



PG ELECTROPLAST LIMITED

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November 18, 2022

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,

Pursuant to Regulation 30 of the SEBI (Listing Obligations & Disclosure Requirements) Regulations, 2015, please find enclosed transcript of the Earnings Conference Call held on November 15, 2022.

This is for your information & Records.

For **PG Electroplast Limited**

(Sanchay Dubey)
Company Secretary



“PG ElectroPlast Limited Q2 FY-23 Earnings
Conference Call”

November 15, 2022



**MANAGEMENT: MR. VISHAL GUPTA – MANAGING DIRECTOR,
FINANCE, PG ELECTROPLAST LIMITED
MR. PRAMOD GUPTA – CHIEF FINANCIAL OFFICER,
PG ELECTROPLAST LIMITED**

**MODERATOR: MR. DEEPAK AGARWAL – PHILLIPCAPITAL (INDIA)
PRIVATE LIMITED**

Moderator: Ladies and gentlemen good day and welcome to the PG Electroplast Q2 FY23 Earnings Conference Call hosted by PhillipCapital (India) Private Limited.

During this call Company may make certain 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. The forward-looking statements may involve known and unknown risks uncertainty 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 statement speaks only as of the date on which it was made. The Company assumes no obligation to revise or update any forward-looking statements.

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 "*" then "0" on your touch tone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr Deepak Agarwal from PhillipCapital (India) Private Limited.

Deepak Agarwal: Thanks. Good afternoon, all. On behalf of PhillipCapital, I welcome you all to PG Electroplast Limited Q2 FY23 earning call. Today we have with us senior management represented by Mr. Vishal Gupta – Managing Director (Finance), Mr. Pramod Gupta – Chief Financial Officer. Without taking much of time, I would like to handover the floor to the management for their opening remarks, post which will open the flow for Q&A. Thanks and over to you sir.

Vishal Gupta: Thank you Deepak. Thanks everyone and good afternoon. Thank you for sparing your valuable time and joining this call today. Hope all of you are doing well. I'm joined on this call by Mr. Pramod Gupta, our CFO and we have already shared our results presentation earlier and hope you must have gone through that.

First half of this financial year has been another milestone for our Company. We have crossed 850 crores revenue and we have cemented our position as a reliable and capable outsourcing partner for washing machines and split ACs in India. The current washing machine expansion will give us two locations for manufacturing washing machines and I am very happy to share that washing machine business grew 123% for the first half and the outlook for the growth remains very strong for the rest of the year. Our washing machine business achieved significant milestone in first half and we sold over 2.5 lakh units of washing machines in first 6 months. We are on track to double our capacities across different product businesses. The new wash machine capacity in Greater Noida is commissioned and is in trial phase. We are also expanding our wash

machine model range and are developing new platforms for washing machines. The further capacity expansion for AC manufacturing should be ready by end of this calendar year. For the AC business in our first season of OEM category went very well for us. We crossed Rs. 300 crores revenue in the AC business in the first half and we supplied IDU ODU and CBUs to leading eight brands in India. The outlook and order book for coming season stands very strong and Company has been able to gain 16 new orders from existing and new clients.

During the quarter our AC R&D has already developed, validated and launched new ODM platforms and products of split ACs which have been optimized as per the new energy ratings which have to become effective from 1st July 2022. Our solutions have received great response from our existing and new clients. We are cementing our position as a well-established option for outsourcing split AC manufacturing in India.

Overall guidance is being maintained and has been reiterated in the release and we are confident of scaling all our businesses significantly in this year. We see very strong demand for our products and we are preparing ourselves for a very strong ramp up in the product businesses again in FY23 and we are budgeting a YOY growth of 120% over FY22 in our product businesses.

Now I will hand over the call to my colleague Mr. Pramod Gupta, our CFO. He will elaborate on the financials. Thank you.

Pramod Gupta:

Good evening, everyone. I'm sure you have seen the financials in detail. Just couple of small things I want to point out. We had a very good scale up from operations point of view. The product sales was 457 crores in the first half which was 478 for the full year 2022.

