"Voltas Limited Q3 FY 2025 Earnings Conference Call"

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MODERATOR: **MR. KRISHNAN SAMBAMOORTHY – HEAD RESEARCH, NIRMAL BANG INSTITUTIONAL EQUITIES**

Moderator: Ladies and gentlemen, good day and welcome to Voltas Limited 3Q FY '25 Earnings Conference Call.

As a reminder, all participants' 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 touchtone phone. Please note that this conference is being recorded. Participants in the call, please note that the duration of the call will be only for 45 minutes.

I now hand the conference over to Mr. Krishnan – Head of Research from Nirmal Bang Institutional Equities. Thank you, and over to you, sir.

Krishnan Sambamoorthy: Thanks, Seema. On behalf of Nirmal Bang Institutional Equities, I welcome you all to the 3Q FY '25 Results Conference Call of Voltas Limited.

Voltas Management is being represented by Mr. Pradeep Bakshi – MD and CEO; Mr. Jitender Verma – CFO; Mr. Nikhil Chandarana, Head (Corporate Finance); and Mr. Vaibhav Vora – Head, Treasury.

Over to the management for opening comments.

Jitender Pal Verma: Hi. Good afternoon, everyone.

This is Jitender, and I will give a brief snapshot of our numbers for this quarter. And then we can move on to question-and-answer session, which Mr. Bakshi and myself will help answer.

So, as you are aware that October to December '24, the global economy experienced stable but subdued growth with a projected annual growth rate of 3.1%. The United States saw upgrades in its economic forecast. And other advanced economies, particularly in Europe, faced downgrades due to geopolitical tensions and financial market volatility.

In India, the economy continued to grow, driven by strong performance in the services and agricultural sectors. However, inflationary pressures, particularly in food prices, posed challenges, leading to a cautious monetary policy stance by the Reserve Bank of India. Despite global uncertainties, India's economic fundamentals remain strong, positioning it as a key player in the global economic landscape.

For the Cooling Products, October to December period is traditionally a lean period. Demand during this period is primarily driven by the festive season or a second summer in the country. In this backdrop, during the quarter ended 31st December 2024, the consolidated total income for Voltas grew by 18%, aggregating Rs. 3,164 crores compared to Rs. 2,684 crores in the same quarter last year. Profit before tax soared by 699%, to Rs. 191 crores from Rs. 24 crores. Net profit (after tax) also saw a substantial increase, climbing to Rs. 131 crores from an after-tax loss of Rs. 28 crores in the corresponding quarter last year. Earnings per share, not annualized for the quarter ended 31st December 2024, was at Rs. 3.99 compared to (negative Rs. 0.92) last year.

The Company's performance for nine months continues to remain robust. The Company reported a 28% increase in consolidated total income, reaching Rs. 10,890 crores, up from Rs. 8,477 crores in the same period last year. Profit before tax surged by 172%, hitting Rs. 848 crores compared to Rs. 312 crores previously. Net profit (after tax) also experienced a significant rise at Rs. 599 crores, up from Rs. 137 crores in the corresponding nine months of last year. This marks the highest-ever nine months profit in the Company's history. Earnings per share for the nine months ended 31st December 2024, was Rs. 18.14, compared to Rs. 4.10 in the same period the previous year.

A snapshot of our results for this quarter and for the financial year has already been given.

Segment-A, which is our Unitary Cooling Products, UCP:

Considering the seasonality of the Cooling Products business, the segment has given strong performance, reporting both volume and revenue growth, despite a shorter festive window due to two major festivals falling in a single month. The segment reported a revenue growth of 20% and 42% compared with Quarter 3 last year and nine months last year, respectively. An anticipated strong summer demand and support from our in-shop demonstrators helped us achieve better performance for all products, with the room air conditioner category experiencing good demand. Both window and split air conditioners saw reasonable growth during the quarter. Voltas continues to remain the market leader in both split and window air conditioners, recording an exit market share of 20.5% as of December 2024.

