EPACK DURABLE LIMITED

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August 18, 2026

Listing Department
BSE Limited ("BSE")
Department of Corporate Services
Phiroze Jeejeebhoy Towers
Dalal Street, Mumbai – 400 001
Scrip Code: 544095
ISIN: INE0G5901015

Listing Department
National Stock Exchange of India Limited ("NSE")
Exchange Plaza, C-1, Block G
Bandra Kurla Complex
Bandra (E), Mumbai – 400 051
Symbol: EPACK
ISIN: INE0G5901015

Sub: Transcript of the Investors' conference call on the Standalone and Consolidated Unaudited Financial Results for the Quarter ended June 30, 2026.

Dear Sir/Ma'am,

Pursuant to Regulation 30 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, read with Para A of Part A of Schedule III thereto, please find enclosed herewith the transcript of the Investors' conference call held on August 12, 2026 w.r.t Standalone and Consolidated Unaudited Financial Results of the Company for the Quarter ended June 30,2026.

A copy of same shall also be posted on the website of the Company at www.epackdurable.com.

We request you to kindly take this on your record and oblige.

Thanking You

For **EPACK Durable Limited**

Esha Gupta
Digitally signed by Esha Gupta
Date: 2026.08.18 15:45:26 +05'30'

Esha Gupta
Company Secretary and Compliance Officer

Encl. as above

"EPACK Durable Limited

Q1 FY27 Earnings Conference Call"

August 12, 2026

MANAGEMENT: **MR. AJAY DD SINGHANIA – MANAGING DIRECTOR AND CHIEF EXECUTIVE OFFICER – EPACK DURABLE LIMITED**
MR. RAJESH KUMAR MITTAL – CHIEF FINANCIAL OFFICER – EPACK DURABLE LIMITED

MODERATOR: **MR. MANAN GOYAL – ICICI SECURITIES LIMITED**

Moderator: Ladies and gentlemen, good day, and welcome to the EPACK Durable Limited Q1 FY27 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 this conference call, please signal an operator by pressing star then zero on your touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Manan Goyal from ICICI Securities Limited. Thank you and over to you, sir.

Manan Goyal: Thank you. Good morning to all. On behalf of ICICI Securities, we welcome you all to Q1 and FY27 Results Conference Call of EPACK Durable Limited. Today, we have with us senior management represented by Mr. Ajay DD Singhania, Managing Director and CEO; and Mr. Rajesh Kumar Mittal, CFO. Now I hand over the call to the management for their initial comments on the quarterly performance. Then we will open the floor for Q&A session.

Thank you, and over to you, Mr. Rajesh sir.

Rajesh Kumar Mittal: Thank you, Manan. Good morning, everyone. Welcome to our Earnings Conference Call for the first quarter of financial year 2027. I would like to thank ICICI Securities for arranging today's earnings call. The key financial highlights for the quarter 1 of financial year '27 are as follows.

For the first quarter under review, revenue from operations stood at IN R886 crores, which grew by around 34% on a year-on-year basis. During the current quarter, the company has not accrued any PLI income. However, the company had accrued the PLI income of INR13.31 crores during the first quarter of financial year 2026. The EBITDA for the quarter was INR55 crores, increased by around 0.70% on a year-on-year basis. The EBITDA margin reported at 6.21% as against 8.24%. The net profit was INR11.8 crores.

An important comparability on PLI income. Before going further, I would like to flag 1 item that affects how should we read the margin comparison. The company has not accrued any PLI income in the current quarter of financial year '27, whereas we had accrued around INR13.3 crores of PLI income for the previous quarter on a year-on-year basis. This margin was in the quarter revenue and because it carries no associated cost flowed almost entirely into EBITDA.

If you strip that INR13.3 crores out of both the revenue and EBITDA base for financial year 2026, last year, underlying EBITDA margin was closer to 6.4% and not 8.24%. On a like-to-like basis, our year-on-year margin improvement this quarter is closer to 15 basis points and not 203.

Now I would request our Managing Director and CEO, Mr. Ajay DD Singhania, to brief you on the operational highlights. Over to you, sir.

Ajay DD Singhania: Thank you, Rajeshji. Good morning, everyone. EPACK Durable continues to strengthen its position as a leading living appliances original design manufacturer. While room air conditioners remain an important part of our portfolio, we are steadily expanding into higher growth, better margin categories as part of our long-term diversification strategy.

Over the last few quarters, we have made significant progress scaling our small domestic appliances and large domestic appliances as well as component businesses, which are seeing encouraging customer traction and growing order pipeline. This is gradually delivering a more balanced revenue mix and reducing our dependence on limited set of customers for finished product.

Our focus remains on broadening the customer base, deepening relationships with existing customers, scaling new product categories, improving resilience, supporting margin stability, lowering customer risk and building a stronger foundation for sustainable profitable growth.

As results are already shared by Rajeshji, I'm pleased to report a strong start to FY27 with company delivering its highest ever quarterly revenue of INR886 crores with a growth of almost 34% year-on-year. This reflects healthy momentum across the portfolio.

Our core RAC business continued to grow strongly, while small and large domestic appliances as well as components scaled up encouraging pace, led by air fryers and washing machines. The growth was broad-based and reflects continued benefit of our diversification strategy.

