

20th May, 2026

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Mumbai 400 001
Scrip Code: 500575

National Stock Exchange of India Limited
Listing Department
Exchange Plaza
Bandra-Kurla Complex
Bandra (East), Mumbai 400 051
NSE Symbol: VOLTAS

Sub: Transcript of the Q4 FY26 Earnings Conference Call

Dear Sirs,

Further to our letters dated 11th May, 2026 and 14th May, 2026, we enclose herewith a copy of the transcript of the Q4 FY26 Earnings Conference Call held on 14th May, 2026.

The same is also being made available on the Company's website at:

<https://www.voltas.in/investors/disclosure-under-regulation-46-lodr/schedule-of-analysts-or-institutional-investors-meet>

Thanking You,

Yours faithfully,
For **VOLTAS LIMITED**

Ratnesh Rukhariyar
Company Secretary & Compliance Officer

Encl: as above

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A **TATA** Enterprise



“Voltas Limited
Q4 FY26 Earnings Conference Call”

May 14, 2026



MANAGEMENT: **MR. MUKUNDAN MENON – MANAGING DIRECTOR – VOLTAS LIMITED**
MR. K.V. SRIDHAR – CHIEF FINANCIAL OFFICER – VOLTAS LIMITED
MR. NIKHIL CHANDARANA – HEAD OF CORPORATE FINANCE – VOLTAS LIMITED
MR. MANISH SOMANI – HEAD OF FINANCE CONTROLLER – VOLTAS LIMITED
MS. SUMANA TRIPATHY – HEAD (FP&A) – VOLTAS LIMITED

MODERATOR: **MR. ANIRUDDHA JOSHI – ICICI SECURITIES**

Moderator: Ladies and gentlemen, good day, and welcome to Voltas Limited Q4 FY26 Earnings Conference Call hosted by ICICI Securities Limited. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing star, then zero on your touchtone phone. At the time of the question-and-answer session, we would request participants to please limit their question to one per participant. Please note that this conference is being recorded.

I now hand the conference over to Mr. Aniruddha Joshi from ICICI Securities. Thank you, and over to you, sir.

Aniruddha Joshi: Yes. Thanks, Rituja. On behalf of ICICI Securities, we welcome you all to Q4 FY26 and FY26 Results Conference Call of Voltas Limited. We have with us today senior management represented by Mr. Mukundan Menon, Managing Director; Mr. K.V. Sridhar, Chief Financial Officer; Mr. Nikhil Chandarana, Head of Corporate Finance; Mr. Manish Somani, Head of Finance Controller; and Ms. Sumana Tripathy, Head FP&A.

Now I hand over the call to the management for initial comments on the quarterly performance, and then we will open the floor for question-and-answer session. Thanks, and over to you, sir.

K. V. Sridhar: Good evening, all. This is Sridhar here, CFO, Voltas. Glad to connect with you all this evening. This is the quarter and year ended 31st March '26 results for Voltas. So, Voltas delivers progressive recovery in Q4, supported by cooling segment and robust performance from the other diversified businesses.

To give a background on the global economy, the global economy entered 2026 amid a backdrop of cautious recovery and rising uncertainty. Moderating inflation, improved financial conditions and sustained investment momentum supported economic activity during the early part of the year, while global trade flows and consumption trends remained relatively resilient despite uneven recovery across regions.

However, as the quarter progressed, escalating geopolitical tensions, particularly across energy-sensitive markets triggered significant volatility in commodity prices, currencies and logistics networks, further elevating input cost pressures and downside risks to global growth.

Against this challenging backdrop, Voltas continued to demonstrate resilient and progressive financial improvements supported by strong domestic demand fundamentals, structural reforms and the company's ability to proactively navigate supply chain and operational disruptions.

Despite headwinds including delayed summer onset in select markets, global supply chain constraints and currency volatility during Q4 FY26, the company delivered a progressive recovery and continued to maintain its leadership in the cooling segment through a combination of resilient-led strategy, customer-centric innovation and disciplined execution.

Over the last year, Voltas has undertaken transformative initiatives across the B2C segment, including a refreshed product portfolio, stronger manufacturing capabilities, enhanced brand

investments, sharper consumer communication and deeper channel engagement. These initiatives are now beginning to deliver tangible outcomes across operational efficiency and brand momentum.

The projects business also demonstrated resilience with stable execution and healthy operational performance, further strengthening Voltas' position as a diversified and future-ready enterprise. The agency business delivered stable performance in Q4 FY26. While the external environment continues to remain dynamic, management remains firmly focused on sustainable growth, margin resilience, disciplined execution and long-term value creation for shareholders.

A brief on the financial performance. For the quarter ended, consolidated total income was INR 4,930 crores against INR 4,847 crores last year same period. PBT was INR 181 crores against INR 343 crores same year last period and net profit was INR 113 crores versus INR 236 crores last year.

For the year ended 31 March '26, consolidated total income was INR 14,483 crores against INR 15,737 crores last year. PBT was INR 557 crores versus INR 1,191 crores last year, and net profit was INR 377 crores versus INR 834 crores last year.

