



**June 09, 2025**

**To  
BSE Limited  
Phiroze Jeejeebhoy Towers  
Dalal Street  
Mumbai 400001**

**Scrip Code – 543597**

**Subject – Disclosure under Regulation 30 of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 – Transcript for H2 and FY 2024-25 Post Earnings Conference Call held on June 04, 2025.**

Dear Sirs,

With respect to above captioned subject, please find attached herewith transcript of the Conference Call for Analyst and Investors held for H2 and FY 2024-25 on June 04, 2025 at 04.00 P.M. IST (12:00 hours)

Kindly take the same on your records.

Thanking You,

Yours Faithfully,

For **Virtuoso Optoelectronics Limited**

**Vibhuti Kulkarni  
Company Secretary & Compliance Officer  
Mem. No. ACS 68263**



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# **VIRTUOSO OPTOELECTRONICS LIMITED**

**H2 & FY25**

## **POST EARNINGS CONFERENCE CALL**

June 04, 2025

### **Management Team**

Mr. Sukrit Bharati - Managing Director  
Mr. Sajid Shaikh - Chief Financial Officer

**Call Coordinator**



Strategy & Investor Relations Consulting

## Presentation

### Vinay Pandit:

Ladies and gentlemen, I welcome you all to the H2 and FY'25 Post Earnings Conference Call of Virtuoso Optoelectronics Limited. Today on the call from the management, we have with us Mr. Sukrit Bharati, Managing Director; and Mr. Sajid Shaikh, Chief Financial Officer.

As a disclaimer, I would like to inform all of you that this call may contain forward-looking statements, which may involve risk and uncertainties, also a reminder that this call is being recorded.

I would now request the management to brief us about the business and performance highlights for the period ended 31st March 2025, the growth plan and vision for the coming year, post which we will open the floor for Q&A.

Over to you, Sukrit.

### Sukrit Bharati:

Hi, very good evening to all of you, and thank you for taking the time to be with us today. We will quickly run you through the PPT just to give you an overview, but this has already been shared. And we hope that you have found time to go through it. So we've registered strong year-on-year sales of 32.5%.

This is in line with what we had anticipated. And the profit growth, of course, PBT growth seems to be lower, but in practicality, the PAT growth, the PAT growth seems to be lower, but PBT growth was higher than what we had anticipated by about 10, 15 basis points. So we are happy with the PBT growth just because the capitalisation of a lot of assets happened towards the last quarter, which increased the deferred tax provision which increased the tax percentage.

The tax percentage, if you see is almost, I think 78%, if I remember the number correctly, which is why the PAT number looks to be bigger. Also, we were running at full capacities towards the end of the year. So for us to grow beyond this number was a little difficult. Now this year, we are ramping capacities, which we will talk about in the coming slides, but we have closed the year at ₹702 Cr.

And the overall CAGR for the company has been 43%, 43% over the last five years. The EBITDA has grown 37%. And if you see PAT has grown also in line with the revenue and is today at 48%, even after considering all the provisions, whereas the PBT has grown by 58% CAGR.

Coming to the business verticals, we are happy to share a few highlights. One is, of course, we are entering compressor business, and we have already ordered a major chunk of machinery and the first phase of machinery is already under installation. We are hoping that by end of this June, we will start doing trials. And over the next couple of months, we will start doing sampling with our customers.

So we are expecting commercial production to start for compressors in Q3 of the current FY. And it is a larger product category. It takes a lot of customer time for validation. So we expect to see good results of compressor business by Q2 or Q3 in the next financial year because it will take about six to nine months for customers to validate the product, do smaller lots trials, and then we start seeing the real numbers. But that will add a good dimension to the overall portfolio of VOEPL.

Like I was mentioning, so that is the compressor is one highlight. The second highlight is we are happy to share. We started commercial production of freezers in the fourth quarter of last year, and we have also started supplying to some multinational customers. So two out of the three anchor customers that we have planned, we have started supplying products to them.

And the third is in the pipeline, and we hope to start supplying to them also soon hopefully before the end of this month. So, freezer looks to be on track, and we hope we can build on the freezer volumes in this year. Freezer, we believe can contribute anywhere between the standalone, the commercial refrigeration can contribute anywhere between 10%, 15% or between 10% and 15% this year of our overall revenue, which will help not just the top line but also the bottom line of the company.

The next highlight was that we started the operations of our Chennai plant under Virtuoso Polymers for EPS manufacturing. And that is also on line, and that has been doing well in the last couple of months. We are starting another small unit under Virtuoso Polymers for refrigerator components in Sanand for our customer. And we are hoping that, it is planned to be operational by Q3 of the current FY also. This is as far as the expansion is concerned, out of Nashik and in compressors.

Within Nashik, AC, of course, we are expanding capacity. We are expanding from 0.5 million roughly average sets. Or if you see here,

we are increasing ODU capacity from 800,000 to 1 million and ODU from 400,000 to 1 million also. So overall, we will have a set capacity of 1 million by probably August or September this year.

So, we want to be ready for the season for higher requirements from our customers. So again, by Q3, this capacity will be live and this expansion is ongoing. Dispenser also, we are upgrading our capacity slightly by working out some bottlenecks.

And freezer capacity, of course, we will start increasing the capacity towards the end of this year, once we reach at least a 60%, 70% utilisation of the current capacity of 150K. So that is the pipeline, but the major CapEx will start for that, once we hit a capacity utilisation of 60%, 70%, which we are hoping to do by the end of this financial year.

Compressor, the capacity will go live this year. And based on how we get the order booking, we will plan for expansion in that, in the next year maybe for compressors. Lighting and EMS, we are also planning to increase capacity right now marginally by about 25%. But next year, we're looking to grow our EMS capacity a lot more significantly because we want to cater to our own PCB and controller board requirement for AC as well as look outward to other customers for these products.

The current product mix that we have is of course is getting better because as a strategy, which we've been talking about for the last two years, we want to have a more diversified product range. One is, of course, air conditioners, indoor unit, outdoor unit, AC components, which we are getting deeper into, refrigeration which is water dispenser and freezers as of now.