We now serve more than 72 customers across 19 product categories, thereby sharply reducing our customer concentration and materially derisking our revenue base even as absolute revenue from these customers has grown significantly. We have added 3 new product categories in this quarter alone, while 4 new categories are in pipeline for later in the year.

On branded side, our partnership with Hisense continues to build well. Through the season of up to June, which is Jan to June, we produced close to 60,000 air conditioners under this partnership. It contributed approximately INR65 crores of revenue in just quarter 1 of this financial year.

While the quarter saw some pressure on margins and prevailing commodity and currency conditions, our focus remains on sustaining growth momentum by improving operating efficiencies and strengthening profitability as we scale. Our read on quarter is straightforward.

We are winning share, scaling the top line strongly and near-term profitability is being held back by the investment cycle and increase in input costs rather than by weakening in demand or competitiveness. The path ahead is to convert this scale into operating leverage. Our priorities are threefold.

First, scale the growth engines, sustain RAC margins while ramping washing machine and LDA capacities, which remain our fastest-growing and most margin accretive categories. Second, deepen strategic partnerships and position EPACK as preferred manufacturing partner across multiple product categories with our key customers, enabling deeper integration and long-term contracts.

Third, rebuild margin, convert scale into operating leverage as new facilities absorb volume, localization deepens and our value addition and product mix normalizes towards higher margin categories.

We have new product and new customer pipeline across SDA, LDA, and components heading into the rest of FY27, and we remain confident in long-term growth opportunity across our business, supported by our expanding product portfolio, strengthening order book, new customer acquisitions and ongoing capacity expansion.

With this, we now open the floor for Q&A.

Moderator: Thank you. We will now begin with the question-and-answer session. The first question comes from the line of Sucrit Patil with Eyesight Fintrade.

Sucrit Patil: I have two question. The first question to Mr. Ajay is I just want to understand the forward guidance. Beyond the regular outlook, what are the top 2 to 3 execution priorities you are focusing on in the next few quarters?

And alongside that, what do you see as the biggest risk in demand shifts, regulatory changes or competitive pressure? And how are you preparing to manage them while strengthening EPACK's position in the appliance manufacturing? That's my first question. And my second question after that.

Ajay DD Singhania: Sucrit, can you please repeat? There's a lot of echo in your voice or I think you're on the road or something.

Sucrit Patil: I'll just repeat my question. Just want to understand beyond the regular outlook, what are the top 2 to 3 execution priorities you are focusing on in the next few quarters? And alongside that, what do you see as the biggest risk in demand shifts, regulatory changes or competitive pressure?

And how are you preparing to manage them while strengthening EPACK's position in the appliance manufacturing space? Just want to understand forward-looking guidance on this. That's my first question. I will ask my second after this.

Ajay DD Singhania: Sucrit, although your question is not very clear, there's, I think, a lot of voice moderation which is happening because of the background. I'll try to answer it what I understood. So in terms of the outlook for the appliances industry for the coming 2, 3 quarters, definitely, first of all, air conditioners is having -- the tailwinds still continue, and we see long-term growth story for air conditions, our core manufacturing product category.

On top of it, the other appliances in which we are expanding very aggressively like the small and the large domestic appliances, each of the newer categories, whichever we are adding, we see strong growth momentum, a lot of customer traction.

And as we continue to add newer customer across categories, we believe that the growth momentum for the smaller domestic appliances and especially for large domestic appliances like washing machine, there is a long-term growth potential and the growth momentum is going to be much more than even RACs.

Sucrit Patil: My second question to Mr. Mittal is, from a financial point of view, what key risk or challenges do you anticipate in the coming quarters? And what specific measures have we taken to manage margins, cash flow and strengthen the balance sheet, especially in areas like raw material, cost volatility, receivables or compliance? Thank you.

Rajesh Kumar Mittal: This top line, you have already seen, we have grown around 34% in this current quarter. As far as the cash flow situation is -- cash flow situation of the company is stable, and we don't see that there would be any requirement to increase the working capital or other requirement with respect to the growth in the business. Generally, with respect to the cash-to-cash cycle, we have the working capital days around 50 to 60, depending on the season of the company.

Moderator: The next question comes from the line of Tanay Shah with DAM Capital.

Tanay Shah: I have a couple of questions. And congratulations on a strong top line. I wanted to understand if you can break up the 44% growth which we reported in RAC between volume and value?

Ajay DD Singhania: Tanay, so first of all, in terms of breakup, the total growth for RAC reported is 44%, approximately 30% of which is volume growth and 12% to 15% is typically the value growth in terms of the increased AOPs and the pass-on of commodities. So a breakup of 44% is 30% volume growth and 14% value growth.

Tanay Shah: Sure. And sir, this 30% volume growth would be largely driven by our anchor customer, correct?

Ajay DD Singhania: Absolutely.

Tanay Shah: Understood. And while we spoke about this 12% to 15% pricing growth, what percentage of pricing has to yet be -- or let's say, the cost escalation yet has to be passed on in terms of pricing to our customers, which would then sort of normalize our margins?

Ajay DD Singhania: Tanay, since we are doing -- it's contract wherein the prices are updated every quarter. So the price increase for the previous quarter was already passed on. And there isn't any significant increase since then for the current quarter. So there's hardly anything remaining...

Moderator: I'm sorry to interrupt, sir. Sir, your voice is breaking up every now and then. I would request you to come closer to the microphone. Thank you.

