



EPACK DURABLE LIMITED

(Formerly Known as EPACK Durable Private Limited)

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November 11, 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 Unaudited Financial Results for the Quarter and Half Year ended September 30, 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 held on November 05, 2025.w.r.t Unaudited Standalone and Consolidated Financial Results of the Company for the Quarter and Half Year ended September 30, 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
Company Secretary and Compliance Officer

Encl. as above



CIN:U74999UP2019PLC16048

**“EPACK Durable Limited
Q2 & H1 FY '26 Earnings Conference Call”**

November 05, 2025



CIN:U74999UP2019PLC16048



**MANAGEMENT: MR. AJAY SINGHANIA – MANAGING DIRECTOR AND
CHIEF EXECUTIVE OFFICER – EPACK DURABLE
LIMITED
MR. NARAYAN LODHA – EXECUTIVE DIRECTOR AND
GROUP CHIEF FINANCIAL 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 day, and welcome to the EPACK Durable Q2 and H1 FY '26 Earnings Conference Call hosted by DAM Capital Advisors Limited. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference, please signal an operator by pressing star then zero on your touch-tone phone. Please note, this conference is being recorded.

I now hand the conference over to Ms. Bhoomika Nair. Thank you, and over to you, ma'am.

Bhoomika Nair: Thanks. Good morning, everyone, and a warm welcome to the Q2 FY '26 earnings call of EPACK Durable Limited. We have the management today being represented by Mr. Ajay Singhania, Managing Director and CEO; Mr. Narayan Lodha, Executive Director and Group CFO; and Mr. Rajesh Kumar Mittal, CFO.

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

Narayan Lodha: Thank you, Bhoomika. Good morning, everyone. I'm Narayan Lodha, Executive Director and Group CFO of EPACK Group. I warmly welcome all of you to our quarter 2 of financial year 2026 earnings conference call. The Board of Directors has approved the quarter 2 of financial year 2026 results on 4th November 2025. And I trust you have all had the opportunity to review them.

EPACK Durable is India's second largest ODM for room air conditioners. We are consistently executing our strategy to diversify beyond core RAC into higher growth categories, namely small domestic appliances, large domestic appliances and component business.

Joining me on the call today is Mr. Ajay DD Singhania, our Managing Director and CEO; Mr. Rajesh Kumar Mittal, our Chief Financial Officer. They will take you through the details of our operational and financial performance for the quarter. Thank you.

With that, I now hand over to Mr. Rajesh Mittal, our CFO, to take you through the key financial highlights for quarter 2 2026.

Rajesh Mittal: Thank you, Narayanji. Thank you. Good morning, everyone. Welcome to our earnings conference call to discuss the performance of second quarter for the financial year 2026. Let me first thank you our host for today's earnings call, DAM Capital Advisors. Now let me give you some of the key financial highlights for the quarter and for the first half year ended for the financial year 2026.

For the second quarter under review, our revenue from operations stood at INR213 crores, which declined by 43% on quarter-on-quarter basis. The EBITDA was INR0.5 crores, which declined by around 95% on quarter-on-quarter with EBITDA margin reported at 0.23%. The net loss for the quarter was around INR22 crores.

For the half year ended, revenue from operations stood at INR876 crores, which declined by 24% on year-on-year. The EBITDA was INR56 crores, which declined by around 8% year-on-year with EBITDA margin reported at 6.44%. The net profit was around INR0.6 crores.

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. And once again, good morning, everyone. The second quarter of FY '26 continued the muted journey for RAC with an overhang from Q1, primarily due to unseasonal rains and especially the time gap between the announcement and implementation of GST rate reduction on air conditioners from 28% to 18%.

So as there was an overhang of inventory from Q1, this definitely impacted the sales and production in Q2 as well. But thankfully, the second half of Q2, especially the end of September saw some cheer in the market with AC inventories getting liquidated and channel inventory being offloaded.

However, post implementation of GST, we witnessed this rebound for a shorter duration, especially during Navratri and Diwali, wherein the surge in customer demand pushed AC sales and also pushed liquidation of inventory from the brand warehouses.

