

Virtuoso Optoelectro

17 August 2026

Operator: Hello, ladies and gentlemen. On behalf of the Captify Consulting Investor Relations team, I welcome you all to the Q1 FY27 post-earnings conference call of Virtuoso Optoelectronics Ltd. Today, on the call from management, we have with us Mr. Sukreet Bharti, Managing Director, and Mr. Shajid Sheikh, Chief Financial Officer. As a disclaimer, I would like to inform all of you that this call may contain forward-looking statements, which may involve risks and uncertainties. Also, this is a reminder that this call is being recorded. I would now request the management to brief us about the business performance highlights for the period ended June 2026, the growth perspective, and the vision for the coming years, after which we will open the floor for Q&A. Over to the management team.

Sukreet Bharti – MD: Thank you, Rajiv. Can we start running through the presentation, please? Rajiv, are you there?

Operator: Hello, sir. Is this visible?

Sukreet Bharti – MD: Yes, it is visible, but I think you are on the wrong screen. Yes, this is the screen.

Shajid Sheikh – CFO: All right. Yes, we can stay here. We can stay here. Good morning, everyone, and welcome to the post-earnings call for Q1 FY27.

This screen highlights the performance of the company at a consolidated level for this quarter. At a consolidated level, I think the company has been able to achieve revenue of 376.6 crores, which, when compared to last year, that is, Q1 FY26, is almost an 89% jump. Despite the fact that Q4 FY26 was also a very strong performance, this number represents an 18.7% jump in revenue over that quarter.

The EBITDA margins have stayed at very similar levels when compared with Q4 FY26, at around 9.3%. EBIT and EBITDA have behaved similarly. What has happened below that is that, at a PAT level, we have had a very significant jump when compared with Q1 FY26. It is almost a 103% jump. So, from a 64-odd-crore, {? 6.4 crores ?} rather, Q1 FY26 number, we have moved to a 9-crore number this year. In comparison to last year also, there is a significant jump. Can we move forward, please?

Operator: Yes, sir, just a minute. I will take it to full screen. Yes, sir.

Shajid Sheikh – CFO: It is still not visible at my end. Yes, okay. Can we move on to the next slide, please?

Going forward in FY27, we are trying to consolidate and make sure that we start sweating the assets that we have deployed so far and those that are in the process of being deployed. The utilization levels intended to be achieved are in excess of 75% at an aggregate level.

We are moving forward with our mantra of deepening backward integration. That will happen in H1 FY27 on the EMS side. We have already completed CFF plastics in any case, and we want to move forward with that.

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We are moving up the value chain because we have become an ODM. The focus on R&D is there, and high-potential categories such as AC are something that we are looking at because we have a very strong order book for the forthcoming season. We should be able to achieve our numbers primarily on the back of this strong and healthy order book.

Compressor production, I think we have already stated earlier, has begun. This happened toward the end of December last year, and we are currently running at more than 50% utilization. I am happy to say that we are almost 3 months ahead of the schedule.

In commercial refrigeration, in addition to the hard-top and glass-top range, we have also entered the medicinal refrigerator segment, and hopefully, very soon, we will also enter the visi-cooler segment. Can we move forward? Rajiv, one more slide up, please.

Yes, these are the capacities that we have spoken about. In EMS, the current capacity is 4 lakh CPH. We are moving to 12 lakh CPH in two phases. The first phase, involving 8 lakh CPH, should hopefully be up and running by the middle or end of September. Commercial production for this phase is also expected to commence toward the end of Q3.

For ACs, we have stated earlier that we have a capacity of 1 million, which is being increased to 1.8 million. This should happen over the next 12 to 15 months, again in two phases, from 1 million to 1.3 million and then from 1.3 million to 1.8 million.

In deep freezers, the existing capacity is 1.5 lakh units. We are moving to 2.5 lakh units, which should hopefully be live by the middle or end of Q3 this year. The second phase is more likely to happen in the next financial year, involving a move from 2.5 lakh to 4 lakh units.

For compressors, we currently have a capacity of 2.8 million, which is being increased to 6 million. This should probably happen by December or January, that is, the forthcoming December or January. Commercial production should also commence toward Q4 of this year.

We can move forward. Most of this has already been covered. We can skip this slide. Yes, we can stay here for some time.

This is how the revenue share is expected to appear in FY27. AC will remain at around 55–60% of overall revenue. EMS will contribute about 10% of overall revenue. Commercial refrigeration will also contribute about 10%. The component, washing machine, and other businesses should contribute about 5% of overall revenue, while compressors will increase to about 15% of overall revenue.

Can we move forward, please? I think we can skip this slide and move forward. These are mostly common slides. Yes, next slide, please. We can stay here.

This slide captures the performance of the company over the last 6 years. As we can see, this is up to FY26, of course. There has been 49% growth over the last 6 years in terms of the top line, and approximately 47% CAGR in absolute EBITDA. PBT growth has been 56%, and PAT growth has been 52%.