The Commercial Refrigeration segment faced some headwinds. While all the CR product categories reported moderate growth, sales push to liquidate the inventory and challenges in the market, stemming from reduced capital expenditure by customers has led to a drop in margins during the year and the quarter. Growth in the current quarter was driven by higher sales in Visi Coolers, combo and glass top freezers. Our product portfolio, especially for cold room is garnering attention with a healthy pipeline of orders. With a slowdown during the year, ramp-up of production in our new factory remained low, the impact of which added to our cost. However, with fresh orders in pipeline for our CR products, we envisage favorable outcome from this category in next few months.

Like air conditioners, the Air Cooler segment also witnessed a strong quarter in spite of low season. Quantity tie-ups with distributors and sub-dealers' scheme for season supported placement of both Air Cooler and Water Heaters. Market share in the Air Cooler category was reported at 11.1% exit in September, positioning Voltas as the number two brand in September 2024. In the Water Heater segment, partnerships with distributors and sub-dealers have also contributed to strong performance.

The Commercial Air Conditioning vertical recorded constant steady performance during the quarter, driven by sales of VRF and ducted ACs. The higher volume of margin-accretive product sales, value engineering initiatives, and the current mix of AMC jobs have positively impacted our bottom line. With a positive conversion of product sales to AMC jobs and high order pipeline of retrofit jobs, the vertical is expected to continuously deliver consistent growth in the business.

Elevated commodity prices and a steep depreciation of the USD-INR exchange rate had an impact on profitability. Our planned consistent investments in BTL advertising costs continue to deliver anticipated results. Consumer-centric financing schemes significantly contributed to sales growth this season. Simultaneously, various value engineering initiatives and cost control measures have contributed to stable margins.

In conclusion, UPBG segment revenue for the nine months' period grew by a remarkable 38%, reaching Rs. 7,155 crores, up from Rs. 5,198 crores in the same period last year. Segment results also saw a significant increase of 30%, amounting to Rs. 548 crores, compared to Rs. 423 crores of PBT in the corresponding nine months of the previous year. For the quarter ending December 2024, segment revenue grew by 20%, totaling Rs. 1,771 crores, compared to Rs. 1,476 crores in the same quarter last year. The segment result for the quarter was Rs. 104 crores against Rs. 123 crores in the corresponding quarter last year.

Our newly established air conditioner facility in Chennai continues to ramp up as planned and is gearing up for the season. And we anticipate operational efficiency to boost our business in the coming months.

Segment-B, Electro-Mechanical Projects and Services:

The segment revenue for the quarter was Rs. 1,190 crores, compared to Rs. 982 crores in the previous year's corresponding quarter. The segment results for the quarter stood at a positive Rs. 57 crores, a significant improvement from a loss of Rs. 120 crores during the same period last year. Over the nine months' period, segment revenue increased by 17%, reaching Rs. 3,019 crores, compared to Rs. 2,585 crores in the same time frame last year. The segment results for the nine months was strong, amounting to Rs. 170 crores, a substantial turnaround from a loss of Rs. 221 crores last year, primarily due to provisions made on receivables in last corresponding period.

During the current quarter, project execution across verticals and geographies was sturdy. Focus on completion certificate and various project management initiatives continued to boost bottom line growth. The domestic projects continued to expand their order book and maintain a positive outlook. For the domestic project segment, we secured an order of Rs. 1,438 crores during nine months, with the current order book standing at Rs. 4,862 crores. In the international projects sector, operations in the UAE and Saudi Arabia continued to perform well, contributing positively to both revenue and profits.

We continue to remain vigilant towards collection as part of our approach to do the business. As of 31st December 2024, the carry-forward order book for international business stood at Rs. 1,956 crores, predominantly in the UAE and Saudi region. The total carry-forward order book for the segment was Rs. 6,818 crores as of the same date.

Segment-C, Engineering Products and Services:

For the segment, the revenue increased to Rs. 437 crores from Rs. 431 crores in the previous year. Segment results were Rs. 121 crores against Rs. 158 crores during the same period last year. For the quarter, segment revenue was Rs. 130 crores compared to Rs. 155 crores in the corresponding quarter last year. The segment results for the quarter was Rs. 37 crores compared to Rs. 50 crores in the previous year.