A bit of detail on the segments. About Segment A, which is the UCP segment, Segment A was primarily driven by the RAC business where Voltas further strengthened its market leadership position. Voltas continues to lead over the No. 2 player, reinforcing the company's strong brand equity, extensive distribution reach and consistent execution strength across markets.

FY26 marked a significant transformation phase for the Voltas cooling business. The company undertook a comprehensive refresh of its RAC portfolio with sharper focus on feature-led, energy-efficient, intelligent cooling technologies and differentiated consumer experiences.

Anchored in customer-centric innovation, Voltas launched its Summer 2026 portfolio led by AI-powered Vertis Split AC Series with features like AI adaptive cooling, AI geofencing, AI energy manager designed for the discerning Indian consumer. This was complemented by the repositioned Har Ghar Voltas campaign, which strengthened the brand's emotional connect with Indian consumers while modernizing its appeal for younger and aspirational households.

Alongside product innovation, Voltas accelerated investments across branding, marketing, consumer communication, retail visibility, channel engagement and financial accessibility to enhance conversion and strengthen market presence across geographies. These transformation initiatives helped Voltas deliver one of the highest-ever sales months in its history during March 2026.

Within Segment A, Commercial Air Conditioning delivered strong performance supported by healthy mix of product and AMC business, sustained urbanization, infrastructure investments and rapid growth in digital infrastructure continued to drive a strong pipeline for the CAC business, positioning it for robust long-term growth.

Commercial Refrigeration also delivered a steady quarter while continuing to focus on institutional sales expansion, channel development, customer diversification and introduction of new product lineups. CAC, CR and AR continue to play an important role in deepening UCP's diversification and reducing dependence on seasonal room cooling demand.

However, margins during the quarter were impacted by commodity inflation and currency depreciation. These pressures were partially mitigated through comprehensive cost reduction and value engineering program encompassing improved sourcing, deeper localization, targeted design innovations and manufacturing efficiencies.

Recent geopolitical conflicts and war-related disruptions created volatility in raw material availability, logistics, energy costs and currency markets. Voltas successfully navigated these challenges through a combination of structural preparedness and tactical agility, ensuring uninterrupted production and market servicing.

The company now enters the current season with a more clearly defined segmentation strategy, refreshed product mix, sharper premium positioning and refreshed marketing campaign, with new celebrity brand ambassadors tailored for diverse customer segments across geographies. At the same time, manufacturing investments undertaken over the last 2 years are now beginning to deliver tangible operational benefits.

The Chennai and Pantnagar manufacturing facilities are currently operating at better utilization levels as compared to the previous year. Voltas continues to accelerate investments in factory automation, manufacturing optimization, warehouse rationalization and integrated inventory planning to further improve responsiveness, supply chain resilience and cost competitiveness. Together, these initiatives are expected to deliver improved margin realization and reinforce Voltas' leadership across Indian cooling space.

Voltbek continues to play a strategic role in Voltas' long-term vision of building a scaled and diversified consumer durables platform, with 8.6% year-to-date market share in washing machine segment and 6.2% in refrigerators in a sluggish market.

Over the last year, Voltbek has accelerated its transformation journey through sharper portfolio premiumization, deeper localization, expanded channel reach and stronger consumer engagement initiatives aimed at strengthening its position in the highly competitive home appliance market.

Continuing with this philosophy of delivering smart technology, superior cooling performance and long-lasting durability, Voltbek introduced enhanced product features in the frost-free refrigerator segment with improved energy efficiency, design aesthetics, storage innovation and consumer convenience features.

In the fully automatic machine category, the company launched innovation-led product ranges featuring advanced hygiene wash technologies, energy smart solutions and differentiated consumer-centric features tailored for evolving Indian consumers.

Alongside product innovation, Voltbek continued to strengthen its brand mix strategy supported by expanded retail presence, deeper channel penetration, enhanced in-store visibility and stronger consumer engagement across key markets. These initiatives are steadily strengthening brand preference and improving conversion across channels while positioning Voltbek as an increasingly relevant player in an Indian home appliances segment.

A key strategic focus during the year has been localization and manufacturing scale-up at the Sanand manufacturing facility. The company continues to deepen localization levels across key product categories, improving sourcing efficiencies and enhancing manufacturing integration to strengthen cost competitiveness and supply chain resilience.

Supported by design innovations, calibrated pricing actions, improved sales mix and ongoing cost optimization initiatives, these efforts are expected to support sustainable margin expansion while building a strong foundation for long-term growth.

Going forward, Voltbek remains focused on expanding its energy-efficient and innovation-led product portfolio while steadily scaling its distribution network and strengthening its position as an integral part of Voltas' broader home solutions ecosystem.

Segment B, Electro-Mechanical Projects. Segment B continues to play a critical role in strengthening Voltas' portfolio diversification strategy, helping mitigate earnings volatility associated with seasonal nature of core cooling businesses by enforcing the company's positioning as a diversified engineering and product solution enterprise.

During FY26, the business maintained strong momentum through a sharper focus on execution discipline, selective order booking, working capital management and profitable growth across both domestic and international operations.

