



# PG ELECTROPLAST LIMITED

CIN-L32109DL2003PLC119416

**Unit-IV**

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**May 31, 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 Monday, May 30, 2022.

This is for your information & Records.

For **PG Electroplast Limited**

**(Sanchay Dubey)**  
Company Secretary



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**“PG Electroplast Limited Q4 FY-22 Earnings  
Conference Call”**

**May 30, 2022**



**MANAGEMENT: MR. VISHAL GUPTA - MANAGING DIRECTOR (FINANCE)**

**MR. VIKAS GUPTA - MANAGING DIRECTOR OPERATIONS**

**MR. PRAMOD GUPTA - CHIEF FINANCIAL OFFICER**

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

**Moderator:**

Ladies and gentlemen, good day and welcome to the PG Electroplast Limited Q4 FY22 Conference Call hosted by PhillipCapital (India) Private Limited. As a reminder, all participant lines will be in the listen only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing “\*” and then “0” on your touch tone phone. Please note that this conference is being recorded.

During this call, Company may make certain forward-looking statements based on the current, 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, uncertainties and other factors which may cause the actual results, financial condition performance or achievements of the Company or industry to differ materially from those in forward-looking statements. These forward-looking statements represent only the Company’s current intentions, beliefs and 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.

I now hand the conference over to Mr. Deepak Agarwal from PhillipCapital (India) Private Limited. Thank you, and over to you, sir.

**Deepak Agarwal:**

Thanks. Good afternoon all. On behalf of PhillipCapital I welcome you to PG Electroplast Limited Q4 FY22 Earning Call. Today we have with us management represented by Mr. Vishal Gupta – Managing Director (Finance), Mr. Vikas Gupta – Managing Director Operations and Mr. Pramod Gupta, Chief Financial Officer.

Without taking much of time, I would like to hand over the floor to the management for their opening remarks, post which we will open the floor for Q&A. Many thanks, open to you.

**Vishal Gupta:**

Thank you Deepak and thank you complete PhillipCapital team. Good afternoon everyone and thank you for sparing your valuable time and joining this call today. Hope all of you are doing great. I am joined in this call by Mr. Pramod Gupta, our Chief Financial Officer and Mr. Vikas Gupta our Managing Director Operations. We have already shared our results presentation earlier and hope you must have gone through that. FY22 has been a significant landmark year in the PG Group journey we crossed 1000 crores in revenue, we raised growth capital and the mainstay of our growth strategy our product business has delivered fantastic growth of 146% for the year FY22. Early in the year, we have doubled our washing machine capacity and has launched the fully automatic washing machine platforms and also the business was shifted from Noida to Roorkee and I’m very happy to share that washing machine business grew 119% for full year.

For the AC business, we applied and got approved for Government of India's PLI scheme. And have committed fourth largest investment in AC components PLI through our 100% subsidy PG Technoplast Private Limited. We have built and commissioned a world class RAC component and RAC assembly unit in Supa, Maharashtra. The project was completed in a record time of 165 days and is the first Greenfield plant to begin operations under the PLI scheme. It has the largest capacity for manufacturing air conditioners in Western India. The plant is also one of the most backward integrated AC manufacturing unit in India today with in-house manufacturing of plastic molded components, painted and unpainted sheet metal components, heat exchangers for indoor units, heat exchangers for outdoor units, integrated copper tubing shop and cross flow fan manufacturing.

For PG Group, AC products business grew 185% for FY22.

During the year, our R&D developed, validated and launched successfully new ODM platforms and products for washing machines, room AC and air coolers and all the products have had very good response from the market and our clients.

Coming to future plans now, we can see very strong demand for our products and we are preparing ourselves for a very strong ramp up in our product businesses again in FY23. Post this 146% growth in product business in FY22 we are again budgeting 120% growth in FY23 for our products business. Overall guidance is given in the release and we are confident of scaling all our businesses significantly in FY23.

In FY23 we will be again taking a big capacity expansion in our products business. We are almost doubling our washing machine capacity again and we are further expanding our RAC capacity to 200,000 indoor units and 100,000 outdoor units on a monthly basis. Along with we are going for further backward integration by adding a manufacturing facility for making RAC controllers in our Supa unit. With this now, I will hand over the call to my colleague, Mr. Pramod Gupta, our CFO to elaborate on the financials. Thank you.