Over the past few weeks, inventory levels have definitely come down and channel movement has improved meaningfully. We expect this movement to further continue through the current quarter, thereby driving the demand and enhanced -- with enhanced affordability, improving customer sentiment and healthy underlying demand.

For a segmental perspective, our RAC segment witnessed a decline of 76% quarter-on-quarter basis for the reasons I stated just. However, other segments demonstrated strong momentum. Our focus in diversifying our overall revenue, the three pillars of small domestic appliances saw a growth of 45% quarter-on-quarter, led by healthy order inflows across both existing and new products, particularly with encouraging demand of air fryers.

Our Components segment, the second pillar, also saw a robust growth of around 73% quarter-on-quarter, supported by a solid order pipeline of different components for non-AC products. Our LDA segment also reported a significant 466% growth quarter-on-quarter, driven by our continued focus on expanding the customer base.

Notably, our product business contributed 79% of the total operating revenue during quarter 2, reaffirming our customer confidence in core offerings and highlighting strong market adoption.

In line with our strategy to scale and diversify, we also took a significant step in broadening our Components segment. This diversification is a deliberate move to reduce concentration and position us in adjacent high-growth industries. We see this a long-term growth lever that strengthens our portfolio and opens new opportunities across sectors.

We remain committed to long-term value creation through strategic capital investments aimed at expanding capacity and supporting our diversified growth road map. By end of quarter 2 FY '26, we made steady progress across multiple key locations. We incurred approximately INR129

crores of capex in Q2 FY '26, primarily directed towards capacity expansion and equipment installation. Our basic infrastructure and building is now ready, and we are putting up the plant.

These investments, along with the upcoming Sri City facility for Hisense, growing customer engagement post implementation of GST cut from 28% to 18%, we have witnessed a strong rebound in demand. The festive season, particularly during Navaratri and Diwali saw a surge in customer durable sales, especially air conditioners and expecting the momentum to continue, we firmly believe that H2 would see a rebound in the growth of AC industry overall.

The continued expansion of product portfolio positions us well for the future. With a strong foundation in place and focused execution, we remain confident in achieving our full year targets and sustaining healthy revenue growth going forward.

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

Moderator: We will now begin the question-and-answer session. The first question comes from the line of Aniruddha Joshi of ICICI Securities.

Aniruddha Joshi: Sir, two question. Obviously, Q2 was impacted. But how do you see Q3 considering many companies have called out that October was also a soft quarter because generally, there is a mini summer or October heat.

But this time, we have seen monsoon remaining active in many parts of India. So there is probably a weaker start to the quarter, Q3. And secondly, the inventory also needs to change by end of 31st December, considering the change in BEE norms from January. So how do you see Q3 likely to pan out? That is question number one.

Question number two, if you can indicate the guidance for this year FY '26. I guess, earlier call, you had alluded to around 30% revenue growth this year. So how should we build on to that now in the model? And last question, in terms of any update that you can share on Hisense as well? Yes, that's it from my side.

Ajay DD Singhania: Thanks, Aniruddha. I think very relevant question under the current circumstances. Obviously, like I started sharing the GST rate cut and the cheer which it brought to the market was kind of very short-lived, lasting probably only for 2 weeks or so. And beyond it, obviously, October, we didn't see much uplift in the market sentiment.

So the GST rate cut could only promote -- it definitely helped liquidate inventory in the channel to a certain extent, but not as high as expected. So there has been definitely a reduction in the overall inventory levels in the trade, and we saw some movement in inventory from the branch again to the secondary market, but it was short-lived. And yes, definitely, the beginning of quarter 3 seems to be kind of muted.

So my current sense guides me that overall FY '25-26' for the industry at best could be a flattish kind of a year for the AC industry. And hence, our efforts into diversifying, I think, will play a very critical and important role for us to drive growth for the current financial year. So, as we can see the uptick in our SDA, LDA and other categories, we firmly believe that this will

continue to grow and AC at best could be flattish for the industry and we could see similar kind of status even for EPACK.

