white goods, ACM LED lights has been significantly increased to more than INR1,000 crores. Your view on that regarding PG as it has one of the highest market share?

Pramod Gupta: No, no. That is the outlay on the budget, but that PLI was always there. Now see the PLI is entering the fourth year of its being. Now in the fourth year, the total outlay to this PLI was INR6,000 crores, if I'm not wrong. And therefore, every year, the money which has to be distributed to the successful participants, who meet all the criteria has to go up because it is based on the percentage of sales.

And sales targets on an incremental basis are going up every year. So that's why we are seeing an increase in the outlay by the government in this quarter -- in this year. But this INR1,000 crores is a part of that overall INR6,000 crores, which was initially envisaged for the industry at the beginning of the PLI.

Moderator: The next question is from the line of Amey Suresh Tupe from BOB Capital.

Amey Suresh Tupe: Sir, my first question is on RAC segment. Like I just wanted to know like did the recent growth came from like existing customers? Or were there any new client additions? And secondly...

Pramod Gupta: It was largely from the existing customers.

Amey Suresh Tupe: Okay. Okay. So, no new client additions.

Pramod Gupta: No. There are new clients. But typically, in the first -- very first year, new client typically is a very, very small percentage of the overall numbers. Because see, we are doing a very large number of AC. In the very first year, no customer is actually going to buy few lakh ACs from you.

So typically -- see, we are making close to about 17, 18 lakh ACs is what we have done in the last financial year and this year, hope we are probably going to close at close to 20 lakhs AC. In the first year, even the biggest brands normally do not do more than 1, 1.5 lakh ACs.

And then the smaller brands are typically much smaller in the very first year because they are testing you and they are working with you for the first time. It's only in the second and third year that the big ramp-ups happen.

Amey Suresh Tupe: Okay. And secondly, on the tie-up to manufacture POS devices, could you share like how the current order book for POS machines is shaping up? And what kind of demand visibility you have there?

Pramod Gupta: I didn't get this question.

Vikas Gupta: Amey, I got that. It's point-sale point-of-sale devices that we have entered into an agreement to manufacture for PAX Global. So please understand our models are already under testing and evaluation with the Indian customers. And we are hopeful that in coming 1 or 2 months, we should be able to have the order book from them. And we will be sharing the visibility with you in the due course of time on that.

Amey Suresh Tupe: Okay. And one last question, like it's just a book keeping question. Could you confirm the cash flow from operations for 9 months FY '26?

Vikas Gupta: Pramodji, can you take that? The cash flow from the operations for the 9 months?

Pramod Gupta: Yes, off-line. We will have to take it offline. I do not have this number handy with me right now.

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

Neel Mehta: Sir, given that the total inventory in the system right now, as you mentioned, is already higher, almost around 4.5 to 5 million, including a brand sales channel. What is driving the decision to further build the raw material inventory, which is almost around 11 billion that you mentioned. Is this linked to anticipated demand recovery or the supply side base? And how should we think about inventory conversion and working capital?

Pramod Gupta: We had an inventory of close to 6.5 lakh AC for the manufacturing. This quarter, we have actually done 4.8 lakh ACs already we did build. And then this quarter, what has happened is, on an average, the price of the raw material has moved up for the last quarter itself by about 10% to 15%.

And we have actually reduced the AC inventory -- AC division inventory from the third quarter by almost 7%, 8% -- 8% there. So effectively, the number of AC inventory which we are carrying is down by almost 15%, 17%. But right now, we have close to about like 5.5 lakh Inventory, which we were carrying as of the December 31st in the AC division.

Also, I want to highlight that typically, January, February, March is the peak manufacturing month for us. And during the last year, we had a -- we had a very good growth, and we did manufacturing of almost close to 8 lakh ACs in the last quarter. And right now, I'm carrying the inventory, which is very normal, given the capacity that I have, we have capacity, as I said, to like a 4.25 lakh of ACs as well as about 50,000 window AC.

Moderator: Mr. Mehta, you want to ask more questions?

Neel Mehta: That's it from my side.

Moderator: Ladies and gentlemen, that was the last question for today. On behalf of JM Financial Institutional Securities Limited, that concludes this conference. Thank you all for joining us today, and you may now disconnect your lines.