June 03, 2025

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 Audited Financial Results for the quarter and Financial Year ended as on March 31, 2025

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 on the Standalone and Consolidated Audited Financial Results for the quarter and Financial year ended as on March 31, 2025, held on May 28, 2025.

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

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

Thanking You

For **EPACK Durable Limited**

Jyoti Verma
Digitally signed by Jyoti Verma
Date: 2025.06.03 16:36:56 +05'30'

Jyoti Verma
Company Secretary and Compliance Officer

Encl. as above

"EPACK Durable Limited

Q4 FY' 25 Earnings Conference Call"

May 28, 2025

MANAGEMENT: **MR. BAJRANG BOTHRA – CHAIRMAN AND WHOLE-TIME DIRECTOR – EPACK DURABLE LIMITED**
MR. AJAY SINGHANIA – MANAGING DIRECTOR AND CHIEF EXECUTIVE OFFICER – EPACK DURABLE LIMITED
MR. RAJESH KUMAR MITTAL – CHIEF FINANCIAL OFFICER – EPACK DURABLE LIMITED

MODERATOR: **MS. BHOOMIKA NAIR – DAM CAPITAL ADVISORS LIMITED**

Moderator: Ladies and gentlemen, good morning, and welcome to the EPACK Durable Limited Q4 FY '25 Earnings Conference Call hosted by DAM Capital Advisors Limited. As a reminder, all participant lines will remain in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal the operator by pressing star then zero on your touchtone telephone. Please note that this conference is being recorded.

I would now like to hand the conference over to Ms. Bhoomika Nair from DAM Capital Advisors Limited for opening remarks. Thank you, and over to you, Bhoomika.

Bhoomika Nair: Thanks, Ryan. Good morning, everyone. A warm welcome to the Q4 FY '25 Earnings Call of EPACK Durable Limited. We have the management today being represented by Mr. Bajrang Bothra, Chairman and Whole-Time Director; Mr. Ajay Singhania, Managing Director and CEO; and Mr. Rajesh Kumar Mittal, CFO.

At this point, I'll hand over the floor to Mr. Mittal for his initial remarks, post which we'll open up the floor for Q&A. Thank you, and over to you, sir.

Rajesh Mittal: Thank you, Bhoomika. Thank you, and good morning, everybody. Welcome to our earnings conference call to discuss the performance of the fourth quarter and financial year ending 2025. Let me first thank our host of today's earnings call, DAM Capital.

Now, let me give you some of the key financial highlights for the quarter and period under review. For the fourth quarter under review, revenue from operations stood at INR643 crores, which increased by 22% year-on-year. Our EBITDA stood at INR72 crores which increased by around 30% year-on-year with EBITDA margin reported at 11.21%. The net profit was around INR38 crores, which increased by 36% on year-on-year basis.

For the financial year ending 2025 revenue from operation stood at INR2,171 crores which increased by 53% on year-on-year basis. The EBITDA was reported at around INR158 crores, which increased by around 36% on a year-on-year basis, with the EBITDA margin reported at 7.26%. The net profit was around INR55 crores, which increased by 56% on a year-on-year basis.

On the balance sheet front, we closed the financial year 2025 with a net debt of INR355 crores representing a net debt to equity ratio of 0.37x.

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

Ajay Singhania: Thank you, Rajesh. And once again, good morning, everyone. I'm happy to report that we delivered a strong performance in the fourth quarter and also full financial year 2025, driven by strategic initiatives implemented by the company and the favourable industry tailwinds.

During the quarter under review, we added several new customers and benefited from a more optimized product mix, which contributed to improved EBITDA margins and enhanced profitability compared to the previous quarter. Capacity utilization at Sri City plant is being progressively ramped up as we align operations to meet growing customer demand. With enhanced production efficiency and a focus on multiple product categories, we expect this facility to contribute significantly to our margins as it approaches optimal utilization in the coming quarters.

For the quarter, RAC remains the dominant contributor accounting for 64% of total operating revenue, reflecting continued leadership in this core category, while product business accounted for 78% of the overall revenue, highlighting strong customer traction and portfolio strength.

We also witnessed strong business bookings and a healthy pipeline in both small domestic appliances and component segments, supporting our continued revenue growth. Additionally, our new greenfield project through the joint venture company, Epavo holds substantial revenue potential and is expected to further strengthen our position in component space. It will commence production from Q2 of FY '26.