So our revenue guidance, if we talk about for the current financial year, we continue to grow with our diversification efforts. And for the projections about the AC growth, we keep our fingers crossed still looking at the kind of RFQs that are coming into the industry. So overall, calendar year '26 definitely seems to be very promising with all this. But yes, definitely, the BEE upgradation and all this are definitely jeopardizing the current H2 growth as well.

In terms of the update on Hisense, the new facility, which we are putting up dedicatedly for Hisense is now completely ready. The trial production and all the licenses and approvals have been achieved -- received. And we are planning mass production rollout towards the end of December, first week of January is when we plan to start the mass production for the Hisense air conditions.

Aniruddha Joshi: Okay. Sure, sir. Understood. And I guess the price hikes, which we may need to take will be in the range of 7% to 8% for RAC from January to comply with new norms. That's right?

Ajay DD Singhanian: So Aniruddha, again, on the price hike side, there are going to be 2 impacts in the coming season. One definitely is that compared to last season, which abruptly ended in March, April, the dollar rate has gone up, the commodities, especially copper and all have almost increased by 15% to 20%. So that is one which will definitely lead to price increase.

And on top of it, the BEE rating upgradation will also have its own impact. So yes, anywhere between 5% to 7% is definitely the increase on the cards, which will set off whatever benefit was passed on in terms of GST reduction.

Aniruddha Joshi: Okay. Got it. Got it. Sir, and last question. I guess the PLI benefit that the industry is getting, it's still end of FY '27, that's right. So post that --.

Ajay DD Singhanian: Yes. Right. So this year is the fourth year for EPACK to accrue PLI benefit and then FY '26-'27 will be the last year for which the amount will be received in FY '28. So the 5-year window for the PLI will be ending in FY '26-27.

Aniruddha Joshi: Okay. So most likely the industry will have to take one more round of price hike again beginning in FY '28 to manage the market.

Ajay DD Singhanian: Yes. Hopefully, yes.

Moderator: The next question is from the line of Tanay from DAM Capital Advisors.

Tanay: Sir, my first question is, given you mentioned that obviously, the inventories did sort of liquidate to an extent at the channel level, what would be the current inventory levels, let's say, between channels and brands currently?

Ajay DD Singhanian: So Tanay, again, these are just estimated figures. We believe that the channel inventory at the end of Q1 was roughly around 5 million with almost 3.5 million in the channel and close to 1.5

million to 2 million with the brands. So, at the end of Q2, we believe that this inventory has come down to the level of almost 2.5 million, 3 million. So, it has almost reduced by 50% or so.

So those are the estimated numbers what we have kind of put down in our discussion with most of the brands. So, the channel inventory has definitely reduced almost 50% in the last quarter.

Tanay: And sir, that would broadly be, let's say, around 2-odd million with the channel and remaining 1 million with the brand? Would that be a fair split?

Ajay DD Singhanian: Yes. As a rough estimate, that's what numbers could look like, maybe 1.7 million with the channel and another 1 million with the brands put together.

Tanay: Got it, sir. Sir, my second question is, given that the BEE rating is on cards, let's say, Jan onwards, are we seeing any sort of new RFQs turning into orders this quarter onwards? Or is that yet something which is not coming given that we have to liquidate the old inventory yet?

Ajay DD Singhanian: So, Tanay yes, something interesting is there, especially since the BEE rating is getting implemented from 1st of January, and it is not necessary for -- so the channel can still carry the inventory from the previous -- of the previous star-rated products. So, we see a unique mix since the price increase on the 5-star products is going to be much more as compared to 3-star product.

A lot of brands are continuing production, especially of the 5-star products with the current BEE rating and which they probably want to market or sell in the upgraded situation. So, one, in the current quarter, we will see a lot of 5-star getting produced. And secondly, yes, most of the brands are also starting production of the new star-rated products from mid of December onwards.

Tanay: Okay, sir. So, my next question is, let's say, in terms of SDA, right, we've seen very strong growth. And obviously, it's got to do with the fact that one bit is the air fryer is picking up pretty well. But what are the other key products which is doing well for us?