There has been consistent year-on-year growth over the last 6 years, and we hope to continue taking this forward over the next 3 to 5 years as well. Sukreet, would you like to speak a little about

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the industry here?

Sukreet Bharti – MD: Thank you so much, and a very good morning, or now afternoon, to everybody. Once again, thank you for taking the time.

Overall, we had a good quarter. There was pressure on margins because of raw material issues, which has persisted. We hope that pricing is now a little more stable and that, over the next couple of quarters, the price increase we are requesting from our customers and the market will effectively even out or average out.

That is the situation as far as the industry is concerned. This has happened across the refrigeration industry and the air-conditioning industry. There is also heavy dependence on imports in the compressor supply chain, which is indirectly dependent on the US dollar.

However, the numbers and growth in Q1 have been as per our plan, and accordingly, we continue to maintain our guidance for this year. We hope that we can achieve or exceed that guidance for the coming year.

To quickly summarize the current situation segment-wise, in EMS, we are increasing capacity. We may not see top-line numbers from this business this year, but we will see an increase in backward integration from the increase in EMS business during the current financial year. We hope to add more EMS business, but that will hopefully start showing in the numbers in the next financial year.

In the AC business, as mentioned earlier, we have good visibility in terms of the order book. The idea this year is to increase capacity to meet customer requirements and ensure that we satisfy the customers we work with.

The third segment is the compressor vertical. We are increasing capacity in the compressor vertical, and we have also acquired a 22-acre parcel of land for further consolidation of the compressor business at one location in the future. We will continue to expand capacity and then effectively move it to the new location over the next 1 to 3 years, as circumstances allow, so that the operation can be up and running.

The component business is also doing well. Both Chennai and Sanand are picking up in terms of numbers. We hope to continue building on this segment.

In commercial refrigeration, as briefed earlier, we are happy to share that we have onboarded another marquee customer. Although Q1 was slightly slower for commercial refrigeration because of the increase in pricing, I think the market did not absorb the prices immediately, and many buying decisions were deferred. However, volumes continue, and we hope that over the year we will be able to maintain or achieve the numbers that we had planned for commercial refrigeration.

Overall, it has been a good year, and I think we can now open the floor for questions.

Operator: Thank you, sir. Those who wish to ask a question may use the raise-hand option. In case you are unable to raise your hand, simply drop your question in the Q&A box, and we will ask it on your behalf. We will take the first question from Ranodeep. Ranodeep, you can go ahead.

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Ranodeep: Thanks, Sukreet, for the opportunity, and congratulations on a wonderful set of numbers.

Sukreet, this question is on the compressor business. I understand that you spoke about the 22-acre parcel of land where we will be setting up and consolidating our compressor business. I am just curious: are we still looking at reciprocating compressors, or are we also considering AC compressors, given that we recently saw a notification about one of our {? startups ?} securing a project for AC compressors from Voltas? Given that Voltas has been such a big client for us, I wanted to understand your thinking on this.

Sukreet: So far, what we have confirmed is only refrigeration compressors. We have not finalized any plan for AC compressors. In case we do, we will definitely reach out, but so far, we are restricting ourselves to, or have only started activity on, the commercial and refrigeration compressor side.

Ranodeep: The second question is more of a macro question. You highlighted potential revenue growth of 35–40% CAGR, and we understand that between FY21 and FY25 we saw a 43% CAGR. What are the key underlying assumptions for this 35–40% growth? The guidance is for the next 3 to 5 years, so could you highlight some of the underlying assumptions?

Ranodeep: ...aggressive growth for the next 3 years.

Sukreet: Sure. I think if you look at the business, some of the verticals we are in are high-growth verticals, especially the AC vertical and now the compressor vertical. The other verticals—components, EMS, and refrigeration—have slightly better EBITDA margins compared with AC or commercial refrigeration.

Our idea is that we need to have good diversification in terms of both the bottom line and the top line, and we need to have a diverse spread of product categories. That is the basic construct.

Coming to the high-growth segments of AC and compressors, in compressors, as you know, we are one of the first movers in this segment as an unrelated brand, meaning companies that do not have a captive requirement. We want to use that first-mover advantage. If we see good traction, we are at a stage where we have already started ramping up with most customers. We are in the production phase with these customers, and we have already started supplying production lots to them.

We also see good order book visibility in this segment. That is the first point.

For compressors, the government has currently restricted imports to 40%, and hopefully this will reduce over the next 1 or 2 years. We hope that we will be able to address the increase in market availability. That is the first point for compressors.

For ACs, as you know, the industry is growing, which is one large driver. Even if the industry grows at 10%, 12%, 15%, or whatever the number may be, we also believe that if we are able to make a good product and add value for our customers in terms of price, features, and service, there is sufficient demand in the market for us to achieve growth of 35–40% over the next 3 years.