**Pramod Gupta:**

Hello and good afternoon, everyone. I'm sure all of you have seen our financials and details already. We have had a great year from operations point of view. Despite all the challenges and cost pressures we have largely held our operating margins in FY22 despite the fact that we had several one-off costs throughout the year. In the first three quarters, we had cost impact due to fundraising cost, product testing, validation and sampling costs and few other one offs. In fourth quarter also we have taken our non-cash charge of 2.07 crores on account of ESOPs and Rs.50 lakh for warranties. Although, in the fourth quarter, we had a higher proportion of contribution from TV business to almost 9% of sales versus 4% in the third quarter, yet we had seen a margin improvement of 85 basis points quarter-on-quarter at the operating level. For the next year, we are expecting improvement in margins across all the businesses due to scale up and operating leverage. But, due to the fact that we will be probably seeing a much higher growth in the TV

assembly business, the overall reported margin guidance shows a small improvement. This is all from my side and I'll open the floor for question-answer now and we'll be happy to help you in any other clarifications which you have. Thank you.

**Moderator:** Thank you sir. We will now begin the question-answer session. We have the first question from the line of Abhishek Maheshwari from SkyRidge Wealth Management. Please go ahead.

**Abhishek Maheshwari:** Sir just wanted to talk about the capacity utilizations especially now that the summer is over, how are we doing in AC and washing machine sir?

**Vishal Gupta:** Our AC business is, see what is happening right now as you have rightly said the AC season is getting over. But we have made tie ups with one or two big customers and brands. And hopefully we'll be ramping up our productions in AC by month of August. For washing machine typically it's a season time so washing machine ramp up is happening from July onwards we are seeing a big growth in washing machine numbers also. So, overall, we will see a good bump up in our numbers in Q2 also, that is what we are hoping for. The numbers are looking good, yes, AC is a seasonal business and it is as expected the numbers will go down for Q2, but it will not be as compared to the last year the numbers, it will be certainly better than what we did in last year.

**Abhishek Maheshwari:** Understandable sir. And sir, secondly, you have recently commissioned your AC facilities and TV facilities and all, so are you at optimum utilization, when can you expect to reach optimum utilization levels where we can cover our fixed and variable cost and deliver a good margin there?

**Vishal Gupta:** Abhishek this business whether we like it or not. Some of the businesses if we see in the categories we are in product business, a cooler is a very seasonal business, AC is a little lesser than air cooler and washing machine is still better than all the three categories and LED also is equally to washing machine business. But there is a seasonality in the business that is the nature of this business, but as a Company we already have those things in place, those systems or those measures in place in order to control our cost whenever there is a lean time or lean season is going on. Having said that as you know the Company is in the growth phase and we are growing in a very fast way for last two years. So, as of now we don't see much challenges in meeting our fixed or variable cost, going forward when the business will stabilize, but we don't see another two years we will be in a very rapid growth phase. So, overall we are seeing a growth. So, right now that fixed cost and variable cost is not a major challenge as of now.

**Abhishek Maheshwari:** Okay, great sir good to know. And sir lastly any comments on input cost pressures and supply chain issues?

**Vishal Gupta:** Input cost in last if you see a March quarter and December quarter there was increase in commodity prices and there was a lag in passing on that increase to our customers. But going forward what we see there will be easing out in commodities and that we are already seeing. So,

Also there are two category of business OEM and ODM. In OEM business, we are able to pass through on a monthly basis to our customers, but in ODM business, there is always a lag in passing whether it's an increase or it's a decrease. It is always like that.

**Moderator:** Thank you. We have the next question from the line of Pulkit Singhal from Dalmus Capital. Please go ahead.

**Pulkit Singhal:** Just trying to understand things on the working capital side, because last few years, our working capital seems to be going up. Receivable days are up from 50 to 60 days, inventory days of sales are also up from 45 to -60 days, so if you can help us understand the reasons and also how we should look at these two line items for the future?

**Vishal Gupta:** Pramod you will take this or I shall take this?

**Pramod Gupta:** I will take it don't worry. See what has happened in our case, because this was our first year in the AC business, AC ODM solution business and we were therefore taking a lot of care so that we can actually meet this business without much difficulty, we had the increase in the inventory this year. And as far as receivables are concerned if you will see typically what happens in our business is that, always the fourth quarter is a very large quarter. So in this year also for the first three quarters our turnover was 600 crores almost and in the fourth quarter we did about 500 crores. So, optically the number looks very high in terms of the receivable days because the billing actually happens in the last few months at a very high rate. Now, this is going to get slightly better in coming years as the business gets more balanced and over the next couple of years we see a slightly more balanced growth over the full year, more balanced revenues over the full year so the receivable days will start coming down.