And if you could give any color in terms of the breakup between the products? And how -- was this demand a lot led by festive sales? And if yes, has it -- is it yet sustaining at these levels going forward as well?

Ajay DD Singhanian: So for the SDA category, Tanay, yes, air fryer definitely being a new category, we saw a significant movement and with EPACK associating with most of the larger clients, this definitely has been a remarkable ramp-up of operations for the air fryer.

But together with air fryers, our other products, which we have created the lineup like vacuum cleaners, coffee makers, infrared cook tops, nutri blenders. So almost all these products have either started production towards the end of Q2 or current month, we are seeing the production being ramped up.

And as committed earlier that we intend to add almost close to 15 new customers, 5 were onboarded in the last quarter and another 4, 5 are getting -- we have already received the approvals and are in process of getting onboarded. So, with the continued focus on SDA, we see

that this growth momentum to continue further. And as we are adding new product lines, the overall SDA will continue to show a strong growth momentum.

Tanay:

Got it, sir. And sir, just if I could ask another question in terms of working capital, right? It's seen a significant increase in H1. So what is the expected working capital position and, let's say, the debt position which we expect at the end of FY '26, if you could give some flavor on that.

And just one more last question in terms of the component PLI, given that we started seeing some sort of approvals coming through from the government, are we planning on doing anything for camera modules? And if yes, would it be for mobiles or auto?

Ajay DD Singhania:

For the working capital, Tanay, since we had -- we were carrying huge amount of inventory from the Q1, definitely, those inventories converted into paid inventory for us as we march through quarter 2. And since there was no movement in the finished goods, definitely, the working capital increased and hence our inventory levels days have also increased.

So as you can see in the presentation shared, one is the increase in the inventory days and second is the reduction in the payable days, which means there was no new purchases. All the old purchases are already paid off. So that is something which has impacted the overall working capital cycle.

Now within the current quarter and going forward, as this inventory starts liquidating, we will see definitely improvement in the overall working capital cycle or days. But again, to achieve something what we did last financial year would be difficult since the inventory has already impacted a lot during the current H1. Anything Rajeshji, do you want to add to it?

Rajesh Mittal:

Tanay, this as you rightly quoted, you have seen the results also and this working capital, as MD sir has also mentioned, this working capital, there were 2 type of jumps in the loan this time. One is the working capital requirement that is because of the inventory lined up in the books, and we have paid our suppliers on time. This is why there is some jump in the working capital requirement.

And some part of the term loan, which has increased because you see that we have made some amount in the -- utilized some amount in the capex in the first quarter and second quarter, around INR160 crores, out of which around INR70 crores odd number we have utilized out of our IPO proceeds and some amount -- IPO proceeds has been utilized mainly for building. And some for capex like plant and machinery, we have utilized for our subsidiary against the term loan.

Narayan Lodha:

Basically, Hisense facility, the term loan is being used for our Hisense facility, which is now ready and now we are putting up the plant and machinery. So that's why for this quarter, consolidated basis, you are seeing some jump in there.

Ajay DD Singhania:

In terms of the second question regarding component PLI, Tanay, so in terms of the -- which is called the ECMS scheme, the Electronic Component Manufacturing Scheme. So at EPACK, we had formed 2 new entities, Bumjin Audio Products Private Limited and EPACK Components Private Limited, of which the components we would manufacture the electronic components.

The Bumjin Audio Products intends to make components of audio components like TV speakers and microphones and all this for which the facility is currently under setup. And the second EPACK Components Private Limited, again, is a new facility with greenfield facility targeting certain other components allowed under this scheme for which the construction is ongoing. And the set of components to be produced there, we would share in the upcoming quarters as we enter into certain strategic agreements further.

Tanay: Got it, sir. Sir, just wanted to understand the net debt position or the debt position at the end of this year would be helpful given that the working capital and the term loan has sort of increased. Just wanted if you could get some flavor on that.

Rajesh Mittal: You see our total borrowings in the books is around INR680 crores or so. And we are having around INR126 crores around money in our books. So net debt would be around INR500 crores or so.