The domestic projects business continued to secure strategic orders while increased focus on fast track and margin-accretive opportunities across high-growth sectors, including electronics manufacturing, industrial infrastructure, data centres, Metro and tunnel projects. These sectors continue to benefit from accelerated investments driven by urbanization, digital infrastructure expansion, localization initiatives and government-led infrastructure development.

The businesses also prioritized timely execution and project delivery across multiple sites, resulting in stronger cash flows, improved execution efficiency and enhanced profitability. Greater emphasis on project selection, milestone-based monitoring, disciplined receivables management and tighter operational controls continue to strengthen the quality of the order book and improve overall business resilience.

Within the international project business, geopolitical tensions and Middle East conflict created operational disruptions across travel, logistics, site execution and commercial settlements.

Despite these challenges, Voltas responded with agility and discipline by activating dedicated crisis response teams, implemented employee safety protocols, strengthened travel controls and evacuation readiness and establishing a rigorous daily monitoring framework covering critical

operations, liquidity and collection management and project execution. These measures enabled the company to effectively mitigate risks while ensuring continuity across key projects and customer engagements.

During FY26, the international business also witnessed healthy new order inflows, further strengthening the order pipeline, while improved collections, tighter controls and disciplined risk management helped reduce overall risk and improve operational stability within the business.

As of 31st March 2026, the total carry forward order book in Segment B stood at close to INR 6,200 crores, providing strong revenue visibility and reinforcing confidence in the long-term growth opportunities across domestic and international projects business.

Segment C. Segment C continues to strengthen the Voltas engineering portfolio through a balanced mix of industrial equipment aftermarket services and long-standing customer partnerships while providing stable and relatively non-seasonal revenue streams for the company.

The Mining & Construction Equipment Division delivered steady top line growth during the year, supported by sustained demand for crushing and screening machinery, continuity in operations and maintenance contracts and stable performance from the Mozambique operations.

The business continued to benefit from infrastructure development activities, mining sector demand and increased focus on productivity enhancement across construction and material handling applications.

Alongside equipment sales, the division continued to strengthen its aftermarket and service annuity business through deeper customer connect, improved life cycle support and enhanced service capabilities. A healthy inquiry pipeline, expanding service opportunities and stable operations across key markets provided improved visibility for future growth while reinforcing the resilience of the business model.

Within the Textile Machinery Division, the business operated in a challenging environment marked by geopolitical uncertainty, supply chain disruptions, rising raw material costs and cautious capital expenditure sentiment across the sector.

Despite near-term market uncertainties, the business demonstrated resilience through steady execution of pending orders, strong after-sales performance and continued traction in the post-spinning segment. The division also continued to focus on customer retention, service responsiveness and strengthening its solutions portfolio to enhance engagement in the textile manufacturers across markets.

Looking ahead, policy support measures announced under Union Budget 2026, coupled with expansion of the PLI scheme and increased focus on domestic manufacturing are expected to support gradual recovery of the core spinning category. At the same time, the business remains

focused on accelerating growth in post-spinning solutions, strengthening aftermarket service revenues and improving operational efficiencies to drive sustainable long-term growth.

In terms of balance sheet and working capital, Voltas continues to maintain a strong and resilient balance sheet, providing the financial flexibility required to navigate a dynamic operating environment while simultaneously supporting strategic growth investments across businesses. The company's disciplined financial management approach, combined with prudent capital allocation and tighter operational controls has enabled it to maintain a healthy liquidity position despite ongoing macroeconomic and geopolitical uncertainties.

During Q4 FY26, focused efforts on working capital optimization led to a reduction in working capital borrowings. Net working capital remained tightly managed, supported by disciplined receivable collections, payment optimization and prudent inventory management.

Inventory levels during the quarter remained moderately elevated, primarily driven by proactive readiness for the peak summer season, strategic stocking for new product launches, and precautionary planning in response to supply chain volatility and geopolitical disruptions. However, the inventory buildup was calibrated and aligned with anticipated demand trends with gradual normalization expected as seasonal demand momentum strengthens.

Overall, the company exited the quarter with a balanced and well-managed working capital profile, reinforcing its ability to support future growth opportunities while maintaining financial resilience and operational agility.

Outlook and strategic direction. In an environment marked by continued geopolitical uncertainties, supply chain volatility and evolving consumer dynamics, Voltas remains firmly anchored in its strategy of disciplined growth, operational agility and long-term value creation.

Over the last year, the company has undertaken transformative initiatives across its business, including a comprehensive refresh of its product portfolio, expanded manufacturing and localization capability, sharper brand positioning and fresh marketing campaign, deeper channel engagement and strong execution discipline. These strategic initiatives are now beginning to translate into cost optimizations, operational efficiency and business resilience.

With the ongoing season, the company remains optimistic about demand trends across product categories, supported by improved consumer sentiment, increasing premiumization, rising urbanization and continued infrastructure investments.

Across the cooling business, Voltas' refreshed RAC portfolio differentiated product positioning, intelligent cooling technologies and expanded distribution reach are expected to further strengthen market leadership while driving a more favourable product mix and improved profitability.