Further, our new wholly owned subsidiary, EPACK Manufacturing Private Limited, which has been -- which is under construction for our Hisense business, the construction is ongoing in full swing, and we expect to commence production towards the end of FY '26, end of quarter 4 or beginning of quarter 4. For the financial year ending 2025, we closed the year on a strong note with continued momentum across all segments.

Revenue growth was witnessed across all segments with robust booking and inquiry. RAC business revenue grew by 50% year-on-year, while we witnessed excellent year-on-year growth in other segments, SDA growing by 20%, components growing by 124% and the newly introduced large domestic appliances growing multifold due to increasing customer base and adding new product verticals.

To conclude, with over 55 established customers onboard and broad-based growth across segments, we are well positioned to drive sustainable and profitable growth into FY '26. We plan to invest approximately INR450 crores to INR500 crores over the next 12 to 18 months to expand manufacturing capabilities and support our wholly owned subsidiary to cater to increasing market demand for FY '27 and onwards.

Additionally, we aim to enhance our ODM footprint by entering into new product categories and market verticals, positioning us for the sustained growth. With this, we now open the floor for Q&A session.

Moderator: The first question comes from the line of Aniruddha Joshi from ICICI Securities.

Aniruddha Joshi: Congrats for a great set of numbers. Sir, two questions. Now obviously, it means, these are again, I guess, asked to you multiple times. But how do you see the Q1 panning out considering there is a monsoon all across India and especially South India demand is also impacted? And now we have seen in latter part of May, even the North India demand is also peak. So, with trade flush with huge inventory, I guess there is an impact on primary sales. So how do you see the -- in a way, the industry panning out? And how do you see EPACK navigating this issue?

And then secondly, on the compressor issue. So, what is the latest update at the EPACK side? So how do we plan to go ahead? Because at some point of time, compressors will become almost in a way, need to be manufactured in India. So, what will be the long-term -- medium- to long-term solution that we are working on?

Ajay Singhania: Thanks, Aniruddha. So, first of all, coming to the abrupt rains and the seasonality in Q1 of FY '26, definitely, I mean, the market has been impact to the extent that especially May has been a bad month, let's say, for the AC sales, especially the secondary sales and the market definitely seems to be carrying inventories. But at the same time, we also need to look at the overall AC demand being sustainable year-on-year.

So, in short-term, definitely for Q1, there seems to be some concern. But overall, we are very positive with the kind of outlook we have received and with the kind of customer diversification and growth we have embarked on, we are very positive that we would be able to deliver a positive growth in FY '26 and the market also seems to be on track to deliver overall positive growth in this FY '26.

In terms of compressor, the government had given some respite by extending the days by a year. So as of now, there is no concerns in terms of availability. At the same time, the capacities by the established players, both GMCC, Highly and the JV company with Daikin are on track, and it seems that the capacity is being ramped up to cater to the domestic market. So, in the long-term, we definitely believe that sufficient capacity will be available in the domestic market, and we can always look at strategic relationship with our existing suppliers.

Aniruddha Joshi: Okay. Sure, sir. And any indication in terms of how big would be the trade inventory? Because whatever we understand it is roughly 2 to 3 weeks additional inventory compared to the normal inventory with the trade. So that's quite a large inventory and clearing that itself may take 3, 4 months also. Also in a way last year, the Q1 base is also a bit on the higher side. So how big would be the issue as per your in a way interactions with the companies?

Ajay Singhania: So, Aniruddha, on the inventory and the overall scenario, we are still in discussion with the key customers. But overall, the customers are very positive in terms of the inventory movement going forward in Q2. So, none of the customers have indicated any substantial concerns around the schedules which have been shared earlier, although, some corrections are happening, but nothing substantial or, let's say, worrying to affect the overall financial year.

Moderator: The next question comes from the line of Arshia Khosla from Nirmal Bang Institutional Equities.

Arshia Khosla: Yes. Congratulations on a good set of numbers. I just want -- I mean it's a continuation to the previous participant's question. So how is the demand? Have you seen some demand slowdown? Or have you seen order cancellations in Q1?