Now coming to margins at operating level; I want to highlight that during the first half we have changed the accounting policy and now we account the FOREX loss and the operational cost. Due to which this quarter again we had a hit of 2.2 crores and for the first half the total hit is about Rs. 5 crores. Also, during the first half we have taken 1.59 crores worth of noncash ESOP expense in this year which was nil in the first half last year. This quarter also we had an adverse business mix because our electronics and TV business contributed almost 15% of the revenue versus 3%-4% which used to be there. We also had a little negative operating leverage because of the low AC season which is seasonal also.

Now coming to the future; we think we have a good order book and we are expecting a very good scale up in the coming months in the AC business as well as continuing momentum in the washing machine business. We hope to have some improvement in the margins, in the coming quarters as the commodities have softened. Also, AC business will see operating leverage and overall revenue should be better.

Coming to balance sheet; this quarter inventory has increased in anticipation of the strong AC season and working capital has therefore gone up. On a trailing 12-month basis the working

capital cycle stands at about 58 days which is slightly higher than our target of about 50 days. We have seen increase in net debt by almost 45 crores during the first half. That is largely due to the CAPEX which we have done for the expansion. We think we are probably near the peak debt and debt will probably not be increasing very significantly from here for the rest of the year, maybe about 15-20 crores at max. With this now I would like to open the call for question-answers. Thank you.

Moderator: Thank you. Ladies and gentlemen, we will now begin with the question-and-answer session. The first question is on the line of Ashish Kumar Singh, an individual investor.

Ashish Kumar Singh: I wanted to ask about LED TV CAPEX that was coming from last December. What's the update on that and what's the current utilization from that CAPEX?

Pramod Gupta: On the LED television, this quarter we had revenues of about 30 odd crores, although month of October was slightly better. But still business is in the process of scaling up. We are hopeful that next year onwards the numbers will be better. We have done a very small CAPEX only. There's almost about Rs. 5-6 crores only in last year. Right now, we are servicing about 3 to 4 brands. Next year we hope to do much better. We have also launched our ODM solution in this business and we've got a good response this year in the initial launch that we did in the ODM solution also.

Moderator: The next question is from the line of Keshav Bharadia.

Keshav Bharadia: My first question is if any new customer additions have been done in Q2 and how the overall order book looks like for AC going ahead to the season?

Vishal Gupta: AC order book is very strong. In fact, we are already almost sold out for the expanded capacity that is going to be ready and operational from December. We have added several new customers and for some of them the trial production and for at least one of them the full production has started. In this year we will be seeing a significant scale up in the AC business from last year. Last full year we did the 297 crores of turnover in the AC product business. This year we think we should be at least more than 700 crores in the total AC business for the full financial year.

Keshav Bharadia: Can you give an inventory break up between finished goods and raw materials that we have at present?

Pramod Gupta: Out of the 290 odd crores of inventory that we have, only 250 crores is raw material, 291 crores of the inventory, out of which probably 50 crores in the WIP, work in progress and finished good, rest everything is in raw material.

Keshav Bharadia: And I have one more question. Any new products that we are planning to launch in ODM over the next 18 to 24 months and what is the share of ODM in our ACs and how this will look 1 to 2 years down the line?

Pramod Gupta: Right now, there is nothing very firm on the table which we are working on. These three products in the ODM, solution and television which is basically cooler, washing machine, ACs and television are something which we are focusing on and scaling up this business. As and when any development is there, we will update you and investors on the same. Coming to the ODM side of AC business, we are now having almost 80% of our sales coming from the ODM solutions. Only 20% or so is from the OEM in the product side of the AC business.

Keshav Bharadia: By FY23 what will be our combined capacity in both AC and washing machine once the additional capacity is operational?

Pramod Gupta: In washing machines we will be having by end of FY23 close to 1 lakh units on the semiautomatic side and 15,000 units on the fully automatic side per month. This is the capacity per month and in the AC indoor unit capacity will be close to 2 lakh units per month and outdoor unit capacity will be about 1 lakh units per month.