We are also doing a little bit of refrigerators which we are on the high end, which is right now only a trial. But if it works, we will explore that possibility more. EMS, we are doing LED. We are doing some controller boards. We are doing some remotes and we want to grow that portfolio significantly in the next year. Virtuoso Compressors is going to focus on compressor business, and we want to keep increasing our capacity there.

But the important part there is to build a stronger foundation and good relationships with key customers so that we can have long-term contracts with them. Virtuoso Polymers will continue focusing on component business with one plant right now operational in Chennai

and other plant coming up in Sanand. One product, which is not in this is, which we plan to start this year is of course, a semi-automatic washing machine. And we hope to be live and operational by end of Q3 or early Q4 for semi-automatic washing machines also.

So, the ratio between the AC business and other businesses has, so the balance has improved. We are now 75% against 80% on AC percent of the overall share. And we believe by end of this year, we will be at a 65% to 70% coming from AC and the rest coming from other businesses.

Next year, I think that proportion will improve or the diversification will improve further, and we hope to continue. I mean, so with that, that will also help improving our overall EBITDA margins. Since last year, the ODU contribution was much higher, and the growth in ODU was much higher than an IDU, which is why it impacted the EBITDA margin, which also we had anticipated and we had communicated in advance.

So that was a quick brief. This year, of course, to just give you a forward-looking statement for this financial year. So this year, the last couple of months have been good. June seems to be a softer month because of rains, I think the demand has slowed, but we are hopeful that the season will go deep and maybe Q2 will be better in terms of last year.

So still very early to comment because it's the beginning of the year. But as of now, we believe that we will achieve our target of about ₹1,000 crores. If the season is a little soft, then maybe between ₹900 crores and ₹1,000 crores, if the season goes well, then, ₹1,100 crores is what we are looking at for the current financial year. So that was a quick summary of where things stand in the company, and we are happy to take questions. Thank you.

### **Question-and-Answer Session**

**Moderator:** Thank you. Whoever wishes to ask a question may raise their hand or put your request in the chat box. We'll take the first question from the line of Garvit Goyal. Garvit, you can unmute and ask please. Garvit? We'll take the next question from...

**Garvit Goyal:** Yes. So, you mentioned about the revenue guidance. So, can you just put some colour on the margins front as well? Like in your opening remarks, you mentioned you're expecting some improvement in

margins maybe because of higher IDU sales expected this year. So, can you put a number to it?

**Sukrit Bharati:** Since still growth will heavily depend, I mean, a major percentage of the growth will still continue to come from AC this year. We are still expecting the EBITDA margins to be about 8.5% to 9% in the current financial year. And next year onwards, I think this should start being more than 9%, considering a better product mix.

**Garvit Goyal:** Okay. And I was listening to one of our customers, Voltas. They are facing some challenges, as you also mentioned about early monsoon. So how big the situation is in the terms of like how deep you are based on your negotiations with the customer, how long it can be, like you mentioned, June is going to be a softer one. So, do you expect it to be in July and August also going to be in that manner only?

**Sukrit Bharati:** Difficult to say because it's a little unpredictable, but the normal sense is that if the season is not so strong, then the season generally runs deeper. So that is the hope, but difficult to comment what exactly happens in Q2. But let's hope for the best. I don't think it will be a major hit. But yes, if you are anticipating a 15%, 20% growth year-on-year, maybe it will be a flattish year or maybe 2%, 3% negative. But I don't think the overall year average should be too far below what it was last year.

**Garvit Goyal:** Got it. I will join back the queue. Thank you.

**Sukrit Bharati:** Thank you.

**Moderator:** Thank you. We'll take the next question from Ranu Deep. Ranu Deep, you can unmute and ask.

**Ranu Deep:** Yeah, thank you for the opportunity. So, Sukrit, you guided for 1 million units each of ODU and IDU. Is this volume entirely tied to our existing Voltas partnership? Or is there a new client addition that we are looking at? And the second part to that question is, over the last two to three years, has there been any meaningful market share gains, which is kind of giving us this confidence for this expansion?

**Sukrit Bharati:** So, a couple of reasons for expansion. One is, of course, we are seeing opportunity. And market share gain within the existing customer, I believe has been there, point number one. Point number two, the existing capacity will go, I mean, first, of course, we are in discussion with our existing customer and new customers. We will definitely give

preference to our existing customers before adding new customers like we have maintained. But depending on what numbers and volume commitment we get from the existing customer, we will look at other customers for the remaining quantity.

**Ranu Deep:** Okay.

**Sukrit Bharati:** And overall, if we have to even maintain our market share because the market is growing very aggressively, if we don't increase our volumes, I believe the additional opportunity that is coming, we'll lose that also, and we will not be able to even maintain our market share if we stay at 0.5 average set volume. That is why increasing our volume has become mandatory both for our growth and for us to gain larger market share with existing customers and new customers.

**Ranu Deep:** So Sukrit, in terms of the present market share, what is that number for Virtuoso across India?

**Sukrit Bharati:** Let's say, because we are looking more IDUs and less ODUs, but let's say, if we are doing about 0.4 million sets and the market number is about 1.2%, 1.3%, so then we are at about 3-odd percent, 4% maybe of the market. But if you see only the ODM or OEM market, then I think this number will be higher. I think we'll be closer to maybe 10% or 12% of the market.

**Ranu Deep:** Sure. Okay. Thanks for that. My next question was, so we see your recent diversification into semi-automatic washing machines, freezers, toy components, appears to be reducing the seasonality typically that we have seen in our legacy portfolio, right? Could you elaborate on how are we evolving this product mix? And is it impacting the revenue visibility? I do recall that I think you've given a guidance in the past of ₹700 crores to ₹1,200 crores to ₹2,000 crores. Are we maintaining that guidance?

**Sukrit Bharati:** So, like I said, this year depends a lot on how the AC business goes, because if there is a softer season overall, then I mean, expecting a 30%, 40% growth rate coming from AC becomes a lot more difficult. We still believe we will grow in the AC business overall. But given the current scenario, of course, it is a rapidly evolving scenario and difficult to commit. Sometimes things change over a few days. So, we will wait and see. But the reason why I'm saying 1,000 plus/minus 100 is because considering if it does not go well and if it goes well, plus we want to be slightly conservative in our numbers. So that is where we are.