Ajay Singhania: So Arshia, in terms of Q1, currently, I think it's more of a wait-and-watch situation as the brands are evaluating the overall demand being lifted or the inventory in the pipeline. So, currently, yes, there is some slowdown in terms of lifting the finished goods. But at the same time, the overall projections and the numbers and the order book is still healthy. And most of the large customers are very positive that this is a very, very short-term impact of the unseasonal rains. Overall, the industry is poised to grow at the forecasted 15% to 17% kind of a number.

Arshia Khosla: Okay. And secondly, we have a little pledge on the promoter holding. When do we plan to settle that?

Ajay Singhania: In terms of inventory?

Arshia Khosla: No, sir. Pledge on the promoter holding?

Ajay Singhania: Yes, by end of the next quarter, the pledge would be withdrawn.

Arshia Khosla: Can we just know the reason why it's there?

Ajay Singhania: The reason for the pledge was some personal loans being set off by one of the promoter group.

Moderator: We take the next question from the line of Hemant from RK Advisory.

Hemant: Congratulations on a good set of margin work. First question is like, sir, there is an expansion of gross margin by nearly 110 bps Y-o-Y and 123 bps Q-o-Q. Could you elaborate the key drivers for this improvement?

Rajesh Mittal: This margin was improved due to 3 or 4 reasons actually. One of the main reasons was that there was a price increase with some of the customers, and which helped us to increase the margin on a year-on basis around 2%. And second was because of the better efficiency in the change in the product mix. And further, there was a further sale of the components and other products, which is being sold at a higher margin in the mix itself.

Hemant: Understood, sir. Sir, second question is on, are we planning to participate in component PLI scheme?

Ajay Singhania: The ECMS scheme?

Hemant: Yes, sir.

Ajay Singhania: Yes. So currently, the company is evaluating the overall ECMS scheme. And since we have another 2 months to apply for it, we are evaluating for the possible components wherein EPACK can participate. So, it's an attractive scheme to look at. We have not filed the application as of now, but definitely, we are evaluating.

Hemant: And sir, any capex guidance you would like to provide for FY '26?

Ajay Singhania: Yes. So, in terms of capex guidance for FY '26, next 12 to 14 months, as I said in my opening remarks as well, the company is looking to invest close to INR450 crores to INR500 crores. So, this is an overall investment, including some of the CWIP, which has been already there in the books. The investment is both in the parent company, EPACK Durable as well as the wholly owned subsidiary and other joint ventures.

Moderator: The next question comes from the line of Yug from Molecule Ventures.

Yug: So, could you help us understand what will be our capacity in the BLDC motors after commissioning the new facility and the current market size for the BLDC motors in India, the expected growth trajectory, adoption of BLDC motors across applications like ceiling fans and casings?

Ajay Singhania: So, in terms of the joint venture company, Epavo, the installed capacity once the greenfield plant comes into operation would be close to 3 million units for air conditioner motors. So primarily, this unit is looking to cater to air conditioner motors with an installed capacity of 3 million. The overall market for AC currently being, let's say, close to 15 million. And there are 2 motors being used in the nature of the market size currently only for fresh production is close to 25 million to 30 million motors in which Epavo was setting up a capacity of 3 million starting from end of Q2.

Similarly, for ceiling fan and others, the capacities are not substantial. So, we are putting up a smaller capacity of only 1 million ceiling fan motors to begin with and then evaluate going forward if we need to ramp up the ceiling fan motor capacity. But at the same time, there are other business verticals as well for the Epavo. So, a large -- another substantially growing vertical for Epavo is the HVLS fan, the largest HVLS fan, which definitely is something which is growing at a much faster rate.

Yug: Okay, sir. So, could you help us understand how many players have entered this space right now? And are we seeing any entry barriers in terms of R&D or cost structure?

Ajay Singhania: For BLDC motors, there are already 3 to 4 established players in the country. But still, the AC industry has been importing almost close to 50% plus motors from -- has been imported from foreign market from China and other countries. And as BIS regulations and others kick in, this all is going to get localized.

So, in terms of cost efficiency and competitiveness, we are competitive in the market. Since last quarter, Q4, we started ramping up our production at our test facility, and we have consumed and got approvals with most of the key customers. So, we see good strength in the motor business.