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In ACs, we are also building our product offering. We are trying to see how we can optimize our designs and provide a good solution to our customers that is both economically viable and robust in quality. That is the basic construct of the entire growth strategy.

Ranodeep: Understood. One last question. I have been tracking your company for the last couple of years, but is there any company that you would like to benchmark Virtuoso against as the business model evolves? Is there any company that you would like to replicate or that inspires you? Any thoughts on that?

Sukreet: I think we learn from many companies in the market, but every company probably has its own journey. We continue to learn from multiple companies, but there is no one specific company.

Ranodeep: Thank you, Sukreet. I also wanted to appreciate the growth trajectory that you have shown over the last couple of years. I think the management is delivering on its commitments, and I appreciate the execution and the pace at which it has happened. I really appreciate that. Thank you once again.

Sukreet: Thank you so much.

Operator: Thank you. I request all participants to restrict their questions to 2. We will take the next question from Shreyansh Jain. Shreyansh, you can go ahead.

Shreyansh Jain: Hello, am I audible?

Sukreet: Yes, please.

Shreyansh Jain: Congratulations on a good set of numbers. I have a couple of questions. First, in the previous conference call, you mentioned that since we had recently launched the ODM model for ACs, we were not able to obtain the benefits in terms of margins. Where do we see AC margins going forward with an increasing mix of ODM?

Sukreet: Right now, because of raw material pressure, I think the entire supply chain, including our customers and the distribution channel, is slightly stretched in terms of margins. I think this pressure will continue for perhaps 6 to 12 months, until the global situation stabilizes.

After that, we believe margins should increase. This year, of course, we remain committed to and believe that we will achieve the EBITDA that we had hoped for. However, the improvement in margins will probably come next year and perhaps not this year, considering the overall raw material situation and the continuing uncertainty in terms of dollar fluctuations or raw material fluctuations because of the fluid war situation or shipment situations.

However, I still think most of it is behind us. Therefore, the variation should be lower now. Margin improvement will probably happen from next year.

Shreyansh Jain: What would be the difference in margins between an OEM and an ODM model?

Sukreet: It would not be significant, but perhaps 1% to 1.5%.

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Shreyansh Jain: In our presentation, we have mentioned that we expect {? 15% ?} contribution from compressors, compared with 8% in the previous year. Since compressors are currently a low-margin product, are we confident of meeting our guidance of 9–10% margins for the full year?

Sukreet: Yes, we are.

Shreyansh Jain: Thank you so much, sir.

Operator: Thank you. We will take the next question from Hemant Soni. Hemant, you can go ahead.

Hemant Soni: I am not in a position to raise my hand.

Operator: Hemant? We will move on to the next participant. We will take the next question from Kunal Tokas. Kunal, you can go ahead.

Hemant Soni: Hello? Hello?

Sukreet: Hello.

Hemant Soni: This is Hemant. Can I ask you a question now?

Operator: Yes, you can go ahead.

Hemant Soni: Congratulations on a very good set of numbers, and thank you for providing me with the opportunity.

The growth in Q1 has been tremendous. Are we revising the guidance for the entire year? The guidance was 35–40%, but we have grown much better than that. Are we revising the guidance, or do you think that the numbers in the next 3 quarters will not be as strong as they were in Q1?

Sukreet: We believe that Q1 and Q4 are the biggest quarters for us. Q1 has performed well, so we have a slight head start. Depending on how Q3 effectively goes, we will be able to assess whether we can revise the guidance upward. We will be in a better position to update you at the end of Q3.

Hemant Soni: As of now, are we sticking to our guidance of 35–40% in FY27, with 9–10% EBITDA margins?

Sukreet: Correct, yes.

Hemant Soni: Thank you so much.

Operator: Thank you. We will take the next question from Kunal Tokas. Kunal, you can go ahead.

Kunal Tokas: Hello, am I audible?

Sukreet: Yes, you are audible.

Kunal Tokas: Thank you. My first question is about ACs. We are scaling up to 1.8 million AC sets this year. For the next season, which will be in FY28, what kind of utilization range do we expect? Is this expectation based on order commitments from existing customers, or do you expect to onboard

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new customers to fill the expanded capacity?

Sukreet: A combination of both. In FY28, or the FY28 season, or the 2027–28 season, we expect to utilize between 50% and 60% {? 50–60% ?} of the increased capacity.

This capacity will also be completely live before the next season. This season, we will be somewhere in between. However, before the next season, we plan to make the entire capacity live, and we hope to utilize approximately 50% of it.

As you asked, this is a combination of projections from existing customers and the additional onboarding of new customers.

Kunal Tokas: My second question is about compressors. I believe that in one of our past calls, you mentioned that the entire compressor project, including both scaling up and backward integration, would involve a total investment of around 500 crore rupees. While we have tied up 150 crore rupees in debt, what are your plans for funding the remaining project?