Keshav Bharadia: One more question for my side. What is the CAPEX guidance for FY23 and '24 as well as what is the response for our automatic washing machines?

Pramod Gupta: CAPEX guidance stands as such, we this year plan to do about 130 to 140 crores of CAPEX and we are on track. Already 67 crores of CAPEX has been commissioned or has been done in the first 6 months and in the coming quarter and by maybe January this CAPEX will be over. Next year numbers we will be able to tell you in the next quarter call maybe around that time. By that time, we will get little bit more color on the demand outlook for the next year and what we need to do on capacity expansion. That time we will be able to update you but fair to assume it will be probably close to something like 100 plus crores only in the same range as this year. Coming to your last question about what was the other question you had?

Keshav Bharadia: The response to automatic washing machines.

Pramod Gupta: Yes. Response for automatic washing machine has been slow. I'll be very upfront. In this year also till right now, the overall proportion of fully automatic washing machine is very less. In the sense that, out of the 250,000 odd washing machines that we sold in the first half, less than 10% is what we have sold in the fully automatic category actually. To be precise it is just about 7% or so.

Moderator: The next question is from the line of Akhilesh Bhandari from ICICI Prudential.

Akhilesh Bhandari: I understand that this quarter's margin was impacted by not only the ESOP expense but also FOREX loss. But generally, the ESOP expenses of course are running business expense which you'll also perhaps have in subsequent quarters or subsequent years as well. But excluding the FOREX loss how quickly do you see your overall margin inching up to that 7%-7.5% run rate which you were achieving earlier?

Pramod Gupta:

See in that first half if you see we have done 6.3% operating margin which is obviously lower than our historical numbers. A couple of reasons for them almost Rs. 5 crores which is almost 0.6%-0.7% of the sales have gone in the FOREX loss. Also coming to the ESOP expense, actually, we last year took the ESOP expense only in the fourth quarter. This year we have been spreading it out. We took some amount at first quarter and then paid some amount in the second quarter also. Another reason this quarter also was that AC business was very small. It was actually only 40-50 crores of AC product sales we were able to do in this quarter. That business had a negative operating leverage and there was hardly any money. There was a small loss at the net level in the AC business this quarter and because of which it pulled up the overall margins, pulled down the overall margins. Also, television business was almost 15% of the total, television plus electronics business which is a very low margin business. All these four things contributed together to the margin being lower. Coming quarters some of these things will reverse and that's why we are saying that we are hopeful that margins will start in inching up back.

Akhilesh Bhandari:

You mentioned that your current debt level is close to the peak what you're expecting. But from a medium-term perspective what is the optimum net debt to equity which you are thinking of operating at? Also, if you can comment on the net working capital level which you think the business will stabilize at?

Pramod Gupta:

Right now, we will always aspire to have a debt-to-equity ratio of less than 1 and not more than 4X debt to EBITDA. Actually, by year end we think that those levels should be in the range of at least on the debt to EBITDA for sure. Even on the debt to equity we will be very close or maybe actually near to that. Other thing is on a working capital side, we think that 45 to 50 days is an optimum working capital cycle one should resume in this business. Right now, it is on the higher side because some of the supply chains are actually coming from China and because of these problems of COVID and lockdowns we are very careful because this is our only second year and we don't want to take any chance because in the last 1 year we have seen multiple times capacities get closed and then the supplies get delayed. Now we will be entering the peak season in the coming month. If we do not secure our supplies from China on a timely basis our operations can get delayed and it actually leads to loss for the customer and also for us. That is why we are extra cautious. But I'm very sure that in coming times in a year or two this situation will start improving significantly as the supply chain start moving from China to India. For example, all the critical components and some of the basic raw material like copper tubing and aluminium foil, right now or are getting imported from China or other countries. Those capacities are in the process of getting commissioned in India because of the PLI. I'm very hopeful that in the next 2 to 3 years significant import substitution will happen and we will be locally sourcing many of these components as well as raw material which will lead to both lower inventory levels and working capital in business. Because today importing and doing this planning itself is a very big task at all the companies which are making ACs in India.