But overall, the idea is that if we are diversified, we get first entry into multiple customers. We get entry into multiple segments, and we can maintain our EBITDA levels better. Plus like this year, if next year also AC is softer, by that time the other products are in a much stronger position. So we can still get growth from those product sets. So that is the overall idea.

We are not shifting focus from AC, of course, because AC is a large driver for our growth. But in parallel, because every new category takes two, three years to settle in terms of understanding, in terms of product perfection, in terms of market understanding. So, we've started that cycle. And hopefully, we will start seeing results going forward year-on-year from the new categories.

**Ranu Deep:** Okay. If I can squeeze in one last question. Any specific reason in selecting Sanand as our next location? Are we exploring any new sector? The reason I'm asking this question because the semiconductor hub is slated to come in that belt. So just inquisitive, are there any opportunities that we are seeing?

**Sukrit Bharati:** We are not. So I mean, as of now, we are not seeing anything in semiconductor.

**Moderator:** Thank you. We'll take the next question from the line of Siddhanth. Siddhanth, you can unmute and ask.

**Siddhanth:** Hi, my first question is regarding the refrigeration business, like we are planning to only ramp up this year and maybe the new capacity will come towards the year-end. So, this 150,000 units, what sort of revenue are we targeting this year? And at what capacity levels?

**Sukrit Bharati:** We are looking at a revenue of ₹100 crores to ₹150 crores at the capacity utilisation of roughly 60% to 70%.

**Siddhanth:** And for this ₹100 crores to ₹150 crores, we already have clients onboarded, right? Or are we still...

**Sukrit Bharati:** We do have it for almost 70% of that quantity, 30% we are in the process of finalising.

**Siddhanth:** Okay. And what will be like roughly our average realisation for ODU and IDU units?

**Sukrit Bharati:** ODU is roughly around 12,000, IDU is roughly around 6,000. And freezer is roughly around 13,000.

**Siddhanth:** This is ex of GST?

**Sukrit Bharati:** Yes. It's a net price.

**Siddhanth:** Net price. Okay. And the second question is regarding the listing of the shares, like where are we in the process? And...

**Sukrit Bharati:** We are getting positive feedback from BSE. We are hoping that latest by next week, the process will get completed.

**Siddhanth:** Because earlier when we had a call, we were supposed to get the confirmation by, I guess April end.

**Sukrit Bharati:** Correct. So we are in constant touch with BSE. So they had to take some internal approvals, which took a little longer. But the last update that we have from them, which is as of yesterday, is that hopefully, in the next two, three days it should get done. But I mean, positively next week, looks like week where that issue, we can put in the past.

**Siddhanth:** Okay. And the ramping up of the 6 lakh units of ODU, when can this happen like whether it will be in the first half or the second half of the financial year?

**Sukrit Bharati:** The process is ongoing. And by October, we believe we'll be ready with that capacity, October, latest November.

**Siddhanth:** So both will be 10 lakhs by October?

**Sukrit Bharati:** October, November, yes. I mean you can say third quarter.

**Siddhanth:** Third quarter. Okay. Thank you so much. I'll get back into the queue.

**Sukrit Bharati:** Thank you.

**Moderator:** Thank you. We'll take the next question from Akhil Shah. Akhil, you can unmute and ask.

**Akhil Shah:** Hi, thanks for the opportunity.

**Sukrit Bharati:** Thank you.

**Akhil Shah:** So a couple of questions from my side. The first question is regarding the breakup of revenue between AC, deep freezer, and water dispenser. And if you can throw some light between IDU and the ODU revenue breakup.

**Sukrit Bharati:** Sorry, the last part was breakup between IDU and?

**Akhil Shah:** ODU, revenue breakup.

**Sukrit Bharati:** Revenue breakup. So IDU, ODU, I don't have offhand. But roughly last year, it was 50-50 in terms of IDU and ODU. As far as freezer is concerned, last year, of course, we had only a few days, we had very few numbers, so maybe 3% odd came from freezer business last year. This year, we are looking, like I said, at a 10%, 15% number coming from freezers.

For the refrigeration, I'm including both dispenser and chest freezers. So, this year and plus the EMS and lighting business is looking at a 10% to 15% contribution also. So, we are looking at a 25% to 30% or even maybe up to 35% coming from other businesses, and the remaining 60%, 65% coming from AC.

**Akhil Shah:** And also, if you can throw some light on whether these components like cross fans, heat exchangers, and copper tubing. Are these used for captive consumption or we sell it outside as well?

**Sukrit Bharati:** So far, majorly captive consumption, but I mean, almost 80%, 85% is for captive consumption. But we are getting more opportunities, and we're exploring that also. So if it works, we will start supplying more of these components as well. Of course, the plant in Chennai is only for a component sales. It is not for a captive. Similarly, the plant coming up in Sanand also is going to be for sales and not for captive consumption.

**Akhil Shah:** Okay. I'll fall back in the queue. Thanks.

**Sukrit Bharati:** Thank you.

**Moderator:** Thank you. We'll take the next question from Kunal Tokas. Kunal you can unmute and ask.

**Kunal Tokas:** Thank you for being here. Just have a few questions. First is that given the early onset of monsoon and you have stated that this year might be soft and so against you. Do you think that not now, but brands may go

slow with respect to the next season when they start putting orders in Q3 or Q4, and you will also have new capacity coming up in? And with the confluence of these two factors, there might be some unused capacity for the next year?

**Sukrit Bharati:** Capacity is coming up in Q3. We are not expecting full capacity to get utilised in this year anyhow. But the capacity that we are setting up, I believe, will have some contribution this year, but a major chunk of the contribution will start coming from next year. So we have to see about that plus how the weather behaves and how the market moves is something that we'll have to wait and watch. Too early to comment as of now. I think we'll have to wait till probably September or at least August to understand how things stand.

**Kunal Tokas:** And in the last con call, you have mentioned that you will be doing around ₹250 crores in CapEx in FY '26 and '27. Can you give a general breakup of where the majority of this CapEx will go towards?