Yug: Got it, sir. So, regarding the current 50% is from imports. So, I assume there won't be any situation of oversupply 2, 3 years down the line and any price erosions because all the domestic suppliers will be getting into the market. Am I correct?

Ajay Singhania: Yes.

Moderator: We take the next question from the line of Bhoomika Nair from DAM Capital Advisors Limited.

Bhoomika Nair: Yes, sir. My question was on the presentation; we talked about supplies have already started to Hisense. So, can you talk a little bit about that? What kind of volume offtake are we looking at it? What -- and when will the Sri City capacity related to Hisense be operational?

Ajay Singhania: So, Bhoomika, there are 2 aspects to our Hisense business. One is the ODM business, which is our own design. So EPACK design business, air condition is something which has already started from March and which will continue to grow. And washing machine, again, is an ODM product, which will be supplied to Hisense and for which all the test approvals have been done and pallet production has also commenced and mass production is aligned from end of June. So that's on the ODM design products of washing machine and the room AC.

In terms of the wholly owned subsidiary, EPACK Manufacturing for which the construction is ongoing, that facility would cater to the Hisense design products, both for domestic and export market. The production is scheduled to start from end of this year. So, December, January is when we are contemplating to start production. And as the production ramp up, it would cater to both domestic market and export to MEA countries, Middle East and African countries. And the designs and everything done by Hisense in the China facility have already been aligned to the entire international market as well as India market.

Bhoomika Nair: Okay. And currently, what would be on our own in terms of AC and washing machines, what would be a monthly kind of a run rate? I understand they might have just started and perhaps will ramp up through the year. But just to get a sense of what are the initial volumes like.

Ajay Singhania: In terms of Hisense overall market, the key product currently remains to be the LED TV for which they have been already present in the market since last 3 to 4 years. AC is a newer product category for them, and they are growing their presence in the traditional -- in the retail market and are creating the channel, pan-India channel. So, it's comparatively a smaller market for them, the RAC. And washing machine is a newer category, which they will enter.

So, the whole idea here is to now enter the general trade with the entire portfolio of products, be it washing machines and air conditions and then TV being already there. So, now they are expanding their overall general trade and distribution network, pan-India.

Bhoomika Nair: Understood. Sir, in terms of the second category, which is SHA, how is demand and offtake, etcetera? Because there also demand we understand is fairly muted. How are you seeing traction out there per se in terms of the overall order booking, etcetera, that you're seeing from clients?

Ajay Singhania: So Bhoomika, on small domestic appliances front, yes, the more matured categories like mixer grinders and others have been kind of flattish or growing at a nominal rate of 3% to 4%. But here in the more attractive categories are the ones for which we are looking at localization. So, like air fryers and coffee makers.

So, we have listed a host of categories which we are entering into. And this has all been enabled by the implementation of the QCO. So, these categories are the ones which were previously 100% import. And as we localize, we're taking a lead in localizing these categories and meeting the requirement of most of the marquee customers. So, we definitely see the growth driver to be these newer categories like air fryers, coffee makers, vacuum cleaners, etcetera.

Bhoomika Nair: Understood. And obviously, you're already adding more clients for these product categories?

Ajay Singhania: Yes.

Bhoomika Nair: Okay. Sir, the other thing was in terms of -- two more questions, sorry. One is on the PLI booking for -- is there any PLI booking in 4Q and FY '25 from -- and where is it accounted for in other income or in revenues? And second is in terms of our capex announcement where we've talked about INR450 crores, INR500 crores over the next 12, 18 months. What was this capex for given -- or we already have just put up the Sri City capacity and ramping up. So, if you can elaborate a little more on this aspect?

Ajay Singhania: In terms of PLI, the PLI book for FY '25 is INR37.5 crores, and that's in the revenue operating income for FY '25...

Bhoomika Nair: And it would be added in the fourth quarter, sir?

Ajay Singhania: So, it's booked as per the sealed in that quarter. So, fourth quarter is INR19 crores...

Rajesh Mittal: No, it's around INR10 crores.

Ajay Singhania: INR10 crores. So INR10 crores is something which is booked in the Q4.

Bhoomika Nair: Okay. Understood.