Akhilesh Bhandari: Apart from depending on supply chain localization which of course to an extent is beyond your control any other internal measures which you are taking to control the overall working capital level?

Pramod Gupta: Internally right now, we are trying to optimize and we have an advantage over some of the competition that we have a single location and a large part of our business is actually coming from Supa in the western region. We are near to the port also, so those advantages are already there. But as the scale up happens in the business, the inventory levels generally in terms of number of days reduces which we will see this year and next year irrespective of whether the supply chain shifts or not. Also at our own end we are trying to be very tight on looking at the ordering and inventory level that without harming operations how can we optimize. But apart from that nothing more else we can do actually.

Akhilesh Bhandari: What kind of customer addition are you expecting in the fully automatic washing machine? How do you see that segment scaling up in FY24 and FY25?

Pramod Gupta: See fully automatic business has actually been slow in the business from our expectation I agree. One of the reasons is that probably the penetration levels of washing machine in the semiauto itself are pretty low in India. Because in a lot of the villages and also in Tier 2 towns running water, continuous power supply is just like 3-year, 4 year back phenomena and therefore that penetration level is increasing. Then upgradation to the fully automatic will probably be happening subsequently. So, our hope is that probably in 2-3 years' time when the market starts to get mature and the penetration levels improve then the upgradation will happen to the fully automatic side. Also please appreciate that in the outsourcing market, right now the large part of the outsourcing is happening for the semiautomatic side only. In the fully automatic side, most of the brands have their in-house capacity or they are still dependent on imports. The outsourcing on that side is not that prevalent as of now. But if it starts picking up we are getting ready and we are continuously investing in that business.

Moderator: The next question is from the line of Gopal Nawandhar from SBI Life Insurance.

Gopal Nawandhar: Just wanted to understand the process of the price negotiation and in terms of raw material sourcing and all for the coming season. What are the general timelines and how you are seeing the pricing versus say previous cycle?

Vishal Gupta: Supply chain there is no much change this year again and we have to really actually import lot of material in advance because our AC season actually falls right in middle of the Chinese New Year and sometime between 15th January till 15th February China is not working. Just to take care of that in fact we have to take all material shipments that have to be done. Whatever material we need to use till end of March, we have to import in advance. So, supply chain in AC is right now like this only and once some new plants come up, some component manufacturing starts happening in India with this PLI, maybe some things will get localized. GMCC compressor plant

has just recently started manufacturing and they are saying that they will start supplying small numbers of compressors from their India factory which is very near to our Supa factory in Ahmednagar and they will start supplying some small numbers. This is going to be the first year so we can't really rely on that. We have to actually assure our supply chain from China only right now and.

Gopal Nawandhar: In terms of imports what all components we are importing and is it that even post currency depreciation the imports are still attractive versus sourcing domestically?

Vishal Gupta: We are actually importing compressors, motors, copper and aluminum and controller. All the major components are being imported into India right now. As far as currency depreciation is there yes, the cost has gone up. But actually, there are not much alternatives available in India through which we can buy in India. We have to import even if the currency has depreciated.

Gopal Nawandhar: In terms of like-to-like product if you want to understand the pricing though copper decline in between but then currency depreciated and again copper is up. How we ensure that we don't take any hit on the raw material or on the margins?

Vishal Gupta: We are into two types of businesses. One is OEM, in OEM, in AC manufacturing also we have a every month pass through to the customers. In case of ODM yes there is a lag of a month or two to take the price increase and whenever the price decrease is there, customers are always after us and we try to delay that. But yes, this is there, yes commodities have eased. If you see in last 6 months the current commodities have really eased. But at the same time dollars has actually become very strong and the rupee has depreciated. All those gains have been more than offset by the depreciated rupee.

Gopal Nawandhar: Basically, you don't see any change in the unit price versus the previous year's price?