**Sukrit Bharati:** So roughly to give you a rough breakup, about ₹50 crores is going to go in compressors. ₹50 crores to ₹60 crores is already been invested in the freezer business. ₹50 crores, we are investing roughly in AC. AC, I mean capacity addition and also increase in backward integration. About ₹20 crores has gone towards the component business. And the remaining ₹30 crores has gone towards, I mean, out of remaining ₹30 crores, about ₹15 crores is going towards washing machine. And I mean, the remaining ₹15 crores, I will have to check the breakup, but it'll mostly go for backward integration, but that is a rough breakup.

**Kunal Tokas:** All right. And just a final accounting question. This year, we know your tax rate go up, because of deferred tax charge, and also there is a large jump in deferred tax liabilities on the balance sheet. Can you please explain what led to this? And what we can expect in the future?

**Sukrit Bharati:** So the entire freezer plant, I mean, because it became operational in Q4 was capitalised in Q4. And that is why the depreciation calculation as per income tax and company's law was different, which is why the provision came into being. And going forward, it will continue to be at the standard 30% odd, but this year was an exception. Also, it is not an actual cash outflow in our books. It is just a provisioning for cash outflow. So that is what it is.

**Kunal Tokas:** Got it. All right. Thank you very much and have a good day.

**Sukrit Bharati:** Thank you so much.

- Moderator:** Thank you. We'll take the next question from Manan Madlani. Manan, you can ask please.
- Manan Madlani:** Hi, thanks for the opportunity. Can you share the utilisation rate for individual products for the current year?
- Sukrit Bharati:** So AC last year, towards the end of the year, we were almost again at 70%, 80% utilisation overall. And this year, with the increased capacity, we are expecting a 40% to 50% utilisation in the AC business. Freezer business with the current capacity, like I mentioned earlier, we are about 60%, give or take a few percent is what we are expecting 60% to 70% for freezer business this year for refrigeration category.
- Lighting category, we are consistently operating at 70%, 80%. This year, we are increasing the capacity a little bit. And so that will also still continue to be at about 70% in terms of utilisation.
- Manan Madlani:** So when you say refrigeration, it includes freezer and dispensers both?
- Sukrit Bharati:** Dispensers, correct, correct. Yes.
- Manan Madlani:** Okay. And earlier, we guided around 2% to 2.5% PAT margin. So this is after the change of depreciation method?
- Sukrit Bharati:** Yes. It was after the change of depreciation method, but what we didn't account for was the additional provisioning.
- Manan Madlani:** Yes, that is for FY '25. I'm asking for FY '26, '27?
- Sukrit Bharati:** Correct. That continues.
- Manan Madlani:** Okay. This is considering our share of refrigeration and any other higher margin, for example, washing machine will increase?
- Sukrit Bharati:** That washing machine, I think is a similar margin product as AC. And compressor, we are still evaluating where exactly, what exactly will be the margin profile and that is yet to see. Initially, if the government does not extend BIS post, so government last year extended BIS by one year for compressors till end of March or April next year. So if government does not increase that limit, then we believe we're getting better margins and compressors will be easier. But if influx of import is also available, then compressor margins will be lower initially. But

if the influx stops, then margins will improve, because we will have an upper hand because we can supply locally.

**Manan Madlani:** Okay. Just a clarification. On the compressor side, you mentioned earlier, if I'm not wrong 7% to 8% EBITDA margin with, if we invest another ₹50 Cr or something, then that margin could go upwards?

**Sukrit Bharati:** Correct. Correct. That's correct.

**Manan Madlani:** Okay. And what's the cost of borrowing currently? Because it seems something odd, because we paid ₹25 Cr for this year and average debt is somewhere around ₹150 Cr, ₹160 Cr.

**Sukrit Bharati:** Correct. So because we discount our invoices, cost of debt is about 8.75% to 9%. But because we are discounting invoices, factoring invoices, supplying customer invoices, which is why it adds to the interest cost.

**Manan Madlani:** Okay. Just last question. So just first a clarification. Did you mention almost utilising our commercial ref capacity in FY '26?

**Sukrit Bharati:** I mentioned 60% to 70% utilisation in '26.

**Manan Madlani:** Okay. So given we are utilising 60%, 70% utilisation, why we are not committing more than 9% EBITDA margin for the current year itself?

**Sukrit Bharati:** Because the ODU will still increase. ODU sitting at 7%, 8% is still going to increase in number. So for 10% or 12% or 15% of the business to offset at 25% or 30% or 40% of business revenue is a little difficult. We'll have to ultimately manage balance and see where it goes. But yes, it will, so freezer will have a positive impact.

**Manan Madlani:** What was the revenue for freezer in Q4?

**Sukrit Bharati:** I think about ₹6 crores, ₹7 crores. I don't have the exact number, but I think about ₹6 crores, ₹7 crores.

**Manan Madlani:** And this both anchor clients, so basically, our products going to Africa region or basically export through India region?

**Sukrit Bharati:** No, India.

**Manan Madlani:** Currently, no export?

- Sukrit Bharati:** Currently, no export. All India regions. So the anchor customer that we have are also for India region.
- Manan Madlani:** And this applies to water dispenser as well or that product is exporting?
- Sukrit Bharati:** Water dispenser, we have exported some quantities, but major numbers are still coming from domestic.
- Manan Madlani:** Okay. And water dispenser and commercial ref, are there any overlapping in terms of customer or both are different?
- Sukrit Bharati:** Different, so far different. But there will be overlap in the future, but so far that...
- Manan Madlani:** Okay, thank you so much. I will join back in the queue.
- Sukrit Bharati:** Thank you.
- Moderator:** Thank you. We will take the next question from Bhuvaneswaran. Bhuvaneswaran, you can unmute and ask.
- Bhuvaneswaran:** I have a question. In FY '23, we've grown 68% top line and 100% in PAT. In FY '24, we've grown about 58% in revenue and 25% in PAT. But now we are growing only under 35% to 40%. Can I know what is the reason of slowdown, what you are expecting from above?
- Sukrit Bharati:** So there are two, three things. One is, of course, growing on a smaller base is one thing. Second is and the base is becoming bigger. The second part is we are hitting capacity constraints. And if we don't have capacity to manufacture unlike, I mean, we need the infrastructure, without the infrastructure, manufacturing becomes a challenge.
- The third is, of course, also once you reach a certain percentage in the market, then our growth also gets linked to the growth of the market, and getting abnormally high growth regardless of how the market grows also will become difficult. So it's a combination of factors. But yes, we are prepping so that growth rates can be aggressive in the future, but anticipating the exact growth rates will depend on how products pan out as we go forward.
- So the guidance that we are giving you is, of course, based on a conservative estimate that we will be able to achieve that, and we want to try and be close to what we commit to you.