Voltbek continues to strengthen Voltas' long-term vision of building a scaled home appliances platform through premiumization, product innovation, deeper localization at the Sanand manufacturing facility, and expanding retail and channel presence across markets. These

initiatives are expected to steadily improve brand preference, market penetration and operating leverage over the medium term.

Within the projects business, the company remains focused on selective order booking, execution excellence, cash flow discipline and strengthening project profitability across both domestic and international operations. Across businesses, cost optimization continues to remain a strategic priority with sustained focus on sourcing efficiencies, design innovation, localization, manufacturing productivity and operating leverage aimed at protecting margins and improving profitability. Thank you.

Moderator: The first question is from the line of Sukrit Patil from Eyesight Fintrade Private Limited.

Sukrit Patil: I have two questions. My first question to Mr. Menon is, in your point of view, how is Voltas preparing to capture future opportunities in cooling appliances and consumer durables while thoughtfully addressing challenges such as rising competition, input cost pressures and evolving customer choices? What strategic levers do you see as most important for sustaining growth and being a market leader in the coming quarters? That's my first question. I'll ask my second question after this. Thank you very much.

Mukundan Menon: Yes. Good evening, everyone and thank you for joining our call. I look forward to the discussion. And to answer your first question, on the appliances business, as all of you know, we have a joint venture with a company called Arcelik, and the product is called Voltas Beko.

So, what this partnership sort of -- the strength of this partnership is that Beko is a world leader in terms of the appliances business. So, the technology, the product portfolio, the engineering, the supply chain and the manufacturing is what they bring to the table.

And so yes, so the Voltas Beko appliances, that joint venture, which we have, has all the ingredients of a successful marriage between, I would say 2 large organizations, one on a global scale and one, the largest in India. We use their technology and their manufacturing progress, and our very strong moat, which is our distribution and understanding the Indian market. That is as far as the durable space is concerned.

As far as the air conditioning business is concerned, as you know, we've been a leader in this space for quite some time. And the strength of Voltas brand, coupled with the kind of moat we have with respect to our distribution reach is phenomenal. I think that is what we continue to leverage.

You would have noticed that this year, we have launched a series of new products, which is more feature-rich, there is a lot of new features in that, like we have introduced a lineup with AI, which essentially has features as Sridhar had mentioned in his initial address, like Geo Fencing, like Adaptive Cooling and also Energy Manager.

With these features we are always one up as far as competition is concerned, and we will continue to introduce products, which will keep us ahead of the curve. So, I think this

combination of having the right channel with a product which is always ahead of the curve, will ensure we are ahead of the competition, which is severe.

This is an area which has a lot of participants, almost 60 brands operate in this space. But I think what we bring to the table is the Tata trust plus the fact that our distribution reach is phenomenal. You would have also noticed that we have refreshed our entire marketing campaign this time. Earlier, Voltas has a different style of marketing.

This year, we had onboarded 2 brand ambassadors, celebrity brand ambassadors, Ranbir Kapoor and Neetu Kapoor, and this is helping us in a big way in terms of the journey towards becoming an aspirational brand. I think we have all the right ingredients to take it forward. The competition play is always there, and that will continue. We do not see it receding.

Sukrit Patil:

Thank you. My second question to Mr. Sridhar is, as Voltas continues to benefit from demand in cooling appliances and home solutions, how are you prioritizing capital allocation between capacity expansion, R&D and shareholder returns? And what long-term cost efficiencies are being put into place to safeguard margins amid rising input and financial costs?

K. V. Sridhar:

Okay. So, I think -- as I highlighted in the spiel, Voltas is a fairly diversified business, as you would have seen. And I think it was more relevant this year, if you see the segregation between the 3 segments in terms of the profitability. So, the capital allocation is done sort of diligently across the segments.

While we also constantly look at any capacity enhancements which predominantly come in the Segment A, as you can make out. But purely from any capital allocation or any investments required, we are sort of looking at all the 3 segments together because it's a fairly diversified business.

But from a pure capex point of view, it's Segment A, which sort of needs periodic investments, and we are sort of doing investments from a capacity point of view, from an R&D point of view. If you see the last 2 years, 3 years and also in this year, we plan to continue doing that.

In terms of the profitability angle that you're referring to, our focus is obviously to drive top line because what we feel is the headroom for growth within the larger cooling segment and appliances is very high for us. We want to drive top line very, very actively.

And in the process, we hope, and I'm sure we will have the efficiencies of scale where the margin profile will absolutely sort of keep growing and continuing to grow on an ongoing basis and give back shareholder value. So that's the broad strategy that we are sort of trying to work on.

And obviously, you would have seen some geopolitical tensions over the last quarter or so. But Voltas as a company had started working on an active cost reduction program almost 9 months back. And as you see, some of these programs obviously take some time for some efficiencies to come in.

But we are sort of seeing some of the benefits that we had already actioned sometime back; we've started seeing the benefit. It's also true that some of the benefits got offset by the inflationary measures and the currency impact. But the continual program for cost efficiencies is something we are trying to institutionalize and make sure that we have a continuous program of cost improvements running.