The mining and construction vertical showed positive momentum on the top line, ensuring continuity in operations and maintenance jobs, as well as sales of power screen machines. However, revenue mix and challenges in job renewals at healthy margins limited the ability to translate top line growth into bottom line growth. Extended and certain new contracts in Mozambique continue to provide strong and optimal performance from the vertical. Fluctuations in cotton and yarn exports, and low off-take in capital expenditure across the sector continued an underperformance for the industry and resulted in a revenue decline for the vertical. Demand and margins for our agency business remained under pressure through the year. However, our after-sales and post-spinning business showed positive performances.

Voltas Beko. Voltbek Home Appliances Private Limited, our JV, continued to outshine with a consistent growth month-over-month. During the current period-ending 31st December 2024, e, the industry reported only a single-digit growth in washing machine and a negligible growth in refrigerators. However, the performance of all products across Voltbek remained remarkable. Business reported a volume growth of 59% in the quarter and 56% in the nine months of the financial year. Steady and robust growth resulted in an improvement in market share across categories, with the latter surpassing the 10% mark during the quarter.

This growth was further complemented by a significant increase in market share during the quarter. As of year-to-date November 2024, our market share improved to 8.3% for washing machines and 5.1% for refrigerators. We are further delighted to share that our performance in semi-automatic washing machines superseded our expectation and has become second largest player in the products category with an exit market share of 16.7%. Further, as per third-party reports, our dishwasher has also been recognized as a market leader in its category in e-commerce channel

Leaning on our manufacturing prowess, we endeavor to localize all refrigerator manufacturing in India and become a fully Made-in-India brand. With a premiumization of technology across all product categories, we would be able to drive growth ahead. Our washing machine category, with a wide range of products across categories and SKUs, would help us to increase our market share towards our goals and targets.

In terms of profitability, increased volume and various value engineering measures helped us improve our margins and minimize losses. Voltbek continues to work towards minimizing loss per unit, aiming for EBITDA breakeven in the near future.

Voltbek remains committed to enhancing its market presence across various product categories through customized market penetration strategies and growth initiatives. These efforts include expanding distribution reach, adopting channel-specific tactics to enhance market presence in key regions, and maintaining a strong focus on boosting e-commerce and omni-channel development. Voltbek has also initiated engagements with quick commerce platforms, which will aid to the growth for our products. On the cost front, localizing production for a larger portion of its product portfolio, implementing product efficiencies, value engineering, and optimizing the product mix have contributed to a positive outlook for the Company.

With the summers around the corner, we remain optimistic and expect robust demand for all our product categories. And we hope that the demand will remain strong and positive consumer sentiments will further support the volume. The various strategic initiatives and new product launches planned for the season across categories will help us further improve our performance in the market and shall support us in strengthening market share in a more sustainable and profitable manner. Optimization of our manufacturing facilities and cost efficiencies will remain key driver of profitability during the ensuing period.

For the projects business, we will continue to remain diligent and cautious for tendering the jobs. During the year, as informed earlier, as a part of internal restructuring, the Company's direct investment in existing subsidiaries is being transferred to a step down wholly owned subsidiary of the Company. Post transfer of these investments, the economic interest of the Company in the aforesaid overseas subsidiary companies continues to remain intact.

We will continue to monitor the market cautiously and are very optimistic in our performance across all the businesses we operate in.

Thank you. And we may open the session for question-and-answer.

Moderator: Thank you very much. We will now begin with the question-and-answer session. Ladies and gentlemen, in order to ensure that the management is able to address questions from all the participants, please limit your questions to two per participant. If you have a follow-up question, you may rejoin the question queue. Participants in the call, please note that the duration of the call will be only for 45 minutes. Ladies and gentlemen, we will wait for a moment while the question queue assembles.

We take the first question from the line of Umang Mehta from Kotak Securities. Please go ahead.

Umang Mehta: Yes, hi. Thanks for the opportunity. My question was, what was the mix of RAC, commercial AC, commercial refri and Air Coolers during the quarter? And could you please quantify the impact of liquidation in commercial refrigeration versus the ramp-up of new factory on your current quarter's margin?