**Bhuvaneswaran:** Okay. I understand. Another question. We have a CapEx-intensive business, but our ROE remains in single-digit. Are we expecting any other QIPs or what you think about the ROE? We are on track of in double-digit or when will be in double-digit?

**Sukrit Bharati:** I think next FY, we should be in double-digit. Actually, a lot of investment that we are doing now are yet to start giving results or sufficient results because they are in the early phases. By next year, these projects will be in an active running state. And that is why we believe ROE will improve. The only thing that you have to keep in mind is if you calculate ROE on the actively utilised assets or the actively utilised equity amount, I think it will be much better.

But since we on the one side, the expectation is to grow. If you want to grow, you need to continuously keep investing, this is manufacturing. And if you want to keep investing, your ROE always seems to be lower because the ROE is being calculated on the total amount deployed and not the active or the earning equity amount. So that factor needs to come in. Of course, if you consider that, we are already in double-digits.

**Bhuvaneswaran:** So our fixed assets and results are increasing past two years. But we are not seeing in asset turnover, that's only I'm asking, you told that we need higher capacity. Now you are telling that we cannot utilise full capacity.

**Sukrit Bharati:** Sorry, there's some confusion. I'm saying that the capacity that we have invested in last year will only be fully functional and in well utilised manner, maybe in the next FY. So from investment in capacity to full utilisation is a two to three year cycle.

So you have to consider the fact that money deployed, let's say, last year, we invested about ₹150 crores in investment. Out of that, there will be a significant, let's say, ₹100 crores is in new product categories. And in new product categories, they will start giving results this year and next year.

So if you remove that ₹100 crores from the equity table and then calculate ROE, it will already be in double-digits. But if you want to consider that ₹100 crores, then you need to also consider the revenue that is expected out of the investments done with that money.



- Bhuvaneswaran:** Understand, thank you. Last question. Due to under the CapEx, we are expecting any preferential allotments of QIP for the two next years?
- Sukrit Bharati:** We have not finalised yet. Once we finalise, we will definitely share with you.
- Bhuvaneswaran:** Okay. Can you give the guidance for FY '27 also?
- Sukrit Bharati:** A little early, but maybe by the half of the year, we will be able to give you a better guidance, a more accurate guidance.
- Bhuvaneswaran:** Thank you.
- Sukrit Bharati:** Thank you.
- Moderator:** Thank you. We'll take the next question from Tanay Shah. Tanay, you may unmute and ask.
- Tanay Shah:** Yeah, hi. Sorry if I've missed something earlier as I joined the call a little late, but I just wanted to understand what is your take on demand so far? And I heard you saying that April and May has been fairly decent. But given the industry has seen a double-digit decline across the board, across regions and unseasonal rains, how are we seeing demand faring up for us in the first two months? I heard you saying that June has been soft, but what about the first two months?
- Sukrit Bharati:** First two months were good. First two months were on track. Only June is, I mean, so far softer until unless things change by next week or something. But what is more interesting is to see what happens in Q2 and Q3. If Q2 and Q3 are better than what they normally are, then I think the overall year will still be good. But if Q2 and Q3 also turn out to be not so good for the AC industry, then I think the industry will probably look at number, which is less than last year by a few percentage points, I mean, maybe by 2%, 3% or 4%.
- But I don't think the overall industry will degrow by more than that. That is the understanding that I have. But I think we have to wait and see.
- Tanay Shah:** Sure, and my second question is I saw in your presentation wherein you said you're entering compressors. So have you tied up with any tech partner? And firstly, sorry if these compressors are for commercial refrigeration, right?

- Sukrit Bharati:** Correct. These compressors are for refrigeration, in general. These are for both the domestic refrigerators and commercial refrigerators. That is one. And the second thing is that we have tied up with two companies in China. One is Jiaxipera and one is Huayi for compressor manufacturing locally. And so Huayi is the largest manufacturer of refrigeration compressor across the world. And Huayi and Jiaxipera are part of the same group with the holding company being Huayi.
- So, we've tied up with both of them, and we are their exclusive manufacturing partners for India. They've already been supplying almost 4 million, 4.5 million compressors before the expiry of their BIS to the Indian market and to some of the large players in India in refrigeration and Commercial Refrigeration segment. So we hope that we'll be able to revive that business in the next couple of years. So compressor can be a good line going forward for us.
- Tanay Shah:** Sure. So this will actually sort of be a sort of diversification away from RAC towards refrigeration, and this is a market which their BIS certification has been expired and that gives us a leg in to kind of be their domestic partner and so that 4.5 million kind of compressor market for them? And also, if you can give me some colour on, are they sharing technology with us? Like would it be solely sort of assembly for us out here in terms of...
- Sukrit Bharati:** So we have a technology agreement also, but the idea is to localise more and more in India as we go forward because localisation is a lot of investment, one. And second is it also takes time. So we don't want to start expanding in backward integration heavily till we have an established pipeline of customers.
- Tanay Shah:** Sure. So roughly, to take 1 million capacity, roughly requires ₹25 crores to ₹30 crores of CapEx for refrigeration?
- Sukrit Bharati:** Correct.
- Tanay Shah:** Great. Okay, got that. Okay, thanks. I will come back.
- Sukrit Bharati:** Thank you.
- Moderator:** Thank you. We'll take the next question from Abhay Jain. Abhay, you can unmute and ask.
- Abhay Jain:** Hi, I have two questions. The first one is what is the share of Voltas from your total revenue?