Coming to the inventory side, from this year onwards the inventory days will look lesser because of a couple of reasons, one or two of them are structural and another internal things also. Right now, we have to carry lot of inventory in AC business because Chinese New Year typically comes in between the fourth quarter which is basically typically January, February, sometimes that time and, during the Chinese New year, shipments from China are delayed invariably and they are not coming, they're not shipping the goods or raw material from there. So you typically have to keep slightly higher inventory. Now as and when the ecosystem is getting developed in India, because this PLI is for components and more and more components are built in India and that import dependence on China reduces, we will probably be seeing much less requirements to keep the high inventory of imported components that we are keeping today.

Secondly, as our business have been, as I said like we had a huge ramp up in this year in the month of February, March April. Next year this this is not going to be there for sure. And therefore the inventory levels are going to remain lower or inventory days will look actually lower. So that is my submission and we can assure you that we are actually all the time very

consciously working towards having a better capital utilization. And we are short on capital as a company and we have a debt so we are actually always very conscious of keeping the inventory at our end, especially given the kind of high raw material prices right now.

**Pulkit Singhal:** Right. So the cash conversion cycle is around 33 days of sales. So as your product business goes higher, and that is the ones that is going the fastest, does that have a higher working capital intensity in the overall business or the lower one?

**Pramod Gupta:** It has slightly higher working capital intensity, but this working capital intensity will continue to improve over the years as the ecosystem for the components in India starts developing. Today, the big problem is that we are importing lot of components still from China. Now, as and when this dependence keeps on coming down, the number of inventory or the amount of inventory that you need to keep will keep on going down.

**Pulkit Singhal:** Okay. And in terms of your net debt targets, this is a first year your net debt has crossed equity. So, it's more than one times equity around 350 crores odd. How do you look at internally when you're deciding a growth that you, what is your limit that you will not cross in terms of the debt, net debt to EBITDA, or net debt to equity?

**Pramod Gupta:** No, net debt to equity we don't want to cross one, but this year what has happened is, our plant got commissioned in the fourth quarter only. And because of that, all the debt has actually come in this year in the balance sheet, while the plant has actually contributed only for one quarter. So profitability and those numbers are looking slightly higher and we are carrying slightly higher inventory also because the fourth quarter was a AC season this year and we were very cautious that we didn't want to miss any deliveries to clients, we didn't want to take any chances basically. Now, going forward this will all improve and we think that debt to EBITDA ratios as well as debt to equity ratio will come down.

**Pulkit Singhal:** So, will it become below one in next year or will it take slightly longer to come below one than the equity?

**Pramod Gupta:** It should be around one, I don't exactly know how the situation will pan out in the fourth quarter, but we will try to, we will target to keep it below one that is our internal target to always have debt to equity ratio of less than one.

**Moderator:** Thank you. We have the next question from the line of Ashish Kumar Singh an Individual Investor. Please go ahead.

**Ashish Kumar Singh:** My questions were on the CAPEX that you announced last week on the Maharashtra plant. So, I wanted to know about the timeline and how the CAPEX will be funded there?

**Pramod Gupta:** Sure. So, this CAPEX is actually the same CAPEX which we are taking for the PLI and it is also the same CAPEX which we announced last week, part of which this capex we have already undertaken for the SUPA he facility, its just that the announcement was made during the event in Davos by the government, but a large part of that CAPEX is already underway in a sense that this year and next year by next year, a significant portion of this CAPEX will be covered.

**Ashish Kumar Singh:** Okay. And how is that been funded right now?

**Vishal Gupta:** This CAPEX is majorly funded by debt and internal accruals both right now.

**Moderator:** Thank you. We have the next question from the line of Bhalchandra Shinde from Kotak Life. Please go ahead.

**Bhalchandra Shinde:** Sir, I would like to know a longer-term perspective wise, since we are investing in PLI investment 320 crores and to get incentives from government on an average accumulatively we need to assume 1500 crores sales in AC component. So, are we confident that much to assume that and how much sales are we require to do in the AC to achieve 1500 crore in AC components?