Management: So, the current quarter, as a part of Segment A: UCP, RAC has been around 60%-odd, commercial refrigeration has been around 15%, air cooler has been around 5%, and commercial air condition has been balance.

Umang Mehta: Got it. And any color on how much impact did liquidation of inventory in commercial refri and the slower ramp-up in commercial refrigeration factory had on your current quarter's margins?

Management: So, Umang, we are referring to the overall sales that we are talking to, not just liquidation of any inventory. Overall channel pickup and channel sales have been comparatively lower.

Umang Mehta: So, in the press release, you have mentioned that in commercial refrigeration, there was some liquidation. And you also mentioned that there is some cost impact because of a slower ramp-up in your commercial refrigeration new unit. So, going forward, do you expect these things to normalize, or this pressure is likely to continue?

Management: Definitely, whenever you set up a new factory, there is kind of a learning curve. So, all that would normalize going forward, and all the pressures which had been there, the outlook is looking much positive on that. Yes.

Umang Mehta: Got it. And just the second --

Management: Actually, what has happened is in our new factory of commercial refrigeration, initially, there was some teething issues for which the production was not at full swing. However, earlier on we were producing only one particular category out of the factory. Now, the fast-selling commercial freezer, which are the convertible freezers, etc., which we have started producing, so therefore it has taken a while to start producing in full swing in that factory, and therefore there was a little additional cost on account of that in that factory.

Umang Mehta: Got it. Thank you. And just, sir, the second question was on your CAPEX. Could you quantify how much are you planning to spend, particularly on your compressor factory, by when will it be up, and likely incentives you are expecting in terms of PLI?

Management: So, you see, I will tell you, firstly, if you look, our Chennai factory has commenced production, where we had already spent about Rs. 400-odd crores. Besides this, we have also earmarked additional roughly around Rs. 400 crores to Rs. 450 crores which is for compressor manufacturing as well as ramping up our production in Chennai factory from 1 million to take it to 1.5 million and then 2 million. So, we are earmarking all those CAPEX aside, which is going to come in, in next one, one and a half years from now.

But if you are talking in particular about compressor, so far compressor finalization has not happened, and therefore it might take a little more while. But the rest of the other machineries and ramping up about whether it is an injection molding or sheet metal work or copper tubes and heat exchangers production, etc., that investment continues and that will get over in next at best 10 to 12 months from now. So, this is how the CAPEX will get spent.

Compressor capex is about Rs. 250-odd crores, which will take a while. As we are looking for some technological partnership, etc. Unless it is done, we will not be able to commence production of compressors. So, that's how it is. We will come back to you as and when we are ready with that plan.

Umang Mehta: Sure, sir. Thank you, and all the best.

Moderator: Thank you. The next question is from the line of Naushad Chaudhary from Birla Mutual Funds. Please go ahead sir.

Naushad Chaudhary: Sir, hi. Two clarifications. Firstly, on the backward integration strategy point of view. So, I think we are doing a lot of products which are very, I think, easy to make and can be easily outsourced. So, what gives us confidence that making it in-house would give you better ROCE versus outsourcing it?

Management: So, firstly, we were a trading Company largely or at best we were assembling when originally production was happening at only Pantnagar, which was set up in 2007 or so. And now with setting up of Chennai plant and also lot of new machinery installation in Pantnagar, lot of backward integration has already happened. So, much so the Chennai plant is almost 100% backward integrated plant for the selected components. The sheet metal is being done inside; the injection molding is being done inside. And from copper tubes to the creation of heat exchanger is being done inside.

We are very much a backward integrated plant, except in few components including compressor controller, and motors. But that is the case with almost all brands

Naushad Chaudhary: Okay. Second on the Voltbek, sir. We have been indicating that because of the operating leverage, this entity should become breakeven and then become profitable. But if I look at actually from a gross margin point of view, we work on a very thin gross margin in this business. And can you help us understand which line items would help you in terms of operating leverage? Because I believe we are already operating at very good efficiency from an operating leverage point of view. We have to work on the gross margin side here in this business.

Management: We had anticipated that by the end of this year, in the last quarter probably, we will be reaching the EBITDA breakeven, which our endeavor is still there, probably by the month of March, we should be able to hit that number.