Ajay Singhania: In terms of capex guidance by us in the INR450 crores to INR500 crores. So, this is a capex guidance for next 12 to 18 months, wherein almost INR100 crores is into the wholly owned subsidiary EPACK Manufacturing, which is setting up a facility for Hisense. And around INR150-odd crores is in Sri City, which is largely to create capacities for washing machines and components -- and manufacturing, ramp-up component manufacturing.

And third is we are setting up another greenfield facility in Bhiwadi. The product categories and the other announcements will be done subsequently. So, Bhiwadi, we are setting up a new greenfield facility and then we are planning a new plot. So, this basically includes only the construction, which will be completed by the end of Q1 FY '26, and then we'll set up a new plant there to increase capacities in diversifying our portfolio for cooling products.

Moderator: We take the next question from the line of Balasubramanian from Arihant Capital.

Balasubramanian: Sir, I think we are adding 15 more customers and launching 6 new products in this year itself. I just want to understand our RAC mix around 75% and this year, we are targeting 65% kind of share. And over the next 4 to 5 years, like what kind of like RAC mix we can expect and how we can deal -- only dependent on RAC side? And if you can talk about what kind of customer approval time for these new additions and how the process takes? And what kind of products like we can expect after FY '27?

Ajay Singhania: So Mr. Bala, like you've already seen in the investor presentation, we are increasing capacity. We are increasing the number of facilities, and we are also increasing our customer penetration. So, the newer customers are largely for this small domestic appliances as well as some key customers for RAC category are also in very advanced stage of finalization and approvals. So, we are looking to add at least 2 to 3 new marquee customers, especially for RAC.

In terms of product categories, like we've already listed, we are looking to introduce newer products which are already listed, the ones which will be introduced in FY '26 and the others in pipeline for FY '27. So, these again are looking -- so categories like air fryers, which we already started, infrared ignition cooktops, nutri- blenders, coffee makers, vacuum cleaners, hair dresser.

So, all these product categories are something which have been recently enabled by the implementation of the QCO, wherein we see all these products being localized from currently import. So, there is a huge growth potential on this category. And these definitely are also margin drivers, which deliver better margins as compared to the room AC category.

Balasubramanian: Okay. Sir, on the BLDC motor side, earlier I spoke with one of the EMS players, like they're also trying to set up BLDC facility. You talked about 15 kind of margins and higher ROCE and how we can look at for our business perspective?

Ajay Singhania: So, our BLDC motors is something which has -- we have been working on it for the last 2.5 years. So, we took almost 1.5, 2 years to create the product, create our own IPs around it and get the product validated from most of the large clients. So now that all the motors are already validated, approved, and we have also tested -- we have done a good amount of field trials, and we've also commenced our supplies in the last 6 months to almost all the customers. So, we are very confident in terms of our product acceptance in the market and its competitiveness in terms of both the domestic players as well as imports. And this is why we have set up this new greenfield facility and increasing capacities.

Balasubramanian: Okay. Sir, how much capex for BLDC motors and what kind of asset turn we can expect?

Ajay Singhania: So, the overall capex is close to INR85 crores to INR90 crores, which has been done in Epavo.

Balasubramanian: And asset turn, sir?

Ajay Singhania: Sorry?

Balasubramanian: Asset turn, asset turn?

Ajay Singhania: So, this is a new greenfield facility, which will start production from Q2 of this year. So, we're definitely looking to commence supplies in this year, get established and then next year is when we'll start ramping up our production further. So, I don't think, I'll be in a state to give more clear picture in terms of asset turn we expect.

Moderator: We take the next question from the line of Hemant from RK Advisory.

Hemant: What sort of margin guidance we are looking for FY '26, sir?

Ajay Singhania: So, we'd like to maintain our EBITDA margins at 7.5% plus. So that's the kind of EBITDA margin guidance we'd like to give, while maintaining the overall PAT.

Hemant: Okay. Understood, sir. Sir, second question is like do we see any RAC uptick towards the end of Q3 as we know that, there is a new implementation BEE rating standards from January 1?

Ajay Singhania: So yes, the BEE rating from January 1 is still under discussion, so it is not formalized and finalized. So that is -- as an industry, we're still under wait-and-watch situation to understand, if it is going to be implemented from January or deferred by another 1 year. So -- but anyhow, EPACK is ready with its product line and portfolio for the upgraded BEE ratings. And we have already started offering them to almost all the customers and getting them tested and validated.