Ajay DD Singhania: Tanay, am I audible now?

Tanay Shah: Yes, sir. If you could just start again, yes sir, please.

Ajay DD Singhania: Okay. So Tanay, first of all, since basis our contract with the larger customers, the prices are updated every quarter. And hence, most of the price increase was normally passed on. Where there is always a time lag between passing the price increase and when it actually impacts, especially in the turbulence of the global supply chain and the global scenario, especially impacting March, April.

So there was a time wherein the price increase was not totally passed on. But yes, contractually, it is being passed on and there is hardly anything balance to be passed on as of now. What impacted us most for the last quarter was especially the forex exchange rate. So that is 1 line item we'd like to flag, which like the forex loss is something which has impacted us largely. But otherwise, most of the commodities -- after a time lag is typically passed on.

Tanay Shah: Understood. So we are saying that chunk of the pricing has been passed on in terms of commodity increases and forex is something which impacted our margins.

Ajay DD Singhania: Absolutely.

Tanay Shah: Understood. Sir, the other question which I had is now, obviously, given that the season is largely behind us, what are the current inventory levels? Are they comfortable? Or any insights on that in terms of demand trends, inventory levels, etc?

Ajay DD Singhania: So Tanay, I think especially for the AC industry, this current situation is one of the most comfortable situation for the entire inventory point of view, especially from finished goods point of view. Compared to last year wherein we were -- there was a lot of pain in the industry because of the inventory overflow and the equipment inventory, I think this is one of the best year or time wherein the trade has mostly liquidated its inventory and the inventory levels are at the lowest than the acceptable level.

So my estimate here would be all put together, the trade and the brands and everything put together, the inventory level would be anywhere at 3.5 million to 4 million maximum. So inventory levels are lower than what actually is at this point of time.

Tanay Shah: Perfect. Perfect. And one last thing is, how has our working capital and debt moved, let's say, between 4Q and 1Q year on? Rajeshji, if you could possibly help us with that?

Rajesh Kumar Mittal: I already explained that the working capital days, we are -- because if you see in the first quarter, the working capital days are usually lower because you see the balance sheet is computed on the proportionate basis. Practically, if you see the working capital with respect to A/R inventory is coming from 60 days. And it was a little lower compared to the March end...

Ajay DD Singhania: So Tanay, just to add on to Rajeshji's comments. Two things interesting to note here is especially on account of the BIS and the revisions which are happening, I think industry has communicated its pain that we have been carrying more than the requisite inventories. So like at times, we have known that the compressor PLI or the QCO getting amended and then again, the copper QCO getting amended.

So the timeline or the time available at the peak season mandates us to maintain more than the required inventory. So last few quarters, we see the inventory levels have been highly escalated on account of this. So this is 1 area which has led to a greater requirement of the working capital. So as we move through the season, definitely end of the season, we again are left with inventories because when we build up inventories in anticipation of the upcoming season.

So for us, the key focus area remains from a working capital point of view is to normalize the inventory. Currently, inventories are at much comfortable level as compared to the last year, but then still slightly escalated. So our efforts continue to normalize them as we move forward.

Tanay Shah: Understood, sir. Understood. And just on this note, since you mentioned about compressors, do you expect any sort of trouble, let's say, down the line into the new calendar year, given that the BIS would be expiring in March '27? Or do you feel like there is sufficient capacity which are coming on stream by the end of this year, which should take care of our domestic demand?

Ajay DD Singhania: Especially in terms of compressors, the QCO allows us to import for the next few months. But at the same time, the domestic capacity ramp-up has happened significantly. And as an industry, we believe that there is sufficient capacity to cater to the industry for the coming season. So we don't see much of a challenge as far as compressors are concerned.

Moderator: The next question comes from the line of Nishita with Sapphire Capital.

Nishita: Am I audible?

Moderator: Nishita, you're sounding quite muffled. Please use the phone on the handset mode in case it's on handset free.

Nishita: Is it better now? I had a few questions. Sir, first question is that in the presentation, you mentioned that our PAT is lower and it's been impacted due to high depreciation and finance cost. Just wanted to understand is the depreciation cost that we had in Q1, should we take that as a base depreciation and finance cost for the whole year? Or is it going to stay...

Ajay DD Singhania: So Nishita, to answer your questions, the Q1 numbers for the depreciation are more or less aligned for the rest. So it has increased as compared to Q4 because the new capacities have been put to use. So there isn't any significant capex in pipeline or CWIP pipeline for the rest of the year. So we can safely assume that there is not any significant upside to the current depreciation level.

Nishita: Okay. And what about the finance cost?

Rajesh Kumar Mittal: Finance cost has also gone up slightly because there is a requirement with respect to the scale of the operations. The company has seen a growth of 40% in this current quarter as compared to the previous one. Accordingly, there is an increase in the working capital requirement and the finance cost has also gone up by around INR3 crores to INR4 crores as compared to the...

Nishita: Going forward, can we expect this numbers to come down?

Ajay DD Singhania: Yes, see Nishita, as I was answering to the earlier question, for us, the area of improvement with regards to working capital finance cost currently is the inventory, I mean, normalization of the inventory, whereas it has happened largely over the last few quarters if you see. But yes, a lot of work still needs to be done there. So yes, there is an opportunity and scope to improve the finance cost.