Vishal Gupta: As compared to previous year there has been a little decrease but because of the main categories are just three-star inverter categories in the AC. If you compare, if you see vis-à-vis last year prices there has been a very less price decrease, not increase but it has been not a very significant number. Maybe 1%-1.5% or 2% maximum at the BOM level.

Gopal Nawandhar: In terms of inventory levels at our customer level because what we have been hearing is that still customers are filled up with a lot of old inventories. In that case do you see like this old inventory which we have finished goods will take some more time to be liquidated?

Vishal Gupta: We don't carry any finished goods inventory. We are holding inventories at the component level first, second point when this BEE rating changed on 30th of June so in anticipation of that some customers had built up some additional quantities at their different channels. But those inventories has been more or less liquidated now because that we can see from the inquiries and the pick-up in demand from the customers. We are not seeing any challenge in that right now.

- Gopal Nawandhar:** Lastly in terms of our bid margins versus say last year and for coming season; how should one look at it? Whether it is improving or it should remain same or it will be under pressure?
- Vishal Gupta:** No, I didn't understand your question. Can you be a little louder and near to the phone?
- Gopal Nawandhar:** Yes, sure. Basically, what I'm asking is when we are negotiating with the customer, we are going with the X margin. That X margin since last year it was a beginning of the operations and all. Should one expect improvement in that margin, bid margin itself or it should still be similar to what it was last year?
- Vishal Gupta:** As last year was the startup year. You know there were certain learning costs and in fact this year we expect that margins will be little better. But I don't want to give you very rosy forecast on that but yes definitely we are looking...
- Gopal Nawandhar:** Your customer is also suffering with a lot of competition on ground. What is the reason?
- Vishal Gupta:** But still, we are very hopeful that we'll be able to improve on our margins in AC business vis-à-vis last year definitely.
- Moderator:** The next question is from the line of Pulkit Singhal from Dalmus Capital Management.
- Pulkit Singhal:** Just wanted to check these 126 crores operating profit guidance, is this EBITDA including other income?
- Pramod Gupta:** No, it is excluding other income.
- Pulkit Singhal:** If you exclude other income, if that's excluding other income it seems to suggest the 7% kind of EBITDA margin for the full year. Whereas I think in the first half you have done around 6.3% or 6.2% , sorry I am not getting that exactly right?
- Pramod Gupta:** 6.3%.
- Pulkit Singhal:** So, therefore in the second half you are expecting more than 7.5%-8% kind of EBITDA margin?
- Pramod Gupta:** About 7.5 we should do and I had given you absolute number, I have not given you absolute guidance on the percentage number. But yes, we should be having slight better margins in the second half.
- Pulkit Singhal:** If I look at the return on capital employed and this is the first year where your capacities are properly used so even if 126 crores of EBITDA were to happen and you subtract depreciation from that we come to a fee tax ROC of just 13%. I'm looking at your first half balance sheet to calculate the capital employed. This seems suboptimal even with full capacities being utilized?