**Sukrit Bharati:** So last year, I believe share of Voltas would be roughly between 65% and 70%.

**Abhay Jain:** Okay. The second question is, can you name us your RAC clients apart from Voltas? And do you have any plans to add more clients?

**Sukrit Bharati:** I already answered that. So far, full product we are only supplying to our existing customer. But in case, we have more capacity than requirement, we will definitely start supplying to other customers also.

**Abhay Jain:** Great, thank you so much.

**Sukrit Bharati:** Thank you.

**Moderator:** Thank you. We'll take a follow-up question from Garvit Goyal. Garvit, you can unmute and ask.

**Garvit Goyal:** Hi, thanks for the follow-up. You mentioned ₹1,000 Cr for this year, ₹100 Cr plus, minus. Can you give the breakup segment wise, like how much will be the ACs and washing machines and water dispenser?

**Sukrit Bharati:** So like I said, refrigeration, we are expecting about ₹100 crores, ₹150 crores. Lighting and EMS also another ₹150-odd crores, so it is about ₹300 crores. We are looking at component business and new products, which are right now at an early stage to be about ₹50 crores. So that's ₹350 crores and the rest coming from AC. So anywhere around ₹650 crores to come from AC.

**Garvit Goyal:** Got it. And secondly, on the tax rate. What kind of tax rate do we expect for this year? Like FY '25 was very higher and the reason you have mentioned in the opening remarks. So what is the expectation for next year?

**Sukrit Bharati:** This year will be 30%, 32% I mean not more than that.

**Garvit Goyal:** Lastly, on the listing part, like you mentioned, we are seeking approval from BSE and it is expected in the next week. So by when can we expect the listing of the shares, like...

**Sukrit Bharati:** So once we get approval, it's just a couple of days or one day of activity just to do a corporate action.

**Garvit Goyal:** So that means by next week we can expect because you are very positive on that side right?

**Sukrit Bharati:** We are positive, yes.

**Garvit Goyal:** Thank you. Thank you very much.

**Sukrit Bharati:** Thank you.

**Moderator:** Thank you. We will take the next follow-up from Ranu Deep. Ranu Deep, you can unmute and ask.

**Ranu Deep:** Yeah, thank you for the follow-up. Sukrit, have we finalised our marquee client in the washing machine space?

**Sukrit Bharati:** We have.

**Ranu Deep:** Okay. I mean, are you in a state to disclose the name?

**Sukrit Bharati:** No, not. Sorry.

**Ranu Deep:** Sure, my next one was on the Export segment. I recall, I think you had mentioned that water freezer is some, we are looking at this product as an inroad into the export market and then slowly we'll kind of scale that up. Can you share like how are we progressing in the export space?

**Sukrit Bharati:** So right now, the product line and the local customers are just stabilising and the range that we have launched for India is a higher spec range. For export market, we are in the process of developing a lower spec range because Africa is a larger market for this. And once that range is developed, then we will start pushing for export.

But so far, we are getting good traction in the local market. So we will -- I mean, we don't want to spread ourselves too thin. We will first cater to the local market and then in the meantime, keep the product ready for export, and then start pushing for export as we go forward.

**Ranu Deep:** Sure. And one last question. Are we looking at getting into any PE into the firm where now that we have hit the ₹700 crores top line mark, I recall you mentioned that PE VC firms look into any companies only after the scale of ₹500 crores to ₹1,000 crores is kind of touched. So are we thinking of next round getting in your marquee PE funds?

- Sukrit Bharati:** We hope we can get good funds. But as of now, we've not decided on a fundraise. But when we do, we will definitely look at large PEs or mutual funds to come in.
- Ranu Deep:** Sure, appreciate all the responses. Thank you so much.
- Sukrit Bharati:** Thank you.
- Moderator:** Thank you. We'll take the next question from the line of Sriram Ramadas. Sriram, you can unmute and ask.
- Sriram Ramadas:** I don't know if you have mentioned this before, you're going for a large expansion in IDU, ODU. This CapEx is already tied up? Or are you yet to look for clients?
- Sukrit Bharati:** We are in active discussion, but not tied up yet.
- Sriram Ramadas:** Okay. And this is mostly Voltas, right?
- Sukrit Bharati:** Voltas will continue to grow. We are hoping that we can continue to grow our volumes with Voltas. But let's see how much of the capacity we get orders from them. And the remaining then we will look at blocking with other customers.
- Sriram Ramadas:** Cool, cool. And second question, you're going for manufacturing components of those ACs in-house, some of them. So what percentage of that value of that AC is that components going to be in terms of cost?
- Sukrit Bharati:** So like you mentioned before, IDU, we are almost at about 75% to 80% in-house manufacturing of components. So the total value addition of the product in IDU, 75% to 80% is in-house. And for ODU, about 60% is in-house. ODU, once we expand our EMS next year, which we are scheduled to do, then ODU will also increase to about 70%, 75%.
- Beyond that, what is left is compressor, some motors and probably some brass parts and miscellaneous items like packaging and fasteners and all of these, rest everything will be manufactured in-house.
- Sriram Ramadas:** That's great to know. So most of the high value items. That includes PCB as well, right? You're going to do it in-house?

- Sukrit Bharati:** Correct. So that is on the road map for next year, next financial year.
- Sriram Ramadas:** Great. Last question. How do you think you can compete with the Chinese when they're dumping products? You mentioned exports, so I'm just curious.
- Sukrit Bharati:** No. So products where value addition of 70%, 75%, 80% is in-house. In such cases, for us to compete with China is becoming still more possible. There are two gaps when we're doing business with China. One is, of course, their product market fit for that category or that region, sorry. If for that region, they have a perfect product perfectly priced, then it becomes more difficult for us to meet it. We cannot try and sell the Indian specification to an international market and expect that it works. We have to first make align our product with the local market. That is point number one.
- Point number two is that once we do that and if the value addition in that product 70%, 80% is in-house, then overall, we become competitive to sell in the market in terms of price. So both things need to be done. We are working on it. But as of now, I mean, it's a long process, but we have definitely started working towards that process.
- Sriram Ramadas:** Okay. Last question. You've got a ₹100 crore meaning you got a PLI approval. When do you expect that to be recognised slowly in the books?
- Sukrit Bharati:** So we had already a ₹50 crores sanction of PLI and that got enhanced to ₹100 crores. So far, last year, we accrued about ₹6 crores of the PLI benefit. And this year, we are expecting to accrue ₹15 crores to ₹20 crores of the PLI benefit.
- Sriram Ramadas:** Okay. And this will be reflected in EBITDA margins?
- Sukrit Bharati:** Correct.
- Sriram Ramadas:** Okay. Thank you very much and your communication has been very clear since day one, appreciate it. Thanks.
- Sukrit Bharati:** Thank you so much.
- Moderator:** Thank you. We will take the follow-up question from Akhil Shah. Akhil, you can unmute and ask.