Nishita: Okay. Okay. Understood. And my next question is on capex. What was our capex spending in Q1? What is it going to be for the whole year?

Ajay DD Singhania: For Q1 ended, there hasn't been any significant capex. Roughly INR10 crores is what has been booked. And going forward, based on our earlier plans, which was announced last year, we were looking at a total capex of around INR450 crores, of which currently INR330 crores to INR340 crores has been already booked and INR40 crores, INR50 crores is something which is currently in CWIP.

Nishita: Yes. So you were talking on capex.

Ajay DD Singhania: Yes.

Nishita: You mentioned that we've already booked INR40 crores to INR50 crores in CWIP?

Ajay DD Singhania: Yes. So Nishita, I was answering your question on capex. So out of a total budget of INR450-odd crores, which we announced in the beginning of FY26, out of which INR340 crores to INR350 crores is something which is already booked. An additional INR10 crores of capex has been booked in the last quarter, Q1 of FY27 and almost INR40 crores to INR45 crores is something which is in CWIP. So we are estimating a total additional capex of around INR60 crores to INR70 crores for the balance of the year.

Nishita: Okay. Understood. And my last question would be on -- so we've seen very good top line growth in Q1, around 34%. So what sort of growth can we see for the full year FY27? And like is there any scope to improve our EBITDA margins from the current level? Or are they going to stay in the same range of 6% for the whole year?

Ajay DD Singhania: In terms of top line forward-looking numbers, as you know, we don't share any forward-looking numbers. But yes, for AC, we are very confident that this year, the industry is expected to grow at around 20%. So we would definitely surpass the industry growth as we have done it in Q1.

And our other sectors, our other product categories the small and the large domestic appliances are definitely growing at a much faster rate. So yes, we are looking to grow much faster, much better than the last year. On EBITDA side, currently, yes, 6.5% has been the typical EBITDA net of PLI or excluding PLI for the last couple of quarters.

But here, the important thing to note is approximately 1.5% to 2% has been the PLI benefit, which was typically partly passed on and partly retained by the company. So since current year is the last year of PLI benefit available for EPACK, we have already started rolling back the PLI discounts or benefits what was shared with the customer.

And we are looking at almost completely reversing the PLI discount passed on to the brand customers by the end of the year. So we are hopeful that by the end of the year, the entire PLI discount would be reversed. And next year onwards, we will be able to see more of a normalized EBITDA.

Moderator: The next question comes from the line of Rabindra Nayak with Nirmal Bang Securities.

Rabindra Nayak: Actually, in this quarter, what is the total volume that we have done in first quarter? And if you can give the particularly from the fully built up unit and the indoor and outdoor units, how much we have done in this quarter and total INR622 crores sales, that would be helpful. So I will come to the next question after that.

Ajay DD Singhania: Rabindraji, we don't typically give out the number of units sold. But like I was answering the earlier question, in terms of the number of units sold, the growth for -- especially for air conditioner is...

Rabindra Nayak: Sir, I cannot listen to you properly. Sir, voice is completely echoing. I'm not able to hear you.

Ajay DD Singhania: Okay. So in terms of the number of units, we have never historically given out the number of units sold data. But like I was answering the previous question, in terms of the number of units sold, the growth for last quarter is 30% vis-a-vis FY26 and overall revenue growth is 44% as far as air conditioning is concerned.

Rabindra Nayak: Okay. And sir, regarding the compressor issue, you actually did this question from the previous participant, but I cannot hear you properly. So can you please repeat your comment on what is the compressor outlook for the industry? And what is the compressor for -- we have booked for now for our requirement in '27?

And one of your competitor has actually mentioned in the call that there is a significant -- ban is going to be effective from 1st April next year. So how you are placed for the compressor booking and how the industry is placed for the compressor booking? If you can give a comment, that would be helpful, sir.

Ajay DD Singhania: Mr. Rabindra, as far as compressor is concerned, the government has allowed import of compressors till end of this year. So that is until the imports can be done. At the same time, the domestic capacity already installed and in pipeline, which we believe will be operational by end of December is mostly in line with the overall industry demand. Hence, we don't foresee any significant challenge in terms of procuring compressors.

So we see that there is enough domestic capacity already installed and in pipeline, which is sufficient for the industry's demand. To your next question in terms of peers setting up compressor capacity, we don't comment on peer strategy.

But as far as EPACK's strategy is concerned, we are not looking at setting up any compressor capacity in near term. And we believe that we have strategic tie-ups with both the large compressor suppliers, and we will continue to harness our relationships with them.

Rabindra Nayak: Okay. Okay. And sir, this disputed sales receivable that you mentioned in the note, is it related to air conditioning, right?

Rajesh Kumar Mittal: Rabindra, can you please repeat your question?

Rabindra Nayak: The disputed sales that is around INR19 crores that you have reported in the notes and accounts, is it related to the air conditioner business, right?

Ajay DD Singhania: Mr. Rabindra, are you on loud speaker or something? We are not actually able to understand.

Rabindra Nayak: Okay. So sir, regarding this for the -- I'm just coming to the light and the domestic appliances, small and large domestic appliances. Can you please give the breakup of how much it is from the light and small?

Ajay DD Singhania: Mr. Rabindra, to what best I could understand your question is, I think you're on the loud speaker. So the growth of domestic appliances for the last quarter is 68%. So there has been a growth of 68% in the small and large domestic appliances as compared to Q1 of FY26.