**Pramod Gupta:** Good question. I will tell you, when we have planned to do this investment we have done a lot of simulation internally. And the kind of projections which we have made for ourselves, we see that it is not going to be very easy also, but it's not going to be very difficult if the numbers are achievable. And we are very hopeful that we'll be able to achieve these numbers going forward. Fourth, and fifth year there might be a little challenge, but there's a caveat in the PLI scheme. Even if you're not able to achieve your sales numbers through AC components, you can do a non-AC component sales also and achieve those numbers. So that flexibility has been built into the policy. So with that, we don't see any challenges within sales numbers.

I come to your other question, the kind of eligible components what we have applied for and have been approved in PLI. So, we are roughly covering the 50% of the sale price of the AC from our side. So if we are able to achieve a top line of 3000 crores in fifth years, so it will translate roughly into a 1500 crore sale into components. Now, the good point about our Company is that, that our base year turnover was very low. So this 1500 crore has to be incremental over your base year. In our case, the base year number is only 84 crores. So with that number for us to achieve an incremental turnover of 1500 crores over 84 crores is not a very big challenge. I hope this has cleared your query.

**Bhalchandra Shinde:** Yes. And for the investment we have seen increasing debt but here onwards is it fair to assume that most of the investment will be through internal accruals only?

**Pramod Gupta:** Yes, we are very hopeful next year onwards we will be having enough cash flow that we'll be able to do through internal accruals, this year also we are going for a CAPEX of 130 to 140



crores. So we will be going for some debt also this year also. But from FY24 onwards, we don't see any requirement of taking any further debt to meet our investment requirements.

**Moderator:** Thank you. We have the next question from the line of Arpit Shah from Stallion Asset. Please go ahead.

**Arpit Shah:** I had a couple of questions regarding the business, I am a bit new to PG Electroplast as a Company. So would require a few details and excuse me firstly if there any basic question that I have. So, if I wanted to understand the contours of the PLI scheme, we are currently going to make around 320 crore investment over the next four or five years. So what is the percentage of incentives which you are going to get from the government, what are the incremental revenue that you have to do cumulatively over the next four years?

**Pramod Gupta:** Sir, under PLI scheme if you are in a category of 300 crore investment, so if you're able to do a 300 crore investment on an incremental basis, spread across five years, and then you are able to achieve a incremental turnover as prescribed in the policy, then you will get around 77%, 78% of the around 66% sorry, out of 300 crore you will get roughly 200 crores back as an incentive from the government.

**Arpit Shah:** Okay, good. And this will be purely on the AC component side right?

**Vishal Gupta:** Yes, this is o the AC component side as I've said earlier, but if you are not able to achieve some portion of that can be covered under non AC so largely you will get this benefit on your total investment of 300 crores you will get 200 crores from the Government of India.

**Arpit Shah:** Got it. And currently what we are supplying in terms of TVs and AC what will be the mix in terms of ODM and OEM?

**Vishal Gupta:** In case of AC, it's 75% of top line comes from ODM, in case of washing machine it is 100% ODM, in case of LED TV it is largely OEM and in case of air cooler it is 100% ODM.

**Arpit Shah:** Okay, so we are largely an ODM Company got it. And currently we will be reinvesting a lot of capital, right in terms of PLI scheme, working capital and scale up in other businesses what kind of capital the Company will require we already probably more, that is already more than 1x of our equity. So we probably need to go for a capital raise, or what kind of capital requirements our come would be?

**Vishal Gupta:** So, for this year FY23, we have already made a plan for 130-140 crores of CAPEX. And we will be taking a small debt, not a very big figure of debt. And the rest of it will be managed through our internal accruals. And as far as capital raise is there, we don't have any plans as of now to do that. But we are going to take a shareholder enabling resolution but nothing for immediate, next three, four months we don't have any plans.