Moderator: The next question is from the line of Rahul from PNB MetLife Insurance.

Rahul: Sure, sure. So sir, weather has been erratic this year. And there is also a case of La Nina this year. So to what extent can the demand be impacted? And how are you planning the inventory given the La Nina and rating change here?

Ajay DD Singhania: So the unseasonal rains and the erratic behavior of the weather definitely has impacted the overall AC demand in the country. Based on the industry estimates, we see that overall industry has degrown to the extent of almost 35% plus till end of quarter 2 and similar kind of degrowth is also seen in the numbers shared by EPACK Durable.

While we see definitely some rebound in demand in the upcoming 2 quarters, overall, it is expected that at best the industry could end up being flat as compared to the last year or possibly there could be some degrowth. So this entire 35% kind of a degrowth for the current financial year seems quite difficult to achieve towards the end of the fiscal year FY '25-26'. But keeping fingers crossed, we expect overall level the industry to end somewhere being flattish at max.

Rahul: Okay. Sir, my second question is, sir, to what extent are we backward integrated in terms of components...

Ajay DD Singhania: In terms of backward integration at EPACK Durable, we make components by value to the extent of almost 65%, 70%, which includes components like copper parts, printed circuit board controllers, PCBAs, cross flow fans, BLDC motors under our subsidiary, Epavo, all plastic parts, sheet metal parts, everything.

So technically, if I talk in terms of large component, except compressor, we make almost all the key components in-house. So that's almost 65%, 70% by value of components are being produced under a single roof at each of the facility.

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

Arshia Khosla:

Sir, my question is on the LDA and SDA segment. Any new client additions that we've done in quarter 2? And for the LDA, what products are seeing -- I mean, what products have seen that growth?

Ajay DD Singhania:

Thanks, Arshia. For the LDA and SDA segment, we have added -- we have diversified our product portfolio. We have added newer products in this fiscal year like air fryers and then we've added coffee makers and going forward, we are adding nutri blender and other products.

So in terms of new customer addition, we have added several key new customers like Groupe SEB, V-Guard, Link Lock, Kirlock SLAM, Nuuk, American Micronic. So, there's been an addition of at least six, seven new customers, of which 4 or 5 are really big and significant customers.

And then the opportunity to cross-sell to our current existing clients, the existing -- whom we were earlier supplying only the induction cooktops or the mixer grinders, the newer categories, whatever we are adding are also getting sold. So, this all is helping us ramp up our product categories.

As we are adding up more categories, we see our relationship with the existing customers to grow further. So that will help us increase our wallet share with these customers. So this definitely remains a key growth driver for us.

Similarly, for LDA, we are making especially coolers. So in coolers also, we see a definite growth coming forward. Our air coolers with both Symphony, Voltas and Bajaj continue, although being a cooling product, there was an impact on cooler sales as well. But then our production is ramping up, and we are adding a newer line as well. So there, again, we see the continued momentum, and we are also in talks with certain other newer clients to increase our customer mix for the LDA categories.

So in LDA, we'll also have the washing machines, the top load washing machines, what we started in the beginning of this financial year. So therein, now the growth has been kind of -- or the production has not been significantly ramped up in the last 2 quarters since it took much more of approval time than expected or anticipated by us.

But by now, all the approvals are in place and certain key new relationships have already been established. Further, the field trials with almost all the key brands are completed, all the reliability is done, and we are seeing a ramp-up in production as we currently talk.

Arshia Khosla:

That's helpful. And secondly, on the new BEE norm changes, so have the brand started placing orders for the new products? And have we started the production on that?

Ajay DD Singhania:

As far as new BEE products or air conditioner is concerned, yes, the RFQs have already been received and commercially closes well with most of the brand customers. So currently, the products are under testing and validation. So there's still months to go before the production starts. So for most of the brands, we see production starting towards the mid of December or the last week of December is when the production will actually start for the new BEE-rated products.