Moderator: The next question is from the line of Manoj Gori from Equirus Capital.

Manoj Gori: So my question is on the margins. If we look at the reasons that we highlighted about commodity inflation and INR depreciation. But when I look at the company level, our gross margins have declined by only 85 basis points. But when I look at the segmental margins, there has been a bigger deterioration.

When I look at the Unitary product margins, which are close to around 3.2% for FY26 versus 8.4% in FY25, probably how should we look at the margins during FY27 and '28, given that you have highlighted about a lot of measures undertaken for cost rationalizations and in fact, better utilization at both the facilities. If you can give some outlook on the margins and probably, how should we model margins for FY27 and '28. That's my first question, sir.

K. V. Sridhar: Okay. So, thanks. I think a very relevant point raised. I think the margin dilution that you see in the segment, as you know, we have had the discussions during the quarterly discussions also were predominantly sort of from the quarter 1 and quarter 2, where, obviously, there was a significant overhang with regard to the summer, which was a bit erratic, early monsoons because of which there was a stock overhang also in the channel and also across all the manufacturers. So that was a significant impact.

So, from there, in terms of thought process that we have had, what we have communicated is a progressive improvement in the absolute margins and also a gradual improvement in the profile. So, I think that is what we are actively trying to sort of work on in terms of improvement.

Should it get better from the number that we sort of highlighted in FY26? It should get better. But as you can make out, some of the challenges are fairly, in a way, structural in the sense because of the continued issues that we are having from a supply chain angle or the currency.

So, we are monitoring it extremely actively and sort of taking corrections in terms of pricing opportunities wherever we can take, we are working on all those options. We want to gradually improve the top line and the margin profile and sort of reach to a level which is closer to what it was in FY25. It's a gradual improvement that we see at this point of time.

Manoj Gori: Sure, sir. One question on the current environment. If we look at it, we are already into mid-summer, how things have progressed during the month of April and May, also the outlook on the current season and probably how things are panning out at both secondary as well as primary level? And how should we look at FY27 as a year?

Mukundan Menon: Yes. So, Manoj, the last year, this quarter was a rather weak quarter, as you know, because of the weak summer and the unseasonal rains. So, in comparison to that, we are seeing a very

positive traction in terms of the first month, April, and that going into May. There's a serious heat wave in many parts of the country, though there are intermittent rains and such events happening in some parts of the country. So very positive kind of growth we are seeing.

And the secondaries are also moving fast actually. So, while as all of you know, there was a table change which happened from January onwards and most of the brands, including us, started delivering the new table products into the channel network from the month of March, which had taken a price increase also. There was a 5% to 10% price increase in 3-star and 5-star. And there is a further price increase, which is going on because of the commodity thing.

But I think the saving grace in all this was compared to last summer, this summer, the GST rate has come down from 28% to 18%. So, there is some cushioning of the impact. There is still an impact, but the enormity of that impact has been softened a little bit because of the GST reduction, which couldn't have come at a better time than now. So, we are seeing very positive growth this quarter, Manoj.

Manoj Gori:

Sir, any indication on the blended price hikes that we would have taken so far on the new models?

Mukundan Menon:

Actually, each model as far as the first round of increases was concerned, it was a blended 6%-7% because it was 5% for the 3-star which is a larger portion, 75% mix, and 10% for 5-Star is around 25%,

In addition, there was some other impacts because of the copper and commodities going up even before the war started. So that also played a role. So, there has been another 1% or 2%, which we have further increased. And as of now, last month, we had again taken an increase because of all the rupee devaluation and so on and so forth.

So, the trend is certainly on an upward trajectory, but the only saving grace was that, that reduction in GST, which was tantamount to a 7.8% on selling price, 10% reduction is equal to 7.8% on MOP. That was a welcome thing. Otherwise, the entire affordability thing would have really led to a contraction of demand. We are not seeing that at all now.

Moderator:

Sorry to interrupt, may we request Mr. Manoj to please rejoin the queue. We have participants waiting for their turn. The next question is from the line of Natasha Jain from Phillip Capital.

Natasha Jain:

You mentioned in your press release that March has been the strongest month for you. We understand that there was a lot of inventory pushing in March brought up by the industry itself. April, at least till mid-April, it wasn't the best of season in terms of rains.

And now you mentioned that secondaries have picked up very well. But against that, what at least we are seeing is that primaries are still soft. And in terms of the price hike also, what I've understood is the newer price-hiked inventory is probably still not passed on to the trades.

So, on that backdrop, how do you see margins in this quarter, given this is the most important quarter? And any cost escalation from here, do you think that may dent the demand itself for this season? Thank you, sir.

Mukundan Menon:

So, Natasha, you said it right. What happened, if you recall, in the month of December, the channel had stocked up heavily on the old table and that had taken the December -- the January and the February sales were a little mellowed.

March was a superb month. It was a record high in our entire history. So, we hit a very high number. And April also, we have almost done very close to that number. So, April has also been extremely buoyant. May is also looking good. In any kind of a price increase with the channel, the first tendency of the channel is to hold back on the purchase, assuming that things will come down.