Sukreet: Right now, we are covering the first phase with the investment that we have already made as part of the equity raise or the ongoing equity issue.

The second part has been funded through the 150 crore debt that we have raised as OCDs. This will cover the first phase, which extends up to the middle of next year.

Once all the phases are completed—the increase in capacity, backward integration of shell manufacturing, and motor assembly—and these activities are localized, we will look at the next phase. We are yet to decide whether we will fund it through debt or equity. We will take that decision over the next 12 months.

Kunal Tokas: Thank you very much, management, and have a good day.

Sukreet: Thank you so much.

Operator: Thank you. We will take the next question from Jay Chauhan. Please go ahead.

Jay Chauhan: Hello, am I audible?

Sukreet: Yes, please.

Jay Chauhan: Thank you for the opportunity. I have a few questions. I wanted to understand the rationale behind having VPPL rather than running the same business under the listed company alone.

Sukreet: The idea is that we should be able to focus on each business separately. In some places, VCPL is also a vendor to VOEPL and a vendor to other companies making the same product.

Therefore, it needs to have a separate team over the long term that can ensure that customers receive their due. We need to maintain transparency with respect to the overall business, and we need to maintain transparency in dealing with customers.

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We cannot give partial treatment even to our own manufacturing requirements because this is a critical product, and we need to ensure that we service our customers properly.

Jay Chauhan: Understood, sir. In components, out of the total production, how much is consumed internally and how much is sold externally? Is it correct to assume that the Sanand plant is completely for external sales and not for backward integration?

Sukreet: A small part of Sanand, perhaps 5–7% of Sanand, comes to Nashik. This means that we require some plastic extrusion sheets for the refrigeration business, which VOEPL buys from VPPL Sanand.

Apart from that, some small amount of backward integration in Nashik also comes from VOEPL. If you look at it, currently perhaps around 15% of VPPL's business comes from VOEPL. The remaining 85% goes to external customers.

Jay Chauhan: Okay.

Sukreet: The situation is similar in compressors. Captive compressor requirements will be approximately 2–3% of overall sales, and the remaining output will be for other customers.

Jay Chauhan: What is the margin profile of compressors, and what is the trajectory going forward?

Sukreet: Right now, we are looking at approximately 5–6% EBITDA, perhaps 6–7% EBITDA, or 6% plus or minus 1% EBITDA, in compressors.

However, once we backward integrate and the inventory currently held by other manufacturers gets consumed, we may be able to improve EBITDA slightly, by 1% or 2%. I think we should primarily expect that in the next financial year.

Operator: Thank you. We will take the next question from Siddharth Jain. Siddharth, you can go ahead. We will move to the next participant. Akshay Darji, you can go ahead.

Akshay Darji: Hello, am I audible?

Sukreet: Yes, please.

Akshay Darji: My question is on capex. With the ongoing capacity expansion in commercial refrigeration, could you share the total planned capex for the next 2 years and how much of this has already been incurred in Q1?

Sukreet: Are you referring to commercial refrigeration?

Akshay Darji: Yes.

Sukreet: In commercial refrigeration, we have not incurred any significant capex in Q1. This financial year, we are looking to incur about 20–25 crore capex in commercial refrigeration. Next year, we expect a similar amount to achieve the 400,000-unit capacity that we have planned.

Akshay Darji: What is the planned capex for the next 2 years?

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Sukreet: As I mentioned, next year it will again be about 20-25 crores. After that, we will assess the utilization and take a call because the current manufacturing unit we have created will effectively reach its maximum capacity at 400,000 units. After that, we will require a larger capex to create a separate facility if we want to increase volumes, but we have not planned that so far. Once we utilize this asset well, we will consider another expansion.

Akshay Darji: Once the plant reaches meaningful utilization, how much additional revenue and ROCE do you expect?

Sukreet: At full utilization, with a capacity of 400,000 units, we can look at revenue of 600 crores from commercial refrigeration.

Akshay Darji: One last question.

Sukreet: Yes, please.

Akshay Darji: As you mentioned, refrigeration capex will be 20-25 crores. I want to know the total capex.

Sukreet: Total capex this year is expected to be between 80 and 100 crores in VOPL.

Akshay Darji: Thank you.

Operator: Thank you. We will take the next question from Divyansh. Divyansh, you can go ahead.

Divyansh: I just want to confirm regarding the EBITDA margin. After completion of more backward manufacturing integration and with the expected moderation in raw material prices, how are we thinking about EBITDA margins for FY27? Will they remain the same as in FY26?

Sukreet: As we mentioned earlier in the call, 9-10% is the guidance we gave, and we continue to maintain that guidance.

Divyansh: Okay, sir.

Operator: Thank you. We will take the next question from Vignesh Iyer. Vignesh, you can go ahead.