Moderator: The next question comes from the line of Hiten Boricha from Sequent Investments.

Hiten Boricha: Sir, as you mentioned, we have seen like slow-ish kind of demand in first Q1 and also our facility is coming up of Epavo in second quarter this year. So, my question is on the growth, what kind of growth rate we are looking for this year and as well as if you can comment something on FY '27?

Ajay Singhania: See, for the room AC category, the market is looking at a growth of anywhere between 15% to 20% is the kind of growth which the industry is talking about currently. And at EPACK, we are definitely looking to surpass the market growth and grow at a higher rate compared to the overall market, the industry growth.

At the same time, our efforts here has been what we have been highlighting is to grow far more in our other categories like SDA and components where we are looking at multifold growth and the large domestic appliances, especially washing machines, which will be introductory product for us in the coolers. So, all other categories, we are looking to grow multifold. For the AC growth, the market is looking at anywhere between 15% to 20% kind of growth in FY '26.

Hiten Boricha: Okay. So, sir, is it okay to consider like 30%, 35% growth this year in terms of top line?

Ajay Singhania: So, in terms of top line at EPACK, we are definitely looking to grow overall by more than 35%.

Hiten Boricha: More than?

Ajay Singhania: More than 35%.

Hiten Boricha: More than 35%. Okay. And sir, my next question is on the debt. As you mentioned, we are looking for investment of INR400 crores or INR450 crores, INR500 crores of investment in FY '26. So how will our debt shape up by end of this year? And also, recently, if you can give the cost of borrowing?

Rajesh Mittal: To give the perspective that as we mentioned that the investment will be around INR450 crores around in the current financial year. And you know that we are already having IPO proceeds lying in the bank, which is more than INR200 crores. Out of this INR450 crores, we plan to utilize this total IPO proceeds, which is still unutilized.

And there might be some term loan, which is around INR70 crores to INR80 crores and balance amount will be utilized through the internal accrual. As far as the cost of borrowings is concerned, tentatively, the average cost is around 7.9% to 8%.

Hiten Boricha: Understood.

Moderator: The next question comes from the line of Abhisar Jain from Monarch AIF.

Abhisar Jain: Sir, just wanted to understand that in the washing machine category where we are entering, how has been the progress? And have you received some key client approvals, which you were looking at? So, what do you expect as the ramp-up in this fiscal year for the washing machine category? If you can throw some light in terms of the progress that we'll see in the coming quarters there?

Ajay Singhania: So, Abhisar, for washing machine category, we understand we have been slightly delayed in getting the approvals. But now the trial production has already commenced for at least 3 key customers. And also, the field trials has been done and approvals have been received, and we are now looking only to ramp up from the end of June is when we are looking to ramp up production.

So Q2 being the -- of FY '26 being the first month, we will look at establishing and ramping up production and then getting full-fledged from Q3 of FY '26. So, the capacities we have currently created is close to 30,000 per month, and we are looking to further increase our portfolio for washing machines. And hence, some investment is planned in washing machine out of this INR450 crores, INR500 crores which we are talking about. So, we will ramp up our portfolio in washing machines by the end of FY '26, and have a complete range of products ready for FY '27.

Abhisar Jain: Okay. So, sir, initially, we have the capacity of 30,000 per month. And do you expect by Q2 or Q3, all the 3 of these customers to start or it would be gradual?

Ajay Singhania: Yes. So, all the 3 customers, the field trials have already been done and the orders have been received for June onwards. So, all 3 will start lifting up gradually and then increase the orders to us. So, it will be a gradual increase. But we are very confident that from Q3 onwards, washing machine will ramp up significantly.

Abhisar Jain: Okay, sir. Great to know that. Sir, second, on the air coolers also, we had, I believe, added a new customer there also in H2 FY '25. And just wanted to know that how is the progress there. Of course, the weather has played a spoil sport in Q1. But for the full year, how do you look at the air cooler ramp-up also for us?

Ajay Singhania: So, cooler, especially if we look at has grown significantly for us and the revenue contribution from cooler in the complete financial year was INR60-odd crores. And we are definitely looking coolers to grow twofold in this year. So, because last year, we -- for the 2 new marquee customers, which were added, we got only 1.5 quarters to actually have a relationship with them. Now that we are getting additional business and newer models are being aligned for the season of '26 and '27, we are definitely looking to double the revenue in coolers.