- Pramod Gupta:** Yes, I agree but I don't know how are you calculating that? My sense is in all the case you take debt plus equity and you take trailing 12 months, on a trailing 12 months basis if you look at the numbers, I think Pulkit we will see that ROC will be upwards of 15% for sure.
- Pulkit Singhal:** No, I think you already have capital employed of 725-730 crores as of this September end and 126 crores is your full year guidance of EBITDA. Let's say you achieved that and even if you subtract depreciation you will come to around EBIT of 92 crores odd?
- Pramod Gupta:** So, you will also add the other income etc. into that because it is PBIT, you will have to take. Because this other income is largely not interest income or any other gain. It is actually the income which we get because of the operations are running and we are meeting some government incentives on tax refunds etc. sales tax refund etc. That is the reason we have to take that also into account.
- Pulkit Singhal:** Your 15% is taking that other income into account? Because it already reduces your capital employed, if you take that other income, it will be still, it increases the cash in the balance sheet and the capital employed is lesser to that extent. So, counting it again in the numerator does not make much sense but I get it. So, you are basically from next 2-3-year perspective what is the return on capital employed that you are targeting or you really believe that this can achieved?
- Pramod Gupta:** Between 15% to 20% pretax ROCE should be achievable in this Company and see we are in the continuous scaleup mode, lot of the machinery and I will say capital expenditure which we have done this year is actually still not in the operations. Please appreciate that even the CAPEX which we have done last year is going to be fully reflective only this year. Whatever CAPEX I'm doing this year will be fully reflective next year. Out of these 120 crores of or 130 crores of CAPEX that we are doing this year that will contribute very little to the numbers this year. They will be contributing to the sales of next year and the growth for the next year.
- Pulkit Singhal:** I understand that but then you are growing Company so you'll constantly have some CAPEX in the base. What about the new capital I mean you have taken some enabling resolution for capital raise what is the thought process on that?
- Pramod Gupta:** There are some opportunities which we were evaluating. Nothing has been finalized so we have not actually utilized that opportunity for raising capital. If something we come up from right now, we think that from debt and internal accruals we are good enough. Once we think there are some opportunities we will actually come and hit the market. Right now, we do not have any firm plan as of now. There was some opportunity which was coming which could not get finalized and therefore we are not moving ahead in terms of the capital raise immediately.
- Pulkit Singhal:** For the current growth plans, you don't see any capital raise require basically?
- Pramod Gupta:** It's a dynamic situation. See what is happening is because of the change in environment and the opportunities which keep on coming because we keep on hearing from the Ministry about the

different PLIs etc. also in the different segments we have kept options open. If any of those things start to materialize, we will probably look at raising capital. But as of now in the three businesses which we are doing which is basically product business of AC, washing machine, coolers, television and plastic molding, right now the requirement is not there immediately to raise any capital.

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

Keyur: Just want to understand first of all, how should we think about this season cycle I mean generally how does it work? Right now, you are discussing with the clients or you have already started producing for the next season and they've already given their estimated volume. Just want to understand timelines and how ramp up happens that is first? And second, I think as earlier participants also asked that few of the brands are saying that they have some inventory which is above normal inventory. So, despite being a good season why this kind of high inventory with the brand and is it impacting your orders of execution? Probably it gets delayed because brands already have enough inventory. Just want to understand these two parts?

Vishal Gupta: So, you asked basically three questions. First of all, whenever you are engaging with your customers it's a long-drawn process of the product selection and product validation. All those activities have been going on for last 3-4 months and we always get forecast, monthly forecast from our customers and we plan accordingly. We already have firm plans from all the customers from of us and we have actually planned our supply chain accordingly. So, coming to your second question why brands are carrying a little higher inventories. The reason which I have explained earlier also that because of the change in the BEE ratings on 30th of June which was effective new ratings were effective from 1st of July. People created some inventories of some categories of ACs where the bill of material cost was going up significantly. Brands created some inventory and because you are allowed to sell that AC for 6 months or 1-year something like that so they were able to take care of that. They wanted to take that benefit. So, for that you can say that they have been carrying some inventories from some category of models, not all models. Having said that, that's why our AC season, AC sales in September quarter were actually little muted because of that delayed pickup from our customers. But now from November and December onwards we are actually seeing a very strong ramp up and we are already looking at a good numbers going onwards from here now.

Keyur: The production which we do for the summer of 2023 so what all components will be available with us? I mean the entire pipeline that we have talked about ranging from cross flow to motors to heat exchangers and so electronics. For '23 summer what all we will make in house? If you can just give more idea about to what extent this is of our total volume and probably it's a long-drawn process so it may have been approved by some customers and some may take some time. Just to get update on each of the components or backward integration how are we placed?

Vishal Gupta: We are going to do in house all the components except compressor and motors and packaging material and some electrical cables and all those so plastic components, sheet metal components, heat exchangers, copper components, EFF and controllers; all those things are being done in house in our Supa Ahmednagar factory. Controller factory is going to start production in month of December. We have already got approval from our customers but this year we are not going to do 100% in house manufacturing of controllers. This year we are targeting around 25% in house and 75% we will continue from our existing sources the way we have been buying. We will ramp up those volumes and hopefully by next year we should do at least 75%-80% of controllers in house and some small quantity we will buy outsource. All these components have been already approved by our customers and they have been already planned in our 2023 season planning.