- Arshia Khosla:** Got it. Understood, sir. And lastly, sir, on your guidance for FY '26 revenue and on the EBITDA margins?
- Ajay DD Singhania:** I think in the previous question also, I was very candid to share the guidance. So our guidance on growth for the -- all the other 3 categories, the SDA, LDA and components, definitely, we can see an upside to whatever guidance we have given earlier. However, for AC, yes, we are a little pessimistic about the growth of AC and we believe that the industry at best could be flattish.
- So, any growth over the last year numbers for AC will definitely be a challenge for us as well as the industry. But at the same time, our diversification efforts for all other categories like SHA, LHA components, etcetera, will definitely help us secure definite growth over the last year's revenue.
- Arshia Khosla:** Got it, sir. So basically, for RAC we'll be at par with the industry?
- Ajay DD Singhania:** That is what the best we can expect under the current circumstances.
- Moderator:** The next question is from the line of Mr. Achal from Nuvama IE.
- Narayan Lodha:** Can you take other call. I think he is not there.
- Moderator:** Yes, sir. The next question is from the line of Deepali Bansal from Ventura capital
- Deepali Bansal:** Hard set of numbers this quarter. Actually, in this call, you mentioned about coffee maker again and again, I think twice you've mentioned that in your PPT, you've not mentioned that it has been launched or started production. New products and nutri blender and vacuum cleaner, would you able to define what are their revenue sales, production capacities? How much can we make? How much can we sell?
- Ajay DD Singhania:** Yes, I'm just looking at the numbers to share with you. So towards the end of quarter 2 and the current month, I believe we started the two products what we're talking about, both the coffee makers. Coffee makers were done in quarter 2.
- Narayan Lodha:** In quarter 3, quarter 3. So we have started nutri blender.
- Ajay DD Singhania:** Okay. I'm sorry, coffee -- nutri blender vacuum cleaner started in quarter 2 and coffee maker is something which started in first week of -- I'm sorry.
- Narayan Lodha:** What sir wanted to say that we have already established the line. Still it is in the testing phase. So actual sales has not started, but everything -- PKD, everything has been done. So for coffee maker got started just right now. Today, or tomorrow, it will be done. So once the final testing has been happened, then it will be done.
- So in quarter 2, we have already started 2 new products, and this will be in quarter 3. We have recently marked nutri blender and vacuum cleaner in quarter 2. And definitely, in fact, cooked top and coffee maker, both will be started in this quarter. The line and everything has already been established. The test product is already done but the final product is on the process.

Deepali Bansal:

All right. Sir, let's assume that we had a bad year this year, bad monsoon everything. What if we see another bad year, next year? So how do we handle such circumstances? Because as we can see that we ended up in cash losses in this quarter and next quarter is also not looking good. The RFQs are also not looking very promising right now. So what if we have another bad year, how are we equipped to handle such circumstances?

Ajay DD Singhania:

So, Deepak, in terms of the RFQs and outlook for FY -- or rather the upcoming season, the calendar year '26 is definitely very promising. And when we are talking -- so there are two aspects. When we are talking about the current financial year because the first half has been extremely muted with the industry degrowing at 35%.

So, recovering that 35% in October, November, December or even the H2 of the year seems kind of almost unrealistic. Hence, we are saying that for the financial year FY '25-26', yes, the industry could at best be flattish. Because recovering the 35% lost sales will not be possible. At the same time, the future outlook for the industry for the calendar year '26-27 is extremely promising.

So, the impact of GST reduction from 28% to 18% kind of will be available for the entire year of FY -- calendar year '26 and onwards. So that is something which will definitely promote the overall demand for the upcoming season. So, the upcoming season RFQs are extremely good. And most of the brands are planning very robust quantities, and we are very confident that overall, the season of FY '26 -- the calendar year '26 is going to be extremely good.

And as we are ramping up production and discussions with our -- the order book for the calendar year '26 is extremely healthy. So there is no reason for us to be pessimistic for the calendar year '26, everything is lined up very well. The order book is very strong. We have closed the orders with most of the leading customers for the calendar year '26. So the overall projection for '26 definitely is very good.