Moderator: The next question comes from the line of Ayush Jain with Equity Advisory Services.

Ayush Jain: I just wanted to know about ex-RAC, your outlook and capacity utilization for the whole year?

Ajay DD Singhania: In terms of capacity utilization across 3 plant categories which we have, Dehradun, Bhiwadi, and Sri City. For Q1, Dehradun and Bhiwadi capacity utilization was closer to 90%. And as far as Sri City is concerned, we have seen a significant improvement in utilization of Sri City from previous reported of less than 25%, we've achieved almost close to 50% utilization of Sri City for the Q1.

Ayush Jain: Pardon, how much?

Ajay DD Singhania: Closer to 50% is what we have seen the utilization of Sri City. The other 2 older plants, Dehradun, Bhiwadi, for Q1, where the utilization level was more than 85%.

Ayush Jain: Okay. And this is ex-RAC, right?

Ajay DD Singhania: Including RAC.

Ayush Jain: Including -- I just wanted to know ex-RAC, RAC actually.

Ajay DD Singhania: So there is no split because the manufacturing facilities are fungible. So it's not just the assembly line, it's the overall manufacturing because we have huge amount of backward integration components getting manufactured within the same facility. So when we talk about capacity utilization, we talk as a whole.

Ayush Jain: Okay. And this kind of level is sustainable for the whole year?

Ajay DD Singhania: This is the Q1 number, Q1 FY27.

Ayush Jain: Yes, Q1, but the outlook for the whole year actually.

Ajay DD Singhania: So last year's FY26 numbers, the overall plant utilization of Bhiwadi and Dehradun again was close to 55%, and that of Sri City was less than 25%.

Ayush Jain: For this year, your outlook for FY27?

Ajay DD Singhania: So we are looking at overall utilization of all 3 plants put together at more than 60%.

Ayush Jain: More than 60%, including Sri City, right?

Ajay DD Singhania: Yes, average utilization of all the 3 plants.

Ayush Jain: Okay. I'm just looking for operating leverage part on the Sri City plant. If it goes above either 60% utilization for the whole year, there can be substantial upside on both the top line and the bottom line, right? So how can -- when can we expect the same for the Sri City plant to get really on board on the company's accounts?

Ajay DD Singhania: Ayush like I was mentioning, the ramp-up of Sri City is something which is gradually improving very fast. So compared to last year, we already see doubling the utilization -- the seasonal utilization at least.

And the company with its current robust order book is very confident that the utilizations going forward, especially for Sri City, where there has been a concern over the last few quarters, improving significantly. And the overall annual utilization definitely achieving around 55% to 60% is 1 figure that we are targeting at.

And as we move closer to it by the end of this financial year, we will continue to monitor it and definitely increase it. So the overall outlook of the company is to bring all the 3 plants at improved utilization by the product mix, especially the non-AC business.

So the whole idea behind ramping up the non-AC business is to improve the utilization for the non-AC season. With this approach, we are very confident that the overall utilization of the 3 plants will improve significantly.

Ayush Jain: Okay. Okay. And my next question is on the line of Hisense, your JV with Hisense. How is it sir, coming up?

Ajay DD Singhania: In my opening remarks, like I mentioned, for the entire season, which is Jan to June, we delivered close to 60,000 air conditioners to Hisense with a revenue of...

Ayush Jain: 60,000 to Hisense?

Ajay DD Singhania: 60,000 was -- a total volume delivered for the first half, that is Jan to June, a revenue of INR120-odd crores from AC business alone with Hisense. And if we talk about just Q1, Q1, the volume was 35,000 with a revenue of closer to INR65 crores. So that was the total Hisense growth for AC business.

And for washing machine, as we have maintained earlier, end of Q2 is the target date when we believe the front load washing machines pilot production will start, and we are on track to begin the front load washing machine production by end of October.

Ayush Jain: End of October. Okay. Hisense is doing a lot of marketing and they are about to -- they have huge plans for India, right? So you being a preferred partner with them, do you see the top line to grow like 2x, 3x in 3 years' time, your top line with Hisense?

Ajay DD Singhania: Definitely, yes. Especially with regards to Hisense, from the day we signed the MoU and all the announcements till date, we have done. We see that the growth envisioned and the timelines agreed are being adhered largely and the plans are intact and in place.

And as Hisense continues to grow into a larger significant appliances brand in country in line with their vision, we believe that our growth journey with them will continue, and we'll scale new heights with them in the coming 2 years.

Ayush Jain: Okay. And the last question is, since copper prices are increasing like anything, right? And it doesn't seem in the near-term, it will stabilize. So how do you hedge or do you do something with that? Like pre-order or something like that, so you maintain the inventory for the raw material or something like that?

Ajay DD Singhania: Okay. Ayush, as far as commodities is concerned, whether it is -- copper, aluminium or any other commodities. We don't do any forward booking in anticipation of orders. Whatever orders are confirmed by the customers, there's a back-to-back booking done for them in line with the agreements.

And whatever increase decrease happens over the quarter gets passed on in the next quarter. So as a company policy, we don't do any forward trade or unknown booking in anticipation of booking any profits. So we refrain from doing any trade without confirmed orders and acceptance on the...

Moderator: The next question comes from the line of Pratap Maliwal with Mount Intra Finance.