And if you look at our gross margins also in this category, we have already increased by almost 300 to 400 basis points in the margin in this category on the gross margin front. However, at the same time, since we were accelerating our volumes and we wanted to increase the market share, all along if you look at, for last more than three, four quarters, we have been giving guidance that our endeavor is towards accelerating the volumes and widening the size of the industry and scale up the numbers, and thereby achieving more market share.

If you look at, we have gained on the market share front, we have gained on the volume. And we have also gained, slightly better off we are on the margin front also. However, at the same time, we have to spent on brand building, advertisement because Voltas Beko is relatively a newer brand.

Also, as you know that Voltas Beko has entered into all the channels in the last few months, including the modern trade, e-commerce and all. And therefore, the cost of entering into those channels and leveraging and extracting from there is a bit of a costlier affair., So, we are very much in line, and as we move into the next year, you will get to see this result coming in and we can vouch for.

Moderator: Thank you. We will take the next question from the line of Dhaval Somaiya from Axis Mutual Fund. Please go ahead.

Dhaval Somaiya: Thank you for the opportunity. Just one bookkeeping question for Jitender sir. Does the reported depreciation of Rs. 18-odd crores reflect the entire CAPEX of the commercial ref capacity expansion and the Chennai plant? If not, what will be the peak depreciation number?

Management: The reported number is based on whatever has been capitalized up to this period, and you will see that this is for the relevant period only. Yes.

Dhaval Somaiya: What will be the peak number once the entire capitalization of the CAPEX for both these CR and Chennai plant comes through, what will be the depreciation number once the entire CAPEX is capitalized?

Management: It should be roughly about Rs. 70 crores to Rs. 75 crores for the full year, company wide.

Management: For all factories, actually, and for Waghodia, Chennai, Pantnagar, whatever CAPEX have been spent, and CAPEX has been utilized, that is what is being considered here.

Dhaval Somaiya: Thank you, sir. That's really helpful.

Moderator: Thank you. We will take the next question from the line of Ankur from HDFC Life. Please go ahead.

Ankur Sharma: Yes. Hi, sir. Good evening. Thanks for your time. Again, on the UCP margins and this sharp fall that we saw from about 8% to about 5.9%. So, just to clarify, you did say there's been some impact from the commercial ref segment here, and typically this is also a seasonally weak quarter. But if you could just also help us understand what were the RAC margins? And I know you've been sharing that number also in some of your con calls. And was there pressure on those as well? And more importantly, what's your guidance for this segment going forward? Are we like sticking to that guidance of a high single digit?

Management: So, it's quite a bit of a long question. There are so many questions embedded in it. But let me give a generic answer to all your questions embedded into one question. Firstly, when you are asking why there is pressure on UCP margin. So, we were trying to gain market share, and therefore, we were spending money on ISDs, BTL advertisement, ATL advertisement. If you look at through the year, we have been spending money to continue to remain relevant for the masses and scaling up the number. So, our cost has been incurred on advertisement, in-shop demonstrators, and also sales promotions.

Even during the off-season also, festival season also, we spent money in building up the brand. So, that is one thing, but this blip is only very small for a particular quarter only. If you look at on a nine month basis, our results have been pretty good, Rs. 312 crores last year to Rs. 848 crores. And even in the quarter also, if you look at, from Rs. 24 crores we have moved to Rs. 191 crores as a Company. And only thing is a little bit blip would have happened in one or two verticals because, as I said, we wanted to sustain our leadership position and gain on the market share and increase the volumes. You look at our growth, the kind of growth which we have registered in this particular segment, is humongous.

We have been growing Voltbek as well as all of the UCP products, room air conditioners, Air coolers, around more than 50%, 60% growth we have been registering, all along these nine months. So, I think you would like to appreciate that particular fact, and therefore there is a bit of cost involved in building up these numbers.

Ankur Sharma: And your guidance, sir, on the segment margins?

Management: Generally, we will remain around this high-single digit, our endeavor would be by the end of the year as a Company. And on the segment also, we will try and retain a high single digit in the last quarter as well.

Ankur Sharma: Okay. Thank you so much.