Vignesh Iyer: Hello, am I audible?

Sukreet: Yes, please.

Vignesh Iyer: My question is on working capital days. Can you share the net working capital days at the end of Q1?

Sukreet: I do not have that figure at hand. {? Sarji ?}, if you have that figure, perhaps you can share it.

Management: It is around 85 days.

Vignesh Iyer: This marginal increase of around 1.5 crores in interest is primarily due to an increase in working capital during the quarter, or is it because of something else? I wanted to understand how

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much of the higher interest cost in this quarter has come from working capital.

Sukreet: I think it is primarily—sorry, please continue.

Management: The higher interest cost at the consolidated level is primarily because of the OCDs that we have taken.

Vignesh Iyer: What is the cost of borrowing for those?

Management: It is in the mid-teens.

Vignesh Iyer: Sorry?

Management: It is in the mid-teens.

Vignesh Iyer: I understand. That is all from my side. Thank you.

Operator: Thank you. We will take the next question from Parikshit. Parikshit, you can go ahead.

Parikshit: Hi, I hope I am audible.

Sukreet: Yes, please.

Parikshit: My first question is on the PLI benefits. While we received the PLI benefits, they are going away in FY27. Have we worked out internally how we are going to pass this on to the end consumer? More generally, PLI incentives earlier helped contract manufacturers grow their businesses quickly. Now that the incentives are going away, how do you think contract manufacturers will compete for market share with other brands and manufacturers?

Sukreet: There are 2 parts to the question. On PLI, we are covered under PLI this year, so we have 12 months. We have started discussions, but I think we will conclude them with our customers over the next 12 months.

The effective impact of PLI is approximately 1%, here and there, on the overall EBITDA of the company, specifically in the AC business. In any case, we are in discussions with our customers, and over the next 12 months we will find a mutually beneficial solution with them. That is point number one.

Point number two, as far as expansion is concerned, I believe PLI was an incentive for both brands to have their own capacity and for OEMs and ODMs to increase capacity. Overall, capacity expansion has happened.

If the absence of PLI becomes a deterrent to increasing capacity, then it will be a deterrent for both sides. Therefore, I do not believe it will sway the relationship or the equation in a specific direction.

On the contrary, I believe there could be a slightly greater inclination toward outsourcing because there is no direct benefit to brands. At least, I hope there might be a slightly greater inclination. However, we will see over time what actually happens.

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Parikshit: Understood. This is helpful. My next question is about new products. Have we considered any new products over the near to medium term? Apart from one anchor customer in the washing machine space, have we added any new customers in this category?

Sukreet: We are, of course, present in every— We are not adding a new category as of now in this financial year, but within the existing categories we are definitely adding products.

In ACs, we are adding different sizes. In commercial refrigeration, we are adding more models. As mentioned earlier, we are also looking at adding visi-coolers as a segment.

Therefore, we are adding more categories or segments within the same category, or product segments within the same category, but we are not adding any new category in the current financial year. That is point number one.

As far as washing machines are concerned, this year we are primarily looking at working with our anchor customer. Once we scale up the product and have more variety and larger capacity, we will look at additional customers.

Parikshit: Thank you very much. Those were all my questions.

Operator: Thank you. We will take the next question from Aman Soni. Aman, you can go ahead.

Aman Soni: Thanks for the opportunity. I have 3 questions. What can be the peak revenue that we can achieve with the existing infrastructure, and how quickly can this ramp-up happen?

Sukreet: Sorry, I did not catch your question properly.

Aman Soni: With the existing infrastructure, what peak revenue can we achieve?

Sukreet: We are currently increasing capacity. With the increased capacity, for ACs at 60% utilization, we are looking at peak revenue of close to 2,000 crores.

For compressors, at 80% utilization, we are looking at peak revenue of approximately 750 crores. For the other products, including commercial refrigeration and EMS, we are looking at peak revenue of 400–500 crores.

With the ongoing expansion, which we will complete over the next 12 months, we are looking at peak revenue of approximately 3,500–4,000 crores.

Aman Soni: Over the last year and during the current year, there have been some headwinds in AC demand. From a long-term perspective, penetration is still low. How quickly do you believe you will be able to ramp up these capacities over the years?

Sukreet: I think it is more a matter of utilization. Once we utilize approximately 50%, 60%, or 70% of any capacity for a seasonal product, we look at increasing that capacity. For a non-seasonal product, if we reach 70–80% utilization, we look at increasing its capacity further.

We may have 1 bad year or half a bad year in between, but overall, as our capacities become increasingly utilized, we will look at expanding capacity further. That will be the normal thought

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process unless there is another dynamic that we are not aware of today.

Aman Soni: Secondly, PLI 2.0 is more focused on the component ecosystem. Do you have any plans to take advantage of this?

Sukreet: We do, but once the scheme guidelines are released and our plans are more consolidated, we will come back to you.