When we say that FY '26 seems to be kind of muted is because of whatever has been lost in the last 6 months seems kind of a little difficult to recoup or regain. So, from that context, yes, FY '26 could be at best muted. But overall, the coming season is extremely promising and all the brands are planning growth over the current financial year.

Deepali Bansal:

So, we are actually looking to double the capacity by FY '27, which you were initially planning. Is that still a course of action?

Ajay DD Singhania:

Yes, that definitely is the course of action and especially with our new facility for Hisense coming up, a lot of push is there on export sales to the Middle East and African country by Hisense. So, all this we see definitely will help us leverage our capacities better in calendar year '26 and '27. So there is -- we are not cutting down any estimates for the overall growth in the calendar year '26,27. That all is on track.

The only thing is the current loss sales for the industry seem would be unrealistic to recover in the next 6 months of the -- or the second half of FY '26. So, we have been very candid to share that it would be extremely impossible for the industry to recover the lost sales of H1 in H2.

- Moderator:** The next question is from the line of Mr. Achal from Nuvama IE.
- Achal:** Just a clarification. On one hand, you said that the industry has seen a 35% decline Y-o-Y. On the other hand, you were saying that the -- at best it can be flattish. But I'm just perplexed about the math. If the December quarter will not -- I mean, typically, the 4Q and 1Q are the strongest quarters, right? So do you think it can get compensated in Jan to March period, especially when the retail demand actually kicks in only in Feb onwards?
- Ajay DD Singhania:** Absolutely. Achal, I'm in line with your thought process, and this is what we are currently discussing that the lost sale of H1 close to 35% seems unrealistic to recover in just 1 quarter sales of Q4 for the current financial year with South -- the predominant demand in South is only there for the Jan, Feb, March period, whereas North kicks in only after March.
- So for North, which contributes almost close to 40% of the overall industry sales, it is mainly March, April, May, June, July, that's the season and which was muted for the current year, which has led to all this degrowth. Hence, what -- I mean, we agree with you that the current lost sales would be difficult to recover in the current financial year. However, the overall demand outlook for calendar year '26 is very promising.
- Achal:** Got it. And just a clarification on the festive season, whatever you have gathered, what kind of growth? Are we seeing a 15%, 20% growth or 70%, 80%, 100% growth for RAC?
- Ajay DD Singhania:** The festive season cheer was there mainly only for the 2 weeks, the last week of September 22 to 30 and then probably continue for another 5, 7 days. So the beginning of October was -- the cheer continued. That led to significant sales and reduction in the trade inventory, but not to the level as was expected initially.
- So the first few days, the sales was extremely remarkable and everybody became very cheerful that almost all the inventory would be liquidated. So that was only a 2-week cheer. And after that, again, the demand has been kind of sluggish in the second half of the October.
- Achal:** So effectively, maybe 15%, 20% kind of a growth on a year-on-year basis for the comparable period?
- Ajay DD Singhania:** Based on certain channel check report received and then discussed with the trade partners, we believe, yes, month-on-month, there was an increase of almost 20%. So that was only for month of September, let's say, which obviously is a very -- it's on a very low base. So on that kind of September, October sales, there was a 20% jump, but overall quarter growth was not there.
- Because 6 weeks of the quarter were already lost between the announcement and the implementation from 15th August to 22nd September. So that 6 weeks were totally muted, both in terms of sales and production.
- Achal:** Correct, which means that is just a pent-up demand. So on a cumulative basis, the growth will not be very large at the retail end. So I was just curious to understand that.
- Ajay DD Singhania:** That's exactly correct.