Moderator: Thank you. We will take the next question from the line of Siddhartha Bera from Nomura. Please go ahead.

Siddhartha Bera: Thanks for the opportunity, sir. Sir, the first question is on the Chennai plant. We understand this plant also has the PLI benefit. So, can we expect that you will accrue this from next quarter? Or when can we see that getting booked in the financials?

Management: So, I will tell you, originally when we had applied in the first PLI, that time we had applied two kinds of applications. One was for the compressor, which unfortunately could not happen for some reasons. However, an additional one was a smaller amount, which we had done, which has largely been consumed. And again, we have applied second time, our application got approval. Again, we have filed two applications, and they are the fresh ones, which is for augmenting the capacity in Chennai by setting up injection molding, further enhancing injection molding, sheet metal, copper tubing, heat exchanger, et cetera.

And also, another one is for fresh application for the compressors. So, I think for Chennai plant, if you are asking in particular, next year onwards, the benefits will start accruing. So, in the next quarter, I do not think anything is coming in from Chennai. But yes, some leftover for Pantnagar, which we have already spent, could get in, in Quarter 4. That is how it is.

Siddhartha Bera: Got it, sir. And any price hike did we take in the current quarter, given that there are many cost headwinds you are seeing in the current quarter? So, will it be possible to highlight anything we have done here?

Management: No, we have not taken any price hike in the last quarter, Quarter 3. Because as it is, it's a leaner quarter for especially the air conditioners. And as I told you that our endeavor is to increase the scale of the numbers. And probably we will see. As we go along in our journey, if there is continuous pressure from the commodity side and also the FOREX, etc., then we will have to look at as to how much can we retrieve through the value engineering and how much do we need to pass on, that balancing, this thing, strategy will be applied to this. And we will look at it as it comes to us.

Moderator: Thank you, sir. The next question is from the line of Shrinidhi Karlekar from HSBC. Please go ahead.

Shrinidhi Karlekar: Yes. Hi. Thanks for the opportunity. Sir, would it be possible to comment just the profitability of your AC business, how it has moved sequentially on a year-on-year basis, just the AC business?

Management: So, actually, it has shrunk a bit over the last year same quarter. So, I told you the reasons earlier, I just explained in the previous question also.

Shrinidhi Karlekar: Sir, not for the segment, sir, within the segment, just the AC part of it. Because there were some liquidation impacts and the new ramp-up in factory impact, so I was just wondering if we can get the clean RAC business, how it has behaved in terms of profitability, that would be really helpful.

Management: So, it's been about the same. And I told you the reasons, earlier on also, because I will tell you some of the examples, smaller examples I can cite. Last year, we did not advertise during the off-season. Also, in-shop demonstrators, because as we have entered into all these new channels, emerging channels, modern trade and all, there we had to provide additional in-shop demonstrators, and BTL activities were to be carried out, that actually has been an additional spend over last year. So, I think that has temporarily impacted a bit of profitability.

And as we go forward, because these channels are emerging and continuously evolving, and especially in the Southern and the Western part of the country, we need to have their presence. And as we told earlier also, the guidance was that we need to extract from each of these channels, the legitimate share, because if we are hovering around 20%-odd market share, we would want to extract from each of these channels.

And we were at a very small level in some of these counters. And also, Southern India, as you know, earlier on we were not the brand leaders. We wanted to reclaim and regain our leadership position in that also. So, therefore, we had to spend on all these activities to strengthen the brand in these areas and in these channels. So, that is what has taken a bit of a toll on the profitability in quarter-on-quarter basis this year versus previous year.

Moderator: Thank you, sir. The next question is from the line of Aditya Bhartia from Investec. Please go ahead.

Aditya Bhartia: Hi. Good evening, sir. Sir, my question is again on these additional costs. If my memory serves me right, we had started working much more actively with modern trade in fourth quarter of last fiscal. We didn't see costs spiraling up as sharply in the first half of this fiscal as we have seen in the third quarter. Or is it that in the first half because we had very strong growth because of operating leverage we didn't really see the impact in EBIT margins, and in third quarter, we have seen a much more pronounced impact?