Aman Soni: What will be the net margin target for this particular year?

Sukreet: Net margin is a function of multiple factors, but we are looking at net margins of 2–3% across a slightly broader range.

Aman Soni: Earlier, you used to guide for 2.5–3%, correct?

Sukreet: That range continues. The only issue is that we realize the impact of tax and other calculations a little later, but 2.5–3% is still acceptable.

Aman Soni: Thank you, sir.

Operator: Thank you. We will take the next question from Nikhant Pur. Nikhant, you can go ahead.

Nikhant Pur: Thank you, and congratulations on the strong revenue performance. Can you highlight the segment-wise revenue contribution for Q1 FY27? My second question is: how are the inventory levels for room air conditioners compared with last year's levels?

Sukreet: Our customers would know the market situation better because they are more closely connected with it. However, based on the feedback we have received, we believe inventory levels are normal, and there is no overall inventory stress.

There is, of course, slightly higher inventory of raw materials where we believe government restrictions will apply, such as copper or compressors, but there has not been any significant increase in inventory at our end or in the market.

Nikhant Pur: Specifically, how has the revenue growth for room air conditioners been in Q1?

Sukreet: {? Sarji ?}, do you have the number at hand?

Management: I think AC contributed approximately 70%. Compressors contributed approximately 7–8%, EMS contributed roughly 7–8%, and deep freezers contributed a very similar number. The balance came from components.

Nikhant Pur: My next question is on the commercial refrigeration industry. It appears to have declined in Q1. How do you see demand recovering in this category going forward?

Sukreet: I think Q1 was a little subdued for this segment because of the increase in prices. This is a B2B segment, so shopkeepers and end consumers may have deferred their decisions slightly. However, we believe that over the year it should average out, and we should see growth by the end of the year.

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Our Q1 projections were deferred to Q2 and Q3, but the overall projections have not changed. We are receiving good projections or indications for the full year.

Nikhant Pur: In terms of the RAC industry, how do you see value and volume growth for FY27?

Sukreet: I believe that last year, even in a difficult year, we saw growth. In a good year this year, I believe we will still see 8–10% growth in the next season.

Nikhant Pur: Thank you.

Operator: Thank you. We will take the next question from Shrey Gandhi. Shrey, you can go ahead.

Operator: Hello, Shrey, you are not audible. We will move on to the next participant. Kush Tandon, you can go ahead.

Kush Tandon: Can you hear me, sir?

Sukreet: Yes, please go ahead.

Kush Tandon: First of all, congratulations. I would say that very few companies can provide the kind of guidance you are giving for the next 3–5 years. I had a couple of questions. I think non-AC revenue is around 40% now.

Sukreet: Correct.

Kush Tandon: We are diversifying well. Within ACs, I wanted to understand that there was a lot of disruption last year with Voltas, and yet we performed very well in terms of growth. How are the order books shaping up with your core customer, Voltas? Also, can you highlight how you are diversifying within the AC component business beyond Voltas?

Sukreet: Within ACs, revenue is now coming from 4–5 different customers. On average, I think our largest customer now represents approximately 40–45% of the AC vertical.

For the coming season, we expect this to evolve to perhaps 30–40% from 1 or 2 customers, and then perhaps 10–20% from 1 or 2 customers.

Kush Tandon: Are you saying that 40% is approximately 25% of total revenue?

Sukreet: Correct, yes. It will be 25–30%, yes.

Kush Tandon: What was this number last year, in FY26?

Sukreet: In FY26, I think this number was between 50% and 55%.

Kush Tandon: So the concentration of the largest customer is coming down from 50–55% to 25% this year?

Sukreet: Let us say 35%. It could be 25–35%; we will know as the season progresses. Last year, it was actually in excess of 60%. I am sorry.

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Kush Tandon: Directionally, it is going well. You have also given revenue guidance, but has the disruption that existed last year with this customer now reduced? Since you are providing guidance, I assume that the disruption is largely over as of now.

Management: The disruption in terms of the supply chain is now more stable. I think it has become part of the norm. Prices have also stabilized.

Regarding market disruption, I think people have learned from the mistake. Historically, however, every 3 or 4 years we see a bad cycle. Hopefully, that cycle passed last year, and with that, we hope that over the next 3 or 4 years we will see a steadier cycle. That is the hope. Of course, nobody can predict this, but I believe that is the general sense.

Kush Tandon: I was also asking from the perspective of management changes at the client.

Management: Yes. I think customer-related matters have become more stable. We have better projections, and we already have plans for next year.

Kush Tandon: I think that was my core question. Congratulations, and all the best.

Management: Thank you so much.

Operator: Thank you. We will take the next question from Akash. Akash, you can go ahead.

Akash: Hi, good afternoon, Subhrajit. Most of the questions have been answered. I have just one question. When we mention raw material fluctuations, I wanted to understand which exact components were facing shortages or supply restrictions.