- Arpit Shah:** Got it and what would be the client concentration currently?
- Vishal Gupta:** For AC, washing machine business we have a very widespread customer base. So there is no customer who is more than 15% or 20% of the total our business of that product category. In the air cooler right now we have one customer only quoted and we are doing decent business with them. And for LED TV, we have two or three customers right now. And we are in the process of adding one or two more customers. And right now AC and washing machine we have a decent widespread customer base. But air cooler and LED categories are also small and we're trying to build on those categories and add more customers in due course of time.
- Moderator:** Thank you. We have the next question from the line of Amit Agrawal from Burman Capital Management. Please go ahead.
- Amit Agrawal:** First, sorry if it's possible, can you give a breakup of revenue in terms of AC, washing machine and air cooler within the product division for the quarter and for the full year?
- Pramod Gupta:** Just give me a second, I am just opening the file. So we had totally in the product business 478 crores turnover this year out of which 297 crores was AC, washing machine was 167 and coolers were 14 crore and for the quarter the AC business was 200 crores and washing machine was 50 crores and about 9 crores was coolers.
- Amit Agrawal:** Got it sir. And sir also in terms of margins, can we have a broader split in terms of division wise margin for the quarter end and the full year?
- Pramod Gupta:** We don't intend to share that number but, I can just briefly give you a little bit of color that, in the product business the margins on a normalized basis at the operating level are about 7% to 8% and in the plastic molding business they are about 6% to 7%.
- Amit Agrawal:** Got it sir. And sir in terms of our so, when you said 84 crore is a base that we had in FY20 is this related to the plastic component that we had?
- Pramod Gupta:** Yes, that was related largely and only to the plastic component and little bit of heat exchangers we must be doing that time.
- Vishal Gupta:** It was largely plastic only
- Amit Agrawal:** Okay. And when we say 290 crore of AC revenue this year, this is complete built unit there will be over and above there would be some component revenue which would be booked in plastic molding regarding AC?
- Pramod Gupta:** Yes, you are right.

- Amit Agrawal:** What would be that number sir?
- Pramod Gupta:** That number will be probably similar to some 50, 60 crore or maybe actually around 70, 80 crores because in PGTL also now we started supplying components to, so it will be around 80 crores.
- Amit Agrawal:** Okay. And sir when we look at from like say FY27 perspective and looking from an incremental sale are we looking at more fully built unit or are we also looking some contribution from component by selling it to all the brands?
- Pramod Gupta:** So, actually component will be always contributing because there are some components which we are supplying to some of our leading customers, but the large proportion almost 85% to 90% of the proportion for the PLI revenues will be covered from the in-house usage of the components that we will be getting in our ODM solutions to the customer. So, what I basically mean to say like, individual component requirements from customer will be very small and large part of it is going to be through the solution that we will be giving to the customer.
- Amit Agrawal:** Got it. And sir in terms of our capacity as of 31st March 2022 in terms of AC IDU, ODU and washing machine, semi-automatic, fully automatic what would be the numbers sir, whole plant combined?
- Pramod Gupta:** Washing machine we can do 15,000, fully automatic washing machines per month and 50,000 semi-automatic washing machines per month right now. In AC in indoor we can do close to 125,000 indoor units every month and 50,000 outdoor unit every month and we are completely backward integrated in the components which we do right now in these units as of 31<sup>st</sup> March.
- Amit Agrawal:** Got it sir and sir in terms of this 290 crore revenue that we booked what would you broader split of IDU and ODU?
- Pramod Gupta:** Just give me a second, 234 was indoor unit roughly and 63 crores was outdoor unit.
- Amit Agrawal:** And sir last question in terms of our future plans within AC they are own consolidated in Maharashtra. So, the entire future CAPEX will happen in the same SUPA vicinity, in and around Ahmednagar?
- Pramod Gupta:** Not really actually we are also having a unit in PGTL which is in Greater Noida, we are actually going to do significant CAPEX this year there also to develop some component ecosystem of cross flow fan and plastic molding we are already doing there, we are contemplating internally to probably start doing heat exchange also there and may actually start servicing some IDU solution from there to some of the customers that is still in the discussion stage and we will be probably taking a decision very soon on that.