Management: So, last year, it was just beginning, we were just entering into them. If you ask me even today also, we are not available in all of them, and our effort is towards entering into all of them and to be meaningful with all of them and getting our reach as well as extraction from all these modern trade and regional retail counters. We are available in about 75%, 80% of them. So, as we go along in our journey, you will get to see there is more investment happening on all these fronts.

And see, if you want to compare, earlier on what was happening during the off season, we used to remove in-shop demonstrators from the outlet because our product was only the seasonal product. But now with all the categories, we have strengthened our product portfolios, we are into full-fledged consumer durable range, except for electronics, as well as we are into Air

Coolers and many other categories like Water Heaters. So, therefore, round the year, we need the in-shop demonstrators.

So, this is the additional cost probably, I think, we are ignoring that fact. If you look at our ISD count, is, I think, doubled up than previous year during the course of this year. And also, advertisement was previously being done in only the main season, peak season, summer season, IPL and all. But now with all this consumer durable products available, we have to spend during the festival season also because it is meaningful to have our presence for our consumers. So, that is all, I think, we need to be cognizance about.

Moderator: Thank you, sir. The next question is from the line of Rahul Gajare from Haitong. Please go ahead.

Rahul Gajare: Yes. Hi. Good evening, sir. Sir, I have a question on your projects business. Now, your order backlog is closer to Rs. 6,800 crores. You indicated the domestic order intake at closer to Rs. 1,400 crores. Is it possible you can indicate how much is your order intake in the international? Because mathematically, it appears that you have had either cancelation in your international orders because, a, there is a continuous decline in the international backlog.

Management: For the international business during this period, we have not taken any major orders as you have indicated. Order worth Rs. 1,400 crores, which we mentioned is the domestic business order intake for this period. The total outstanding orders which stand is about Rs. 6,800 crores. And out of that about Rs. 2,000 crores are for the international business. There is no cancelation of orders. There has been no cancelation. Only execution of orders has been happening, and that's why you see there is a big uptick in the turnover volumes also.

As we had earlier indicated in our previous calls that our focus at the moment in international business is on consolidation and doing a better KYC to get good orders and only execute good orders with the better profit. So, we are continuing with that strategy, and we will continue to take projects which fit our criteria, as we had been saying. And that was only natural because of a couple of hits which we had in the last year and last to last year. And that's why you see over the last nine months, and we expect it will continue, that we do not get surprised with any hits and all.

Management: So, just to elaborate further, there are two-fold strategy which we have adopted in the international business. One is, we wanted to remain vigilant towards collection of our old dues, as we have stated earlier also. Because in certain places, the collections or the exposures had gone a bit higher, and we wanted to collect those monies. And therefore, the focus was towards that, which remains still a very, very important aspect of our strategy in that business.

And when we are saying that consolidation as in, we are expanding our business or we want to do business in two main geographies, which is UAE and KSA. So, there, we have been executing three, four large projects and some smaller projects, put together 10, 12 projects which we have been carrying out. Therefore, we were prudent in selecting projects in those geographies. So, right now it's about Rs. 2,000 crores, and in case there are meaningful projects funded by the right clients, we will look forward to increasing or picking up projects in those geographies.

Moderator: Thank you, sir. Ladies and gentlemen, we take that as the last question for today. I would now like to hand the conference over to the management for closing comments.

Management: So, I think all in all, if you look at this year has been pretty good. The first nine months have given us a lot of good momentum on sales numbers, volume, revenue, even the profitability has been almost 2.5x than what we had achieved last year. And we will continue to strengthen our product portfolios. We will continue to strengthen our numbers, continue to keep expanding the size and scale of the industry as well as Voltas brand. And the projects businesses also, we will try and execute projects whatever are towards closures and collect our dues in the last quarter to be able to deliver what we have committed to the shareholders. And just for your information, UCP segment, this quarter whatever a little bit downward trend you would have seen is, it's a seasonal factor, and we are likely to catch up in Quarter 4.

Management: Thank you. Thank you very much.

Moderator: Thank you, sir. On behalf of Nirmal Bang Institutional Equities, which concludes this conference. Thank you for joining us. And you may now disconnect your lines.