Pratap Maliwal: I just wanted to ask, can we break up the revenue from the SDA, LDA? Can you tell me what the current revenues we have from washing machine? And how this is expected to scale up with the Hisense production from Q2 onwards? That's my first question.

Ajay DD Singhania: Okay. So I can answer your questions in a way which makes it simpler. The total revenue out of INR886 crores, approximately INR660 crores is something which comes from RAC and the balance is non-AC which is a mix of SDA, LDA and the components. So that's the closest answer I have.

These are the numbers available with me currently. And SDA, I don't have numbers right now with me, especially for washing machine. SDA, LDA from approx INR80 crores last year has grown to INR130 crores. So that's the small and large domestic appliances.

Pratap Maliwal: Yes. Sir, what I'm trying to understand, if I look at the last 2 quarters, Q2 has been a loss-making quarter for us at the PAT level and the EBITDA margins have been 0.2% last 2 quarters, the September quarter, if I look at.

So what I'm trying to understand now that we're getting into washing machines, which I believe will be higher margin, as you said, which should also reduce our seasonality in the top line and be margin accretive.

So going forward, structurally, can our Q2, September quarter become not just better in terms of top line seasonality and in terms of profitability as well on a structural basis is what I'm trying to understand.

Ajay DD Singhania: Absolutely. I think Pratap, you're bang on target. So yes, Q2 and Q3 historically has been the loss-making quarters because of heavy dependence on air conditioners. So the entire strategy around SDA, LDA is first to neutralize the loss, and we are on track in terms of scaling up the washing machines and the other SDA businesses. And like I shared in the opening remarks, we are constantly adding up newer categories in the SDA as well, which is again the non-AC season product.

So as we continue our journey, we believe that over the next 4 to 6 quarters, we should definitely see the bleeding situations coming largely under control for Q2 and Q3. So washing machine definitely is a big lever for us in this journey.

And as we see scaling up of washing machine in currently, like especially Q2, as you're mentioning, yes, Q2 and Q3 are significantly good for washing machines in the other SDA categories. But it is a journey which we have embarked and we hope to see the results coming in line with what we are expecting over the next 4 to 6 quarters.

Pratap Maliwal: Sir, but this Q2, I believe you mentioned that we'll be doing the pilot production at the end of Q2. So for this current year, Q2, will it again, will we kind of lose all our margins and go into PAT negative? Any -- I'm not asking for the guidance, but any directional in the...

Ajay DD Singhania: In terms of washing machine, we are currently manufacturing the top load fully automatic, which is already under production, and we are serving 3 large national brands, multinational brands in this category. What I was mentioning, especially with regards to Hisense is the front load washing machine. So that's 1 category in which probably we would be the -- among the first starters to manufacture front-load washing machines as an ODM OEM.

So that is something which is currently under pilot production. And we believe that, that is a newer category, a much more lucrative and a higher price category. So front load is something end of September and October is what we are targeting to start the mass production. The other categories of washing machines, especially the top load fully automatic is already under production, and we are already serving some micro customers there.

Pratap Maliwal: Understood. So what I'm trying to understand here is that our target for FY29 that you've given, the INR5,000 crores target, are we still on track? I mean I know that Q1 was largely on track, but it requires a revenue CAGR of approximately 35% or more. So we should have a plan of significant scale up going ahead. So are we largely on track for that?

Ajay DD Singhania: Yes. So we are largely on track in terms of our overall guidance that the seasonality impact needs to be minimized. And every quarter, we are looking at -- we are working to achieve a scenario wherein every quarter is profitable or every quarter, the revenue mix is maintainable.

Pratap Maliwal: Okay. And sorry to harp on the issue again, but Q2, do we anticipate being PAT positive? No guidance changes. Just directionally, this Q2, do we believe we can be PAT positive, which -- so we can see the results of the business model actually turning around. So just any color there?

Ajay DD Singhania: That would again amount to a forward-looking statement. But like I think I already answered, yes, historically, Q2 and Q3 have been the loss-making quarters. And our efforts are on. We are working on this. It's a journey. It will take some time. So 4 to 6 quarters, definitely, we believe we should be in a situation wherein we can completely stop this bleeding situation.

Pratap Maliwal: Okay. Understood, sir. And just last question from my side. The depreciation input that you had given for the line wasn't clear. I believe this quarter, we had INR16 crores, INR17 crores. Did you mention that we don't expect it to increase? Or just any detail? The line wasn't clear. I can't understand our outlook on that.

Ajay DD Singhania: Pratap, in terms of depreciation, yes, the current depreciation for Q1, we don't see any significant increase over the next 3 quarters. There is a marginal investment which will be booked every quarter. So overall, during the whole balance 9 months of this year, we see an additional capex being booked up closer to INR60 crores to INR70 crores, which will be done and then in part over each quarter. But yes, overall capex of INR60 crores to INR70 crores is in pipeline, which will get ultimately booked by end of this year.

Pratap Maliwal: Finally, sorry, just one last question. What was the reason for the large rise in the other expenses over 50% this quarter?

Rajesh Kumar Mittal: Other expenses.

Pratap Maliwal: Is it increase in other expenses?

Rajesh Kumar Mittal: Increase in other expenses, as already mentioned why because in this current quarter, there is a forex loss, which has been in the books that is around INR6 crores to INR7 crores. Otherwise, there is no other reason.

Moderator: The next question comes from the line of Karan Gupta with Asit C Mehta Investment.