- Amit Agrawal:** And sir, I would assume our super facility would be largely catering to the West India market right?
- Pramod Gupta:** No, it's nothing like that. We cater to the brands and then brands actually sell all across India, it is not that they are selling only in West, some of the brands are actually shipping the products to North as well as South also from our facility.
- Amit Agrawal:** But, sir in terms of again if you have any broader numbers of like 290 crores sales we did because I am assuming you would have some visibility on where the products are getting delivered but any broader sense in terms of West market what would be that number?
- Pramod Gupta:** See, it's very difficult for us to get that because in some of the customers they take it to their warehouse in the West and then from there they distributed in, only few customers, very few customers we actually directly ship to their warehouses in the other part of the region. So, getting that number will be guessing, which is not right.
- Vishal Gupta:** Let me tell you from the feedback what we have from our customers, having a plant situated in Maharashtra in this Ahmednagar district. So we are quite equidistant for North also and South also and the East side of India also so that way the kind of interest what we are getting from our clients is on the basis of that because, we are able to feed them pan India market from our location Maharashtra
- Moderator:** Thank you. We have the next question from the line of Abhishek Maheshwari from SkyRidge Wealth Capital. Please go ahead.
- Abhishek Maheshwari:** Sir, what FA turnover and margins are you targeting for FY23?
- Pramod Gupta:** Sorry, I got your question but I'll tell you something. The reason why I'm not able to exactly pinpoint and give you the answer for that is because we are doing continuously CAPEX and how much of that CAPEX actually gets capitalized next year before the balance sheet date is going to decide the fixed asset turn as well as the margins on that. But margins on an overall basis, as I said have to improve in all business segments. Coming to the fixed asset side, fixed asset turnover. My sense is that, as the businesses fully scale up, the fixed asset turn for the Company will significantly improve from what it is today.
- Abhishek Maheshwari:** So, currently it is at around 2.5 or so maybe we can expect it to go to 3, 4 to 5?
- Pramod Gupta:** Yes, 4 to 5 is the internal target that we have for the next couple of years. We have to reach there to get our desired return ratios, and we are working very hard towards it.
- Abhishek Maheshwari:** Excellent. And sir last question. Sorry, I missed out the part where you were explaining your working capital cycle. So, I saw the presentation you've written also that working capital

increased because of delays in the plant cramp up due to fire accident. So, going forward as things normalize and plant stabilize the working capital loan and all should increase is my assumption correct sir?

**Pramod Gupta:**

Sir what is going to happen is. Now already the working capital loan and as well as the working capital, basically the inventory are running down because the season has been going on and the AC we have been utilizing the raw material which we imported. This will continue like this till August, September. And then from September onwards, we'll start rebuilding the base for November ramp up that we will have to do for the next season. So because of the seasonality in the AC business, what's going to happen is, that you will see the cycle of the balance sheet as well as the working capital, being at the peak around March and then it keeps on coming down till September, October and then again, it starts going up from October till March. But next year, the numbers will be looking much better, because this year we had a first half, see there is the calculation issue also because first half, we had a very slow revenues out of the 1100 crores, we did only 300 crores in the first half. And because of that, overall the number for the full year when you look at it at the yearend inventory and divided by the full year turnover and look out at the days, the days look unusually high this year, that situation is not likely and hopefully we will have much balanced year. And therefore the numbers will look better and also we are continuously working to optimize the inventory levels, et cetera. And we are doing several things at our end so that we can take care of these issues.

**Abhishek Maheshwari:**

Okay, sir and one broad level question, considering the industry that you operate in the nature of business you're in and the asset turnover of five to six that you're targeting, naturally the volumes are going to ramp up and pick up strongly in next two or three years. So, obviously the working capital also requirements also increase significantly so say any internal target you have that you would want to maintain and are your customers compliant with those days receivable and days payable that you are internally targeting. So what kind of number are you targeting the in terms of working capital days for long term perspective I am asking?

**Pramod Gupta:**

From a long-term point of view, you can actually take a working capital cycle of about at least 45 to 50 days and that is what we should be seeing as the product business becomes larger there are mix of customers some of them pay very early, some of them have a payment cycle of up to 60 days also. So, depending upon the mix of how they grow individually, the final situation will actually decide the working capital cycle, but we are very sure that as the ecosystem for the component in India improved lot of this dependence on inventory especially of high cost items that we have to keep because we have to import these goods from China, those things will continuously keep coming down over the next three to four years, as the companies ramp up their production in India for making the components. Some of the critical components, both an AC as well as washing machine.

**Abhishek Maheshwari:** Okay, so the working capital days you are saying that working capital days will increase from here but they should stabilize at 40 to 45 days?

**Pramod Gupta:** Yes.

**Moderator:** Thank you. We have the next question from the line of Arpit Shah from Stallion Asset. Please go ahead.

**Arpit Shah:** Yes, I just wanted to understand the seasonality of your business because you've just added a lot of new lines of businesses. So what is the percentage of revenues will be coming from let say from Q1, Q2, Q3, Q4, because for Q4, Q1, we typically a heavy quarter for our Company. So would that mix chain going ahead?