But when the secondaries start picking up and then they feel that there is a likely shortage, the secondaries start picking up. So, we are seeing a similar trend in the month of May also. The higher-priced products have now started getting absorbed by the channel. And we feel that this quarter will be a very good quarter, Natasha.

Moderator:

Sorry to interrupt. May we request Ms. Natasha Jain to please rejoin the queue. Thank you. The next question is from the line of Umang Mehta from Kotak Securities.

Umang Mehta:

My question was again on margins. So, from what we understand, fourth quarter would have seen some old cost inventory, right? The bulk of the cost inflation, which we've seen will likely hit you in Q1. So, in that context, I would like to know what was the impact of these FX losses, which is around INR 55 crores in the second half, how much of it hit you in fourth quarter?

How much was the incremental spend on marketing or brand ambassadors that you called out? And the price hikes that you've taken, what conviction do we have of seeing margins improve from here going forward? Thank you.

K. V. Sridhar:

On the spend part, sorry first on the old inventory, new inventory for Q4, as you know, we had opportunities to continue sort of selling the old inventory during the first half. So, we sort of consumed pretty much the entire older inventory by around the first 4 to 6 weeks of the quarter.

And after that is when we started selling the new inventory. You are right in terms of cost. Obviously, the mix was there between the old and new during the quarter. So, it was not entirely new table only during the quarter. So, you're right from that angle.

As far as the impact I think I've elaborated, the fact that we have had a few rounds of corrections that has happened in terms of some of the inflationary pressures that took place even before the crisis that we had in the Middle East, even then some of the commodity price increases were there, and it got sort of compounded because of subsequent increases and the currency devaluation during March.

So, there were multiple things that have sort of happened, which impacted the margins for the quarter. This we are progressively passing on, as Mr. Menon mentioned, in terms of the price increases and it is sort of settling down. I think that is where we are at this point of time.

In terms of the marketing, it was sort of managed within the overall marketing pool. It was sort of comparable to what we have been spending from a marketing side. Obviously, we spent on the brand ambassadors, but nothing sort of out of the ordinary.

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

Keyur Pandya: Just one question on the profitability side. So, you mentioned blended 5%, 6% kind of price hike, I believe inflation is much higher. So, I just want to reconcile your statement that you will try to achieve FY25 profitability, is more of aspiration? So how should we see profitability journey for FY27?

Mukundan Menon: So essentially, the blended one of 5% and 10% increase was purely on account of the table change, the new table products. In addition, we had taken another increase for the commodity prices, which had gone up pre-war also. And now, as our stock of those old materials are getting over, going forward, we are watching the pricing.

The price increase that we are seeing is quite significant, as you have rightly mentioned. And when we as well as all other brands who are in this space have to start using those new commodity prices for the products, I think this will be a pass-through for most of the brands. I do not see a challenge there.

That number can be significantly higher. We don't want to guess that number now because many of the things like the dollar, the plastics, the aluminium, for example, the copper, the gas, all those are moving. Multiple movements are happening. And I completely agree that these numbers are not by any stretch of imagination, a small number. We are seriously talking about double-digit inflation. And it will get passed through as and when the costs start hitting us.

Keyur Pandya: Understood. Just one clarification on that. So, you think that you can go back to FY25 margin in FY27 itself?

Mukundan Menon: This is a progressive movement that we are doing. So compared to those years, which was FY25, I think it will be a gradual step-up. As Sridhar was mentioning, we are very, very clear about the overall quantum of gross margin that we generate and being in a leadership position, we just want to sort of keep that as a goal rather than look at percentage gross margin is probably not driving us. So that is the way it is. The quantum of gross margin is where we are looking at.

And from whatever we saw in the last financial year, while the secondary market share is showing a little different picture. We have primary market share data, which shows that between us and the next cluster of 4 brands. After us, there is a gap of 5.1% between us and the next cluster of 4 brands.

So that's the kind of lead that we have established this year, and that will hold us in good stead in terms of overall margin, profitability and margin quantum maximization. That's the way we see it, yes.

Moderator: Sorry to interrupt. May we request Mr. Keyur to please rejoin the queue. We have participants waiting for their turn. Thank you. The next question is from the line of Aditya Bhartia from Investec.

Aditya Bhartia: Just one part again, harping on this cost inflation point. Has the increased costs related to war started hitting us? Or do you think that they'll start impacting us in some time? And have we taken any further price increase in response to that? Or do you think that first quarter margins can dip significantly before we start taking those price increases? And just a related question. In this quarter, we have seen unallocated costs going up very sharply, so what could be the reason for that?

K. V. Sridhar: Aditya, so the first part of the question. So, this quarter, I think it will be a mix of the costs, some of the costs, the pre-war vis-a-vis the post, again, for a different reason, it will also be a mix. So, it will be sort of progressive. As Mr. Menon mentioned, we have passed on certain price increases, and we are monitoring the price situation also very actively, and we will be open to sort of pass on any further price increases that need to be done.