Abhisar Jain: Understood, sir. Sir, second question is on the capex front. So just wanted to know this BLDC motor capex at Epavo of that INR85 crores, INR90 crores, how much of that has been already done, sir, by end of FY '25?

Ajay Singhania: It's almost mostly done. So out of this INR85 crores, INR90 crores, close to INR75 crores is something which is already committed and advanced and machines are received and currently in installation. So, it's CWIP as of now. And once the production starts, that will be capitalized -- both land building as well as machinery.

Abhisar Jain: Okay. So, sir, in that context, in the INR450 crores to INR500 crores forward capex that we have given, we have mentioned INR125 crores for the Bhiwadi unit. So, is this incremental above this Epavo and INR125 crores is for all these SDA, LDA and other components in Bhiwadi?

Ajay Singhania: This INR125 crores is not for Epavo. This is for the greenfield facility. We are starting the construction of a greenfield facility in Bhiwadi, for which newer product categories both for RAC and LDA, SDA and all the product categories are being planned. So, this includes only the construction of a newer facility, which will be completed by end of FY '26, and then newer product categories will be started. So, this is a completely new greenfield project, which has been set up in Bhiwadi.

Abhisar Jain: Okay. Okay. Understood. Perfect. And sir, last question on this INR450 crores to INR500 crores capex. So, did you, in the previous question sort of answer that most of the funding would be through internal accruals and debt? Or would we also look at other means?

Ajay Singhania: So, Abhisar, the answer was -- of this INR450 crores, INR230 crores is the IPO proceeds, which will be utilized. And INR100 crores will be utilized through debt new term loan and another INR100 crores, INR150 crores is what will be done through internal accruals.

Moderator: The next question comes from the line of Ashish Rathi, an Investor.

Ashish Rathi: So, sir, the first question is like for this financial year, the EBITDA margin was 7.26%. So, what is the guidance for next, like 2 to 3 years for the guidance? And what will be the reasons for that? Like what can be the increase and what can be the decrease in the EBITDA margin?

Ajay Singhania: So, Ashish, we already gave the statement. We are looking at almost 35% plus kind of revenue growth for FY '26 while maintaining EBITDA at around 7.5% plus and maintaining the overall PAT levels. So, this is the guidance for FY '26. Overall, if you look at medium term for next 2 to 3 years, we are looking at an EBITDA margin of around 8% plus/minus. So that's a medium-term kind of a guidance we have maintained since last couple of quarters.

Ashish Rathi: Okay. Okay. Any scope for improvement in the EBITDA margin like in the terms of 3 to 5 years?

Ajay Singhania: So definitely, like I have shared, we will improve it from current 7.25% to 7.5% and going forward, 8% is the kind of EBITDA margins we are looking at. And then definitely in the next 3 to 4 years, we definitely are working to improve it further and maybe get to 8% plus.

Ashish Rathi: Okay. And one further thing on this. Like it has been mentioned in the investor presentation that Sri City new plant cost has been the reason for decrease in the EBITDA margin. So that cost has been done with that or there may be further hit on EBITDA margin due to the new plant?

Ajay Singhania: So, the new plant, has impacted slightly the overall EBITDA margins for the last financial year FY '25. And as we are ramping up the production and introducing the other categories like the SDAs and the LDAs in Sri City, we are looking to improve the overall capacity utilization at Sri City. So next 2 to 3 quarters, we believe that we'll be able to reach an optimal level of utilization in Sri City.

Ashish Rathi: Okay. Fine. So, the next question is like what is the asset turnover ratio for the new investment, if considering like capacity utilization at the level of like maybe 75%, so what will be the asset turnover ratio for the new investment?

Ajay Singhania: Our net asset turn has improved from 2.6x in FY '24 to almost 3.2x in FY '26. So, it has improved almost 25% in FY '26. And this year, again, we are looking to further improve it. And our objective is to achieve an asset turn of at least 4x for FY '27. And going forward, as we invest more, we will be looking to further improve the overall asset turn.

Ashish Rathi: Okay. Fine. So, one last question. What are the major targets for this financial year in terms of like new customers, new product, new geographical location? Any new targets.