**Pramod Gupta:** I don't think the mix will change significantly, but it will improve for sure. See last two years, there has been a hit on our business in both the years in the first quarter because of the COVID lead shutdown. And we have a high dependence on some of the summer products like AC and refrigerator in the plastic molding side. And they are actually going next year also the AC is likely to remain very large even the product side. So that seasonality will continue, but from today 30:70 in the first half of the calendar, which we have been doing for the last two, three years will probably shift and improve to 40:60 kind of a number in the next couple of years.

**Arpit Shah:** So, 40 would be in the first half and the 60 I didn't get the last?

**Pramod Gupta:** No, first calendar half will be 60% which is January to June and then in the two quarters, which is September and December quarter that will be 40%.

**Arpit Shah:** Got it. And largely we have got an ODM side of the business right, be it RAC, washing machine, and even in air cooler. How would you be able to manage margin because here you will not have a complete pass through, there would be a lag of let say one or two months or maybe a quarter. How will you be maintain the margins, given the inflation scenario?

**Pramod Gupta:** Yes. So typically the way we do our pricing of the product is, on a lag two month basis average we try to do the pricing and we have a pricing contract. We try to change the price every two to three months depending on the contract we have with the client and we try to preserve the margins in the business. And we hope that we will probably not be seeing such a steep rise in the commodity prices as we have seen in the past one and half, two years and if that's the case, then typically the price pass on is easy. But if you have a very steep rise like we have seen in the last two years, it takes some time but it's happened eventually.

**Moderator:** Thank you. We have the next question from the line of Dhruvesh Shah from JM Mutual Fund. Please go ahead.

**Dhruvesh Shah:** Sir, any new customer addition that you would like to highlight which are of significance during the quarter in AC or washing machines?

**Pramod Gupta:** Actually, we don't talk about customers so much, but we have had significant customer addition this year in all the segments even in the plastic molding side and even on the AC and washing machine. AC was the first year in the ODM solution and in the very first year, we have been able to add seven customers and we started billing all of them largely in the fourth quarter. Similarly in the washing machine, we have been adding very good customers. Now we service almost close to 16, 17 brands in India, in washing machine and we continue to add some significant names in the washing machine even in the current year.

**Dhruvesh Shah:** Okay. And what would be our market share in the outsourcing industry in AC and washing machines separately?

**Pramod Gupta:** That number is not formally available but in washing machine on a monthly run rate basis we are probably number two and it's difficult to get the market share because there are a couple of unlisted player whose numbers are not available to us. But we do know from the customer interaction that we are having probably in the number of washing machines, second largest outsourcing player we are there on a monthly basis. In AC also the same challenges is there but in AC our market share will be very small because it's still one of the large player controls very, very high market share in the AC outsourcing industry

**Dhruvesh Shah:** Okay. And any shortages that you are facing in terms of raw materials or any other problems that you are facing while manufacturing in RAC or washing machines?

**Pramod Gupta:** No nothing, very substantial as of now only issue is like whenever you start a new facility and you have very big ambitions in terms of ramping the plants, the significant challenges come on account of manpower availability, raw material, systems and those kind of things we are taking care now with the season has passed and we think we have done a reasonably good job in the season. Next season will be probably much smoother and much better in terms of ramp ups and delivery.

**Moderator:** Thank you. That was the last question. I would now like to hand the conference over to PhillipCapital for closing comments.

**Deepak Agarwal:** Thanks everyone for participating on this call, management you'd like to make any closing remarks. Thanks.

**Vishal Gupta:** See, the Company has been aggressively doing CAPEX and trying to expand their capabilities also and the capacities also. And with the government support of Make in India, Atmanirbhar Bharat and PLI schemes and all kinds of tariffs and non-tariff barriers what government is trying to create for import reduction in India and create self-reliant India. So, we are seeing a lot of



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growth potential and there is a good size of the market which we can cater to and we are seeing good numbers to come in next few years. So things are looking very exciting and good. And as a team, we are trying to work hard and in fact the challenges is that we have to make the growth sustainable and that we do understand internally. And the management is doing lot of discussions on that to how to grow in a sustainable manner. Thank you.

**Pramod Gupta:** Thank you.

**Vishal Gupta:** Thank you, everyone.

**Moderator:** Thank you. On behalf of PhillipCapital (India) Private Limited that continues the conference calls. Thank you for joining us and you may now disconnect your lines.