As mentioned, our intent is to progressively work on the top line and the margin profile. It will be a progressive improvement. We are not expecting any sharp downturn in terms of the margin profile for the quarter. Yes. Sorry, the second question was on the unallocated. Okay, one of the reasons is the forex impact and the mark-to-market from the treasury angle.

Moderator: The next question is from the line of Renu Baid Pugalia from IIFL Capital.

Renu Baid Pugalia: Just a couple of clarifications. Will it be possible for you to quantify the exact price action that you have taken? That 7%, 8% plus a couple of price hike, 1% to 2% in the second round? And what is the gap in terms of -- you mentioned double-digit price hike could be expected to fill up this gap.

So, a, if you can quantify these numbers? Second, can you share what was the volume for RAC for us for fiscal '26? And lastly, can you share with us what is the broad mix of the MEP order book between domestic and international?

Mukundan Menon: Yes. Thank you, Renu. So, the first one about the price actions that we have taken. I mentioned about the new table we have taken, 5% for the 3-star, 10% for the 5-star. And then we have topped it up with a 2% to 3% increase on account of the copper pricing. Overall, this has been the increase.

The next round of increase will depend on how the overall prices stabilize. So, it depends on how the war situation goes and how the rupee-dollar movement evolves. So, we are watching it almost on a weekly basis. So, at this point in time, it looks, as I said, double-digit numbers, but for us, it will all depend on how the situation goes.

And it also depends on how soon the current stocks of our commodities and material is that we have runs out. So based on that, we will have to take price action. So difficult to say a number at this point in time. We'll have to purely go by how the material costs start hitting us and progressively it will get passed through.

On the second thing, on the volume, we have done 2.25 million units last year, this is what I said, there's a gap of roughly 5.1% between us and the nearest bunch of 4 competitors. All of them are within 10,000 machines of each other, but the lead is becoming increasingly large between us and the number 2 group. So that is on the volume.

Order book between international and domestic is INR 6,200 crores. And it's a very healthy order book that we have. And with a very prudently selected order mix, which will deliver very robust profitability to us going forward.

Moderator: The next question is from the line of Akshen Thakkar from Fidelity.

Akshen Thakkar: I have a couple of questions on the....

Moderator: I'm sorry to interrupt you, Mr. Thakkar, we are unable to hear you clearly, sir.

Akshen Thakkar: Is this better?

Moderator: Yes, please go ahead.

Mukundan Menon: Yes, much better.

Akshen Thakkar: Sorry. On the Electro-Mechanical Projects business, could you just help us understand in the international or domestic businesses, have you had any clients call out force majeure? That was question one.

And question 2 was, historically, we've seen some margin volatility when material prices go up. Any read-through from the past cycles where you saw metal prices move up as sharply as that did. Two questions on that, and I had one more on UCP, which I'll follow up after.

Mukundan Menon: Mr. Thakkar, first one was Electro-Mechanical projects, I understood what your question is. The second one is on what? I didn't get it.

Akshen Thakkar: So first one was on force majeure. And the second one was what happens to margins in that segment because you have bid-level margins and then commodities have been volatile. So do you expect volatility in the margins in the project business as well?

Mukundan Menon: Yes. So essentially, we have not had any client even internationally or domestic have any force majeure applied. So, there is nothing of that sort. For a short period in Qatar, the contractors were given the opportunity for using force majeure, which got revoked. So, nobody has used it. And we have not been affected in any way. As far as domestic, of course, nothing of that sort has happened.

And we do not see any impact on the margins for the MEP segment because one is almost like 40% to 50% of our project MEP order book in India, and some of them even in international has got a proper price variation clause. So, any variation in terms of commodities, materials as well as for labour, is a pass-through thing. So, we do not see that impacting in any which way. So that's in a very safe zone. There's nothing to worry on that.

Akshen Thakkar: Excellent. One last question from my side. On the Unitary Product business, you've been kind to share the kind of price hikes that have been taken. And you did mention that you don't see impact on margins. But the problem for us as investors right now is to gauge what is the level of margins from which you are making that commentary? Because normative margins have been maybe 8%, 8.5%. This year's margins have been 3.5%. So, when you say you don't expect margin pressure, what is the level from which you are making that commentary?

Mukundan Menon: Yes. So Mr. Thakkar, the thing, as I had said, the overall margin percentage profile will gradually inch up towards what we said is that number of FY25. How many quarters it takes, it depends on the overall market demand.

If you step back a year for a minute and then see what got us to that high margin profile, was the demand. What caused the pain in terms of the reduction in the margin profile was again demand. The first one was high demand. The second one was poor demand.

Now this is one of the most important factors. So, to my mind, the commodity volatility, the changes in the prices for all these things will generally get passed through by all brands, including us. What will really affect is the demand.

Now if the war continues and if there is an inflationary trend and the affordability of this product, there is a contraction in demand, margins will take much longer for us to inch up. But if there is the impact of the summer, then the affordability is not very badly affected. And the third most important variable between brands is who's got stocks to be able to service the channel partners.

So, the first two is an equalizer for everybody. The third one, we seem to be in a much better place since we are much better prepared in terms of our inventory to take care of the peaking in demand. So, we seem to be at least a few steps ahead of most of the competitors, and that will play a positive role in that inching up as and when it happens. But it's a pure demand-supply issue. So, we'll have to play it by that.