**Akhil Shah:** Hi, thanks for the follow-up opportunity. So again, a couple of questions from my side. The first question is regarding the EPS business. So why is it in VPPL and not in VOEPL?

And my second question is on the balance owner of the compressor subsidiary?

**Sukrit Bharati:** Right. So VPPL is, of course, 100% owned step-down subsidiary of VOEPL. But the reason why we are moving component business to VPPL is because we want to keep all the component business in one, and we want to keep a separate focus for that. And we want to ensure that the profitability and cash flow of that business becomes sustainable, because we don't want to mix product business and component business when we are dealing with customers and specifically smaller plants. Also the component plants are smaller plants, which need to be operated with that level of efficiency and cost structure. That is why VPPL has come into existence, point number one.

Point number two, VCPL, of course, right now, 65% is owned by VOEPL, which we are increasing to 90%. We've already passed that resolution in the Board. It will take whatever time to do the documentation. 10% is currently with me, but we are also expecting about 8% to 10% coming in as investment from the partners that we have for technology in the compressor business. And because we wanted to make them also part of the business, we have carved out a subsidiary to do that.

**Akhil Shah:** Okay. Thank you.

**Sukrit Bharati:** Thank you.

**Moderator:** We'll take the next follow-up question from Siddhanth. Siddhanth, you can unmute and ask.

**Siddhanth:** Hi, like you mentioned, like the guidance of ₹1,000 odd crores and 8.5% of operating profit margins for the current financial year. This includes the sub PLI benefit also or...

**Sukrit Bharati:** No, no, it does. Because I mean, somewhere subsidies, we have to consider as part of our overall OpEx in terms of our raw material because somewhere it is budgeted in the costing also. So whatever guidance we are getting is inclusive of benefits.

- Siddhanth:** So that means if I just remove like ₹15 odd crores, which you mentioned, then we are looking somewhere close ₹70 odd crores of operating profit for the entire year?
- Sukrit Bharati:** I mean, it's a little difficult to actually pinpoint like that. So what we are doing is, of course, we're keeping some PLI benefit is, of course, a buffer that we have in case of any margin shrinkages, which compensates for that. But it is also factored in the pricing. So operating margin, you cannot consider stand-alone because the benefits that we have are also known to customers in the market. So somewhere they get factored in. So net, we're looking at about 8.5%.
- Siddhanth:** 8.5%. Okay. Thank you. And regarding this tech tie-up, which we have with the Chinese players, what sort of cost have we incurred for the same?
- Sukrit Bharati:** No, we've not paid any sum to them for the technology, we have only paid for the equipment that we have purchased.
- Siddhanth:** So there is no like revenue share?
- Sukrit Bharati:** No, no. So right now, the components that we buy from them are going to come from them anyhow. So they will make their money in components. They are right now losing market in India, because of lack of presence. They want to retain market, so that is a win for them. And we want to, of course, make our way into that segments. That is a win for us. So right now, it is a win-win for both.
- Siddhanth:** Okay. And once we like start the compressor business, we'll be using this in our in-house refrigeration also?
- Sukrit Bharati:** Of course, yes.
- Siddhanth:** So then is it fair to say that the margins will go up like towards 15% from the current 12%?
- Sukrit Bharati:** So compressor value in commercial refrigeration is relatively low. So overall compressor is only about 10% of the overall value. So if there is even a 1% change in that, I mean, even there is a 10% margin addition, overall contribution is only 1%. But we want to leave that margin with the compressor unit and not consider it part of the freezer unit.



- Siddhanth:** Okay. So we are talking about somewhere between ₹1,500 realisation per unit for compressor?
- Sukrit Bharati:** Correct, correct, correct. Yes.
- Siddhanth:** And what will be our realisation per unit for water dispensers and the lighting product?
- Sukrit Bharati:** Water dispenser is about ₹5,000. Lighting varies, but the lamp equivalent quantity that we have given you, the realisation is about ₹30.
- Siddhanth:** ₹30. Thank you so much and all the best.
- Sukrit Bharati:** Thank you.
- Moderator:** We'll take the next question from Shubham Gupta. Shubham, you can unmute and ask.
- Shubham Gupta:** Hi, Mr. Bharati. So first question is, could you please enumerate on the names of anchor customers the company has been talking about lately?
- Sukrit Bharati:** We would want to refrain from using the names, but they are both multinational customers that we have. So, a good strong customer base.
- Shubham Gupta:** Okay. So do we expect after signing this when the delivery starts finally to them. So, do we expect our quantities, the volumes to go up rapidly and the share of Voltas in our total revenue to shrink?
- Sukrit Bharati:** I already explained the breakup. So we are, of course, I mean, we definitely are working towards increasing our overall business with Voltas. But yes, the overall share of AC will definitely come down as a percentage in the total top line of the company.
- Shubham Gupta:** Understood. And in financial year '26, the guidance you gave. So could you also throw some light on the product-wise breakup of revenue and EBITDA?
- Sukrit Bharati:** Okay. So this also, I mentioned about ₹100 crores, ₹150 crores from refrigeration, ₹150 crores from EMS and lighting, ₹50 crores from components and the newer verticals and the rest from AC.