Management: There were multiple issues. First, logistics had become more difficult and more expensive for a period because shipments were being delayed.

Second, there were challenges with aluminum and copper, which are still predominantly imported. The government has introduced QCO guidelines for these materials. Indian captive capacities are coming online, and we have started purchasing from them. Some sampling is ongoing, so it will take a few months to smoothen out.

The challenges were primarily focused on imported components, namely copper, aluminum, and compressors.

Akash: Understood. What about PCBs and chips? Were they also impacted, or were they completely fine?

Management: There has been some cost impact on the electronic side, but so far there has been no significant direct impact on us from the chip segment.

Akash: I wanted to understand one thing. In the previous quarter, raw material pricing affected our EBITDA. As you mentioned, we pass on the impact with a lag of perhaps a quarter. EBITDA levels have currently remained the same. Were we able to pass on the increase, or how will we be able to pass it on in the coming quarters?

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Management: We are able to pass on most of it, but as I mentioned earlier, there has been overall pressure across the entire supply chain. Wherever we can support our customers, we have also supported them.

Once pricing stabilizes and we know the bandwidth or buying range, I think EBITDA margins should increase slightly and move closer to 10%, compared with the current 9.3%. However, so far, we also believe that 9.3% is a healthy number.

Akash: Current commodity price trends again appear to be moving upward. Are we building inventory, or will we purchase as demand comes in?

Management: We proceed based on projections. Once we receive projections from our customers, we start blocking inventory. We cannot randomly block inventory because we need to know the model mix and expected off-take. Based on that, we start blocking inventory.

Akash: Understood. That is a great help. Thank you.

Management: Thank you.

Operator: Thank you. I request all participants to restrict their questions to 2. We will take the next question from Pawan. Pawan, you can go ahead.

Pawan: Hello, sir. Am I audible?

Management: Yes, please.

Pawan: You said that with the ongoing expansion, we can see peak revenue of 3,500 crores at peak utilization. In FY28, can we achieve revenue of 2,000 crores?

Management: We have already guided for 35–40% growth. I think we will stick to that guidance.

Pawan: Okay, sir. Thank you.

Operator: Thank you. We will take the next question from Sameer Chheda. Sameer, you can go ahead.

Sameer Chheda: I want to understand the customer profile for ACs. Voltas is one customer; who are the other 3?

Management: We will refrain from naming customers, but we are working with some good customers in the segment.

Sameer Chheda: What about the compressor segment?

Management: In compressors, we are working with approximately 8–9 customers across the industry. We are working with the majority of the manufacturers in the industry.

We are at different phases with different customers, but we believe we will be able to supply at least some quantity to almost every company in the industry that manufactures refrigeration products.

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Sameer Chheda: In ACs, our largest customer accounts for 35–40%. Is the situation similar in compressors?

Management: The customers we started with earlier are taking a larger share of compressors, but this will even out by the end of this year. We do not believe that any single customer will account for more than 20%, or perhaps 22–23%.

Sameer Chheda: What about deep freezers?

Management: In deep freezers, we have 3 primary customers and 2–3 smaller customers. There also, we are looking at perhaps 25–35% coming from the largest customer.

Sameer Chheda: Are we working to add new clients? We have 4 customers in ACs; are we looking to add more? Are discussions underway for the coming period?

Management: Yes, we are. Both small and large customers.

Sameer Chheda: So, currently there are 4 customers. We had 4 customers last quarter, and there are 4 this quarter as well?

Management: Correct, yes. Thank you so much.

Sameer Chheda: Thank you.

Operator: Thank you. We will take the next question from Shrey Gandhi. Shrey Gandhi, you can go ahead.

Shrey Gandhi: Hello, am I audible now?

Management: Yes, please.

Shrey Gandhi: I have a small question. As we expand our capacity across EMS, deep freezers, and compressors in the coming quarters, with these capacities expected to go live, can we expect our revenue share from ACs to decline from the current 60% after a meaningful ramp-up in FY28? Can we expect a higher share from the EMS and compressor segments and therefore realize higher EBITDA margins in the coming years?

Management: It is too early to comment, but I believe ACs are also one of the faster-growing segments. Therefore, I do not believe the share will change significantly from 60% in the next financial year.

Over time, we will have to see, but next financial year I think we will aim to maintain approximately 60%. I think that is a good share to maintain because ACs are one of the faster-growing segments among the 4–5 segments in which we operate.

Shrey Gandhi: That was my only question. Congratulations, and all the best for the future.

Management: Thank you so much.

Operator: Thank you. We will take the next question from Chetan. Chetan, you can go ahead.

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Chetan: I have already sent my question through the Q&A. Would you like me to read it out?

Operator: Yes, you can go ahead.