Moderator: The next question is from the line of Siddhartha Bera from Nomura.

Siddhartha Bera: First is on the AC volumes. So how much was the volume for the entire year in FY26, if you can highlight? And what are you thinking about the next year? And in terms of the CR and CAC, if you can also highlight the contribution for this quarter. And we had talked about some challenges in the CR side as well in the past. So, has that sort of achieved the normal margin levels? Or do you think it will take a bit more to improve there?

Mukundan Menon: Yes. So, Siddharth, the last year, actually, the overall industry had a difficult year. So, I think the industry saw a degrowth of something like 10%, 12% is what the best guess is. Last year,

the primary sales of all brands put together was 14.3 million units, actually, that was the total number.

And this includes all the brands, the 60 brands. Around 12 of them are big brands and the rest of it is a bunch of other brands. Now projection for going forward, this will certainly expect it to grow at least 15% to 20% is what we feel because the last year base was a little weak. So that's on the room AC.

As far as the commercial refrigeration was concerned, last year, the industry has seen a degrowth of roughly 5%. Siddharth, if you know the commercial refrigeration is also a product which is a high impact on the intensity of the summer.

For example, the product like deep freezers has got a direct relevance to the heat because the ice cream freezer demand starts peaking when the temperatures are high, and it reduces when the temperatures are not as good. So even the OEMs, the big Amul, the Vadilal, the Havmors of the world, the Arun Icecreams, all of them stop buying freezers when they see the season is not going too well.

Same is the case with Visi Coolers. Visi Coolers is the beverage cooler, which we give to all for storing of beverages. And there, again, there is a direct linkage to the summer. So, both these categories saw a major dip last year, and that was because of the unseasonal rains. So here, again, it is a pure function of summer. If the summer is strong, and this year, we are seeing a good summer. So, this category also is likely to grow upwards of 10% at least, if not more.

Commercial air conditioner is another category which has no relevance to the intensity of the summer. It's purely a B2B business, driven by the air conditioning requirement of offices, restaurants, whether it's health clubs, spas, boutiques, all these kinds of things. And then, of course, there is a big segment which is coming up for the commercial AC is the manufacturing sector, which is growing very rapidly in India.

So, a lot of manufacturing play is coming in where we are getting a lot of inquiries for the manufacturing thing. So, this is another category which the industry will grow by at least 12% to 15%. And we are as a brand are underleveraged in this, and we see a huge headroom for us to grow, and we are working on that.

So whatever our CFO, Mr. K.V. Sridhar said is capex requirements judiciously, which we put in, quite a lot of that is going into the commercial air conditioning, where we see a huge headroom for us to grow because the kind of traction that we are seeing in this space and the fact that we are under-leveraged in this is going to be the next growth engine for Voltas in addition to our core strength of the room air conditioners and commercial refrigeration.

Moderator: The next question is from the line of Praveen Sahay from Prabhudas Lilladher.

Praveen Sahay: A few data points required, sir. The first is how is the channel inventory in the RAC right now, if in terms of months or days, you can give. Secondly, on the order book in the project, which is INR 6,200 crores, how much is the domestic contribution? And thirdly, how is the Chennai

facility operating at? Because you had highlighted that the utilization level has improved from previous year. At what level of utilization that's running at?

Mukundan Menon:

Yes. Thank you. Quickly to give you, the channel inventory has dropped dramatically. It's less than 45 days now, probably closer to 30 days the way we see it. The order book, INR 6,200 crores, INR 4,500 crores is domestic and the rest of it is international. The Chennai Factory is now built up to a capacity of 1.5 million units, which is roughly 1.2 lakh machines a month is what is happening.

So overall, around 14 lakh to 15 lakh is what we are doing. We have increased the capacity from 1 million last year to 1.5 million during this year so that we can meet the demand. And we will wait for another 1-2 years more before we do our next investment. We've built this factory for 2 million, all that we must do, a small capex to increase the capacity from 1.5 million to 2 million.

So, we're almost ready for that. And once the demand trajectory is visible, we will do that third round of investment. Right now, it is delivering 1.2 lakh units a month average on an annual basis, roughly around 1.5 million.

Moderator:

Thank you. Ladies and gentlemen, due to time constraints, that was the last question for today. I now hand the conference over to management for closing comments.

K. V. Sridhar:

Thank you. Thanks for all your questions and the discussion. Just to summarize, as Voltas moves forward, the company remains encouraged by the strong momentum across its businesses and significant opportunities emerging across cooling, home appliances, engineering products and projects.

Voltas has completed a structural transformation exercise across business verticals, product portfolio, channel expansion, cost optimization, supply chain and business processes, which should help Voltas to strengthen its leadership in the cooling segment while steadily evolving into a scaled future-ready home appliances and engineering solutions enterprise. Thank you all for the discussion. Thank you.

Moderator:

Thank you. Ladies and gentlemen, on behalf of ICICI Securities Limited, that concludes this conference. Thank you for joining us, and you may now disconnect your lines. Thank you.