Ajay Singhania: We have already shared this in our investor deck. So, we are looking to increase plant from 4 to 6 in the current financial year, increase customers from 55 to 70 again in this financial year and also increase product categories and reduce newer product categories as well.

Moderator: We take the next question from the line of Jagadish Sharma, an Investor.

Jagadish Sharma: Congratulations for a good set of number, sir. So, my first question is like while I was going through investor presentation, I was seeing there are three capex in the Sri City. One is the new Sri City plant EMTPL, which is INR100 crores which you just talked about which is nothing manufacturing of washing machines and components. The second one was EDL Sri City which is INR260 crores what is that, sir?

Ajay Singhania: In terms of investment, we have given four areas of investment. One is the current EPACK facility in Dehradun, where there is a small investment of INR20 crores to fine-tune some of the capacities. Then there is INR125 crores investment in Bhiwadi, which includes almost INR50-plus crores of investment in a new greenfield facility for which this includes only the construction. And then Sri City, INR225 crores is to ramp up capacities at the new Sri City facility for washing machines as well as other component business. And this new Sri City plant through wholly owned subsidiary is what we generally call the Hisense facility. So that's INR100 crores.

Jagadish Sharma: No, sir, INR225 crores is to ramp up the current AC facility, right?

Ajay Singhania: Not just AC. This includes largely washing machine and also a lot of component business, both EMS business and component business.

Jagadish Sharma: And what about the new horizon, sir?

Ajay Singhania: That is -- the wholly owned subsidiary, EMTPL. So that's the wholly owned subsidiary, which means product Hisense product.

Jagadish Sharma: Understand. My another second question is like our cash flow has been down year-on-year significantly because of our inventories and all these things, right. So, what do you say for the next year? Like, how will things been stable go for us internally?

Rajesh Mittal: Inventory, working capital you are talking about.

Jagadish Sharma: Yes.

Rajesh Mittal: In this particular year, actually, you see from 45 to 57, it has increased by around 12 days. And it was mainly because of the account's payable days, which has gone down. We have made some payment to the vendor. And otherwise, inventory has -- increased to some extent. But we are sure that, okay, that in the coming quarter and coming for the next financial year, we will improve it further.

Ajay Singhania: So, Jagadish, especially in terms of inventories and payment terms, there are two significant impact that the industry has faced in FY '25, being the QCO for copper and like everybody was talking about the compressor availability. So, on both the fronts, because of the supply chain disruptions, we were forced to carry additional inventories to meet the peak season demand. And all those decisions also led to accumulating some inventories mismatching inventories during the ongoing season.

So that definitely impacted the overall inventory levels at EPACK and generally throughout the industry. At the same time, it was -- we were also again QCO has led to increase in domestic buying. So, when it comes to imports, we enjoy LC 120 days, 150 days. So, the payment terms are really good to support good credit period. But with domestic buyers and a lot of them being MSMEs that in the short term has impacted the overall Payable days.

Jagadish Sharma: Understood. Sir, my final question is what is our gross block now? And what is the gross block -- because of the INR450 crores capex we are doing, right? So, what is the gross block look now and what is the gross block and net loss for the next year?

Ajay Singhania: FY '25 INR850 crores and for FY '26, going forward we are looking the gross block of anywhere between INR1,050 crores.

Jagadish Sharma: INR1,050 crores.

Ajay Singhania: Yes. That would be by the end of quarter four of FY '26.

Moderator: As there are no further questions, I now hand the conference over to Bhoomika Nair from DAM Capital Advisors for closing comments.

Bhoomika Nair: Yes. I would like to thank all the participants for being on the call and particularly the management for giving us an opportunity to host you. Thank you very much, sir, and wish you all the very best. Any closing remarks from your end?

Ajay Singhania: Yes. So, thank you, Bhoomika. Thank you, DAM Capital, and thank you all the participants for participating in the earnings con call today. I hope we have been able to answer your questions satisfactorily. If you have any further questions or would like to know more about the company, please reach out to our IR managers at Valorem Advisors or send an e-mail to the company's. Thank you so much.

Moderator: Thank you. On behalf of DAM Capital Advisors Limited, that concludes this conference. Thank you for joining us. And you may now disconnect your lines.