Chetan: Given the government's push for localization and the QCO-linked exemption for compressor imports being extended until March 2027, is VEEP planning to scale beyond 50% utilization to meet its target of 15% revenue share? Also, what margin profile should we expect once full backward integration is achieved?

Management: If I understand correctly, you are asking about the localization push for compressors. As I mentioned, we are currently working on refrigeration compressors. We have not started working on AC compressors.

However, if there is a good opportunity and the situation aligns, we will definitely consider it. That is point number one.

We are working on multiple areas, including other components that we are backward integrating. For PCBs, we are currently purchasing partial quantities from external suppliers, and we are also looking to bring that in-house.

We are serious about localization, serious about aligning with the government's objective, and working on multiple areas to achieve that. That is the first point.

The second question was about capacity utilization. Since this is a seasonal product, immediate capacity utilization of more than 60-65% in the AC and refrigeration segments is difficult. It will happen over time.

For compressors, we can look at capacity utilization of more than 75% by next year for the capacity that we have added. However, you have to keep in mind that for any capacity we add, we need between 12 and 24 months to reach the desired level of utilization because there is a customer validation cycle and multiple approvals that we have to go through.

We have already discussed and answered the question about revenue share, so I will skip that.

Regarding working capital, we are trying to manage a balance between debt and equity so that the company has a healthy balance of debt and equity. We also need to be as lean as possible in terms of inventory levels and operations, while remaining relevant and able to meet industry targets.

I think I have answered all the questions, if I am correct.

Chetan: Yes. Thank you.

Management: Thank you.

Operator: Thank you. We will take the next question from Rajat Tibrewala. Rajat, you can go ahead.

Rajat Tibrewala: Thank you for the opportunity. I have one question. I wanted to understand whether you could provide some details on the equity dilution plan and the debt plan, given the capex plans that we have.

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Management: As I mentioned a few minutes ago, we plan to maintain a balance between debt and equity because it is important that we do not stretch too much.

Dilution will depend on how much funding is required. Our primary source of funding continues to be debt, with a healthy balance of equity. We will know the exact numbers over time.

There is an ongoing fundraise this year. After that, we may look at raising funds next year or the year after, depending on the requirement. However, the expansion we are planning so far is more or less tied up.

Rajat Tibrewala: Can we assume that the current debt-equity ratio will remain constant, or do we see it declining or increasing?

Management: I think it will remain in the same range for the next 12 months.

Rajat Tibrewala: Thank you.

Management: Thank you.

Operator: Thank you. We will take the next question from Hemant Soni.

We will take the next question from Shreyansh. Shreyansh, you can go ahead.

Shreyansh Jain: My question was for Sudhit. Is this audible now?

Management: Yes, you are audible.

Shreyansh Jain: Thank you for providing me with the opportunity again. If I heard it correctly, Voltas is our largest customer in the AC vertical, and its contribution is currently 40-45%. What is the contribution of our second-largest customer within the AC segment? If you could mention the name, that would be helpful.

Management: I do not have the exact numbers at hand, and I would also refrain from sharing the exact breakdown because I do not believe it reflects well on our relationships.

However, we are actively working to ensure that we have a healthy customer base. Diversification alone is not the strategy; we also have to ensure that we service and satisfy our customers' requirements. That is what we are more focused on.

To clarify, Voltas accounts for 40% of the AC segment. We are not saying that it accounts for 40-45% of the AC segment, and this is not 40-45% of the entire top line.

Shreyansh Jain: Thank you very much, sir.

Operator: Thank you. Shreyansh, you can go ahead.

Shreyansh Jain: My question was for Sudhit. You mentioned third-party sales in the compressor and component businesses, but if we compare the standalone and consolidated top line, there is hardly any difference. Could you help me understand this?

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Management: Currently, Virtuoso Optoelectronics is purchasing for Virtuoso Compressors, which is why you are able to see that anomaly. Going forward, it will not work that way.

Shreyansh Jain: Understood. One last question: why has depreciation declined sequentially from Q4 FY26 to Q1 FY27?

Management: The ROU component was something that we accounted for for the first time in Q4, and therefore there was a significant increase there. That has now declined substantially and is normalizing.

The numbers you see now will more or less be the steady-state numbers unless we continue adding either ROU assets or fixed assets. I think the number you see now in Q1 represents the steady state.

Shreyansh Jain: Understood. Thank you so much, sir, and all the best for the future.

Management: You are most welcome. Thank you.

Operator: Thank you. Due to time constraints, this was the last question. Would management like to give any closing comments?

Management: Thank you once again for taking the time. We hope to see you next time. Thank you so much.

Operator: Thank you. Thank you to the management team for your valuable time, and thank you to all the participants for joining the call.

Operator: This brings us to the end of today's conference call. You may all disconnect now. Thank you.

Note: {? ... ?} indicates a figure or name where audio clarity was insufficient for confident transcription. Verify against the source audio or the company's published filings.

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