Karan Gupta: Again, on the other expenses part, I couldn't hear properly. So what was the reason for the spike?

Rajesh Kumar Mittal: I told earlier, other expenses has gone up by basically 1 reason, as I explained, that around there is a INR7 crores forex loss on quarter-on-quarter basis. And because you know that the sales value and the production value of the company has gone up by more than 35% overall. Accordingly, the wages cost has gone up.

Karan Gupta: Okay. Wages cost gone up?

Rajesh Kumar Mittal: Wages cost and forex loss.

Karan Gupta: Okay. The second one on the channel inventory. Last quarter, you said that most of the old rated inventories are at the channel end. And you don't have any old rated ACs, room ACs now. So this growth is purely the new rated as per the BEE norms compliant products, right? As you said, 44% of growth, right?

And what was the -- at the channel end, the channel end growth or the old rated products are already flushed out or it is already -- or it is in the channel inventory? So -- expect the new growth is new rated or what?

Ajay DD Singhania: Okay. So Karan, first of all, to answer your question, as a manufacturer, we were mandated to start production of new rated -- the new BEE-rated products with effect from 1st of January. So yes, the entire growth both for last quarter as well as the Q1 quarter is attributed to the new rated product. So the manufacturers were not allowed to manufacture anything old rated since beginning from 1st of January '26. So the entire new rated is attributed to the new rated product one.

In terms of channel inventory, the channel was allowed to sell old-rated product till end of June. So based on our understanding, so it's purely an understanding and estimate, we believe that channel has largely liquidated the entire old-rated product, and this is why there has been a growth of the new BEE-rated product.

So our estimation and approximation is that, yes, the old rated BEE product has been mostly flushed out from inventory. If somebody somewhere has something, I can't estimate. But yes, largely, it has been flushed out because for the past 6 months, the new rated products were only manufactured and sold to the trade. So I hope that answers your question.

Karan Gupta: Yes, yes. Fair enough. Fair enough. On the SDA, LDA side, again, on the overall inventory, what is the inventory in the quarter 1? Just to understand is there any inventory buildup is happening on the SDA, LDA side -- yes.

Ajay DD Singhania: So Karan, for SDA and LDA, it's a very large category with more than 100 SKUs. So you have thousands of SKUs in SDA and LDA category both put together. And typically, as we all know, the festive season is the season. So it's October, November is the season wherein the entire sales happen.

So my only estimate or my only answer is that this is the time wherein the ramp-up and the stock inventory building is happening for these product categories. Any estimation in any single category for any single SKU for this product category, I think is beyond my estimation because there are thousands of SKUs.

Karan Gupta: No. I mean non-AC inventory or AC inventory. That's the typical bifurcation I want broadly.

Ajay DD Singhania: See my only -- okay, to answer your question, as far as EPACK is concerned, our in-house inventory, again, because AC is 1 category which is larger and more -- I mean in terms of value both and the dependence on import is still there. So we have a lot of commodities here. So our in-house inventory is probably 70% to 75% would be AC inventory and 30% would be the non-AC inventory. So that's the only kind of number I think I can share with you as far as I understand your question.

Karan Gupta: Non-AC?

Ajay DD Singhania: Yes, 25% to 30% non-AC.

Karan Gupta: Okay. Okay. On the margin side, this product SDA, as you said, washing machine and the LDA side is comparatively higher margin. But overall SDA, LDA and component segment because now the SDA, LDA and component is again 1/3 of your overall pie. What we can do from here on to reduce the seasonality in quarter 2, quarter 3, we need to ramp up this portion of the pie higher than the AC side, right?

So just to understand the margin profile of these 2 segments and what you can expect next quarter 2, 3 or overall the FY27, the growth of this segment. And also you can share the reason of components degrowth of 23%.

Ajay DD Singhania: So Karan, first of all, yes, I acknowledge that the overall margins as far as non-AC category, both SDA, LDA is concerned. So SDA, LDA is comparatively more than that of AC by almost, let's say, 1.5 to 2 basis points. So that's the additional kind of gross margin.

It's not at EBITDA level because EBITDA is a blended EBITDA and a lot of manufacturing facilities are shared. But at gross margin level, yes, the SDA, LDA gross margin is typically 1.5 to 2 basis points more than that of an AC. And hence, our entire focus on improving SDA, LDA is driven by that fact.

And as we continue the growth journey for SDA, LDA, we are again reaffirming that like we have done almost close to 60% growth in SDA, LDA, the non-AC business over the last quarter, our growth momentum is going to be much more as compared to AC. So AC will definitely continue to grow. But at the same time, we see a larger scope of growth in SDA, LDA and components typically.

Karan Gupta: Okay. And the component part degrowth?

Ajay DD Singhania: Component itself will keep growing. Currently, the components catered are largely AC components, controllers and cross flow fans and copper tubing. So they again are kind of seasonal. So here, again, we are exploring opportunities to cater to non-AC components. But currently, yes, it is in line with the AC growth.

Karan Gupta: Okay. Okay. And the last one on the SDA side. How many OEMs as a customer we acquired because this particular segment is again consumer durable part is again very competitive as multiple players in the kitchenware segment also. So just wanted to know how much or how many customers that we acquiring or growing our customer base in the SDA segment?