Moderator: The next question is from the line of Amit Agrawal from Burman Capital Management.

Amit Agrawal: First is on the other income. If you can help us understand what is the other income that we earned for the quarter and for which period it pertains to and also when is the expected other income from the Supa plant and also have you filed for PLI incentive?

Pramod Gupta: First of all, PLI we have not filed anything and we have not accounted also because PLI will be applicable only on this year's incremental production. PLI we will be probably taking into account only sometime next year when we file our claim which will be probably next year sometime. Now coming to the other income this quarter there was 8 crores other income out of which about 2.5 crores was for the Supa Unit-4 of PG Electroplast. It is a state government benefit which we have got and that the other 6 crores kind of income has come from the government benefit of UP. We have made the investment in UP and CAPEX in the last 3-4 years and based on that investment we have got some incentive from the government of UP.

Amit Agrawal: Are these recurring so both this Supa and the UP?

Pramod Gupta: Supa is recurring, UP is not recurring.

Amit Agrawal: This is one time that we have gained?

Pramod Gupta: Yes.

Amit Agrawal: And for the PG Technoplast the subsidiary, when can we expect in the same incentive?

Pramod Gupta: PG Technoplast we have still not completed our CAPEX. So, once we complete our CAPEX then only, we can probably do which will be probably next year we will complete our CAPEX commitment and then we will file for the eligibility certificate and once the eligibility certificate comes then only you can start accruing the benefit.

- Amit Agrawal:** And second on the margin. For this quarter the washing machines typically have higher gross margin, higher EBITDA margins, with respect to other products. That should have helped the overall margins?
- Pramod Gupta:** But TV had a lower margin.
- Amit Agrawal:** In the AC would we still be positive or do you think in terms of margins?
- Pramod Gupta:** No, we made a small loss there. We had a small loss.
- Amit Agrawal:** And for the full year if I heard it correctly you said 7.5% margin or for the H2 7.5% margin, is that correct?
- Pramod Gupta:** No, I never said anything about the percentage margin. I just said that we are standing by the guidance for the margin in absolute number which is 126 crores which is what we think we should be able to achieve despite the fact that we had an unexpected FOREX loss of about 5 crores in the first half.
- Amit Agrawal:** In a way that means there's an upside to the revenue numbers, am I reading it correct?
- Pramod Gupta:** I'm not saying anything like that as of now but I can tell you that from whatever business plans we have; we are very hopeful that some of the margin loss which we have had in the first half we should be able to make up in the second half.
- Moderator:** We take the next question from the line of Keshav Bharadia.
- Keshav Bharadia:** Just one follow up question. In AC what kind of value addition are we expecting overall 2 to 3 years down the line?
- Pramod Gupta:** The value addition is a difficult question to say but probably close to 20%-25%, 20%. Can you please clarify question? What do you mean by value addition, in house, domestic?
- Keshav Bharadia:** In house, so how much will be manufactured in house by us?
- Pramod Gupta:** Our of the total BOM value I think we should be doing around 50% to 60% will be domestic in-house manufacturing of the bill of material value.
- Vishal Gupta:** But value addition has a different value.
- Pramod Gupta:** Value addition is a different meaning. Value addition will be not be more than 15% but in house manufacturing of the BOM percentage if you are asking that should be around anything between 55%-60%.

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

Pramod Gupta: We are thankful to everyone for attending this call and thank you so much.

Vishal Gupta: Thank you all and I invite you all to visit Supa Facility. Please coordinate with me or send a mail to us and we will reply. We will like you to come and visit sometime in November and December when the production will be ramping up and by that time hopefully our control of facility will also be starting to operate so thank you everyone.

Moderator: Thank you. Ladies and gentlemen on behalf of PhillipCapital (India) Private Limited that concludes this conference call. We thank you for joining us and you may now disconnect your lines. Thank you.