- Shubham Gupta:** And on the EBITDA margin side, product wise as well?
- Sukrit Bharati:** I don't have the exact numbers, but the rough guidance in AC, of course, is a blended margin of about 7%, 8% in AC, freezer business, roughly 10% to 12%, refrigeration business 10% to 12%, and lighting business about 12% to 14%.
- Shubham Gupta:** Okay. Thank you. That's all from my side.
- Sukrit Bharati:** Thank you.
- Moderator:** Thank you. We'll take the next follow-up question from Manan Madlani. Manan, you can unmute and ask.
- Manan Madlani:** Yeah, thanks for the opportunity. So my question is, again, regarding the compressor. Correct me if I'm wrong, did you mention there is no revenue sharing with our technology partner for the compressor?
- Sukrit Bharati:** There is, of course, no revenue sharing. The only thing is that the components that we buy from them will already include their revenue. I mean, it is, of course, revenue to them.
- Manan Madlani:** Okay. Yes, that's fair enough. Now assuming the BIS will stay, and we are having a 2.8 million, that's somewhere around 15% of overall market capacity we are having, right? So what sort of plan going ahead? Do we plan to increase this capacity to, let's say 4 million or 4.5 million or any number in next two to three years?
- Sukrit Bharati:** So this is for refrigeration market. Refrigeration market is roughly 20 million today in India, 20 million to 22 million as far as compressor is concerned, the compressor that we are manufacturing. The addressable market for us is about 20 million, 22 million. Out of this market, 12 million to 14 million is currently being imported, and the remaining 6 million, 7 million is being made locally by mostly Korean companies and one Indian brand. The remaining 12% to 14% continues to be imported.
- So we definitely have a scope to increase capacities, but that depends on how the government behaves whether the government extends or does not extend BIS next year. If the government does not extend BIS next year and we get good volume bookings, then we will look at expanding and adding another line. If the government extends it by another year, then we will have to wait for another year before we expand. So if our expansion will happen, we definitely want to

expand. But if the expansion happens in '26-'27 or '27-'28 will depend on the extension of BIS.

**Manan Madlani:** Okay. And what will be the cash outflow in terms of investment for next year and FY '27, you mentioned ₹250 crores of CapEx. But in terms of cash outflow?

**Sukrit Bharati:** In terms of cash outflow for?

**Manan Madlani:** CapEx?

**Sukrit Bharati:** So I mean, whatever CapEx we do will be a cash outflow, sorry?

**Manan Madlani:** So we have already invested ₹50 crores.

**Sukrit Bharati:** We have invested about ₹150 crores, and we're looking at about ₹100 crores odd number this year also.

**Manan Madlani:** Okay. And for FY '27?

**Sukrit Bharati:** We are yet to finalise that figure. We will share it with you probably in due course.

**Manan Madlani:** Okay. And one last question. So our gross margins in FY '24 were somewhere around 13.6%, this year it was 13.2%, what would be that number for current year?

**Sukrit Bharati:** Similar, maybe plus/minus 0.5%, depends on the product mix and how much price pressure and the buying situation of components, and I mean, a lot of smaller factors, but similar ranges.

**Manan Madlani:** Okay. Thank you so much and I wish you all the best. Thank you.

**Sukrit Bharati:** Thank you.

**Moderator:** Thank you. We'll take the next question from Bhuvaneswaran. Bhuvaneswaran, you can unmute and ask.

**Bhuvaneswaran:** Thank you for the follow-up. The promoter holding, your holding has been decreased by 3 percentage by quarter. What is on takeout on that?

**Sukrit Bharati:** The warrants got converted to shares. We have not sold any shares that the reduction in promoter holdings is because of increase in the total number of shares in the company.

**Bhuvaneswaran:** Okay. Another question. Our competitors has higher market cap and growing at the stage of 50% to 60%. But we are in this market cap and growing 30% to 40%. This makes investors less attractive to Virtuoso. What is your take on that?

**Sukrit Bharati:** See everybody has their own growth curves. And every company has a journey where certain years you have to lay your foundation, and then use that foundation to grow in the next few years. So I believe we are also in a stage where we are growing our product base. We are increasing our capacities. And hopefully, we see better growth in the years ahead.

Also, another factor that you have to consider in some segments last few years, there was lesser competition. Now competition also is increasing. We were also replacing China import in certain products. which happened very quickly. Now once that import is completed, I mean the replacement is complete, then the growth depends on the overall growth in the local market.

So there are multiple factors at play. It is very difficult to say one is better than the other or not. But we are optimistic that we'll continue growing. And having a stronger foundation, I believe is more important for us than just a growth number.

**Bhuvaneswaran:** Thank you.

**Sukrit Bharati:** Thank you.

**Moderator:** We'll take the next follow-up from Kunal Tokas. Kunal, you can unmute and ask.

**Kunal Tokas:** Okay. Just two quick clarifications. First is, you said the compressor could have a margin of 7% to 8%, which can go even higher if the BIS is not extended. So what would the approximate cost differential be between, say importing from China and making it here?

**Sukrit Bharati:** With the stages that we are doing now, I believe about 3% to 5%.

**Kunal Tokas:** 3% to 5%. And your guidance for the PAT margin for this year, was it 3%?

**Sukrit Bharati:** Between 2.5% and 3%, yes.

**Kunal Tokas:** All right. Thank you very much.

**Moderator:** Thank you. We'll take the last question from the line of Siddhanth. Siddhanth, you can unmute and ask.

**Siddhanth:** Yeah, one last question. After the conversion of the pref and warrants, we are looking at a total paid-up share capital of ₹3 Cr?

**Sukrit Bharati:** Yes, ₹2.95 Cr, I think number close to that.

**Siddhanth:** Yes. Like ₹73 lakhs plus the current of ₹2.3 Cr, right?

**Sukrit Bharati:** Correct. The entire ₹73 lakhs did not go through at that time. I think the current number is ₹29.5 or ₹29.6 Cr.

**Siddhanth:** ₹29.6 Cr. Okay. Thank you.

**Moderator:** Thank you. Since that was the last question, I would request, if you have any closing comments.

**Sukrit Bharati:** Thank you all once again for joining and taking the time. We look forward to connecting with you soon again. Thank you.

**Moderator:** Thank you. Thank you to all the participants for joining the call, and thank you to the management. This brings us to the end of today's call. Thank you. You may all end the call.