Ajay DD Singhania: So Karan, as you can see in our investor deck, closing of FY26, we had 72 customers, all put together ACs and non-ACs. And 18 product categories, we have added roughly 2 customers, whereas there are a couple of 2, 3 more which are in pipeline.

So currently, at this time, we have closer to 73 customers and 19 product lines already productionized and 2, 3 more lines are for which PP has -- or the pilot production has already been done. So by end of this year, we are looking to have closer to 75 customers and 20 product lines.

Moderator: The next question comes from the line of Ayush Jain with Equity Advisory Services.

Ayush Jain: Yes, my questions are answered, sorry.

Moderator: The next question comes from the line of Ganesh, an Individual Investor.

Ganesh: First of all congratulations...

Moderator: Ganesh, I'm sorry to interrupt, you are not audible.

Ganesh: First of all, congratulations for the excellent set of top line, sir. My first question is on this reason to your tailor-made incentive package on -- from Andhra Pradesh government. Can you throw some light on that, sir? Already we have spent a substantial amount from November 24, I guess...

Ajay DD Singhania: So I think Ganesh, we are not able to hear you properly.

Ganesh: Sir, can you be able to hear me now?

Ajay DD Singhania: Yes, now better.

Ganesh: Sir, my first question is on this recent MoU we received from Andhra Pradesh for this tailored-made incentive package. Can you throw some light on that, sir?

Ajay DD Singhania: Mr. Ganesh, with regards to our MoU with the Andhra Pradesh government, the MoU is about the investments we have committed over next 5 years, starting -- which is effective till -- so that's amounting of INR1,085 crores beginning -- starting the investment recognized is from beginning of January '24.

Ganesh: Okay, okay. For INR1,000 crores, sir, capex?

Ajay DD Singhania: Yes, INR1,085 crores. For which we have already been allotted a land of closer to 35 acres. And we are looking at ramping up newer capacities as we move forward. So there's something in the pipeline, not in the immediate term future, more of a longer-term future.

Ganesh: Okay. As PLI schemes, we will be getting benefited from for next course of years, sir?

Ajay DD Singhania: So there is a state incentive available from state of Andhra Pradesh. So approximately -- not exactly, but approximately it's 50% of capex, which will flow back as subsidy over the next 10 years, investment subsidy. So there is a state government scheme, which refunds closer to 50% of the total capex as investment subsidy over 10 years.

Ganesh: Okay. Okay. And second question is on the EBITDA margin, sir. EBITDA margin, as we -- I think as you stated earlier, it was 7.5%. That's a project anticipated without PLI, right, sir? That's the aspiration EBITDA level?

Ajay DD Singhania: Yes. So Ganesh, the current EBITDA without PLI is closer to 6.5%. And we get a PLI income which is practically shared between us and the customers. So over the last -- since we have been getting PLI for last 4 years, we have been sharing almost 50-50 with the customers. So almost 1% was coming to us and 1% was getting passed on to the customers.

So like I mentioned in my earlier question, we have already started negotiating with the customers and rolling back the PLI discount. And we are working in a condition wherein by end of this year, we should be able to roll back the entire PLI discount, which has been passed on to the brands.

Ganesh: Okay. So whether we are eligible -- I think FY27 is the last year for us, sir, PLI?

Ajay DD Singhania: For EPACK, yes, the current year FY26-27 is the last year.

Ganesh: Okay, okay, okay. And then we have projected that this INR8,000 crores revenue from Hisense will be for the next 5 years, right? With this scale, can we expect FY25, we can be able to achieve this INR5,000 crores revenue, sir?

Rajesh Kumar Mittal: As already mentioned, we have invested in the current quarter amounting to INR10 crores. And we had mentioned in the earlier deck also, total investment was around INR450 crores to INR470 crores. And remaining investment we will be doing in the current financial year. We are already having around INR60 crores in CWIP, which will get capitalized in the next 2 quarters.

Ganesh: Okay, my question is on the revenue from Sri City, this Hisense plant, we have projected around INR8,000 crores for next 5 years. With this scale, could be able to achieve this INR5,000 crores target by FY28, sir? It's just an aspiration I'm asking.

Ajay DD Singhania: Ganesh, the total expected revenue from Hisense partnership...

Moderator: Sir, you're not audible. I'm sorry to interrupt, sir, you are not audible. Please come a little closer to the microphone.

Ajay DD Singhania: Mr. Ganesh, yes, expected revenue from Hisense was INR8,000 crores in 5 years. So FY26-27 being the first year so the cumulative over the next 5 years is what we are expecting to cross INR8,000 crores with AC and other appliances washing machines and all put together. So that's a 5-year cumulative revenue what we had expected from Hisense.

Current year, FY26 is the first -- '26, '27 is the first year. And whatever was estimated for the first year, we are largely on track, and I shared the numbers in the previous question that for this calendar year, we have already done close to INR120 crores of revenue with Hisense.

We have already sold close to 60,000 ACs to them. Yes, we are largely on track for the current calendar year. And totally in next 5 calendar years, the revenue expected from Hisense partnership is INR8,000 crores.

Moderator: Thank you. Ladies and gentlemen, that was the last question for today. I would now like to hand the conference over to the management for the closing remarks.

Ajay DD Singhania: Thank you all for participating in the earnings con call today. I hope we have been able to answer your questions satisfactorily. I again thank ICICI for arranging this earnings call today. Thank you all.

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