- Achal:** Just wanted to understand -- yes.
- Moderator:** The next question is from the line of Shreyansh Jain from 3A Financial Services.
- Shreyansh Jain:** Sir, the same situation was being observed in financial year 2024. So over there, the Q2, Q3 was sluggish. Q4 also was quite -- we started getting orders, fresh orders from Q1 FY '25. So will we see similar situation in this year as well? Do we see fresh orders coming up from Q4 end and Q1 '25 starting, sir?
- Ajay DD Singhanian:** Shreyas, yes. The outlook for calendar year '26, so Jan to December of '26, definitely, like I'm sharing again and again, is very positive and very bullish for almost most of the brands. So currently, as we talked, we are sharing that our order book for the Jan to December period of 2026 is extremely strong. So the orders have already been closed in most of the major brands.
- And currently, as we talk, the product is either getting finally tested or the testing is already closed. So the production start from mid of December, that's when the actual production starts for the calendar year '26.
- So the overall outlook for '26 is strong, and we will see rebound in manufacturing happening in quarter 4 of this financial year or Jan to March and then March to June period is when we will see a lot of production activity happening and being ramped up significantly.
- Shreyansh Jain:** Perfect, sir. And what would be the effect of new energy norms on the older inventory and the realization per unit of ACs?
- Ajay DD Singhanian:** So the older inventory is allowed to be sold in the trade as long as it is available in the channel. So as we are sharing that the improved BEE rating, the cost is going to increase. So that will give some leverage to the channel partners to liquidate the old rated products definitely. But the only norm is that the old rated product cannot be manufactured beyond 31st of December. So that's the norm. And hence, we will start the new production of new rated products from somewhere around mid of December.
- Shreyansh Jain:** So do we need to modify any components or the older components are eligible, sir?
- Ajay DD Singhanian:** At component level, all the components will be used. Only the overall -- at product level, there are some design changes happening, which help us improve the energy efficiency. But in terms of inventory, whatever we have is usable both in the current rated product as well as the new rated products. So there would not be any inventory obsolescence because of the BEE rating upgradation.
- Shreyansh Jain:** Great, sir. And sir, one last question. Could you please help us know that what is the strategy of brands? Are they opting for more manufacturing in-house or outsourcing? Could you please provide some light on that, sir?
- Ajay DD Singhanian:** Shreyas, like we all know, I believe there is no absolute strategy around this. But of the top 10 brands sold in India, 9 of them have their own manufacturing facility. Despite this -- and the top 10 brands contribute almost to more than 90% of the overall AC market. And despite this, their dependence on OEM or outsourcing today currently stands at more than 35%.

So this evidently reflects that no brand wants to do 100% manufacturing in-house. They always want to balance somewhere between manufacturing in-house and outsourcing. And this gives us the confidence that we are an indispensable partner for most of our larger brand customers. We have grown with them over the last 20 years, and we continue to grow. And so it's like working together. It's not optional. And together, we continue to grow.

Moderator: The next question is from the line of Balasubramanian from Arihant Capital.

Balasubramanian: Sir, some custom issues were there, especially for copper tubes and what is our planning in maybe next 2 to 3 years' time frame? We are planning any backward integration for copper tubing or we still looking for outsourced locally or we will continue to import from some of the countries. If you could -- which are our supply source is coming from?

Ajay DD Singhanian: So Mr. Bala, in terms of the SCN from the customs department for copper tubes, the SCN was received by the entire industry, not only manufacturers, but all traders all put together. So for which jointly at industry level, we are -- we have filed a case in all the states with the customs department, we have already filed the case and we are jointly fighting it.

And as an industry, we remain very confident that we have a very strong case to put up against the imposition of retrospective duties on imports from FTA countries, so that case remains with the courts now. And basis the hearing till date, as an industry, we are very positive that there will be a revision on this. So that's where we stand in terms of the SCN for the custom duty on copper tubes.

In terms of sourcing strategy, already a couple of new suppliers have come up in the country like RR Kabel, Global Copper, MetTube, Hindalco. So all of them have already established capacities for manufacturing of copper tubes. And hence, there is no need for EPACK to look at into backward integration and manufacturing its own copper tubing. We have strategic relations with both domestic as well as import suppliers from FTA countries, and we'll continue to source with them.

Balasubramanian: Okay, sir. Sir, I think for Hisense JV, we have ambitious target of INR4 billion incremental revenue over next 5 years. And what are the specific cerebral milestones for this JV over the next 12 to 18 months in terms of production volumes, client approvals, our initial revenue? And how much additional investments we are planning for Hisense?

I think we have a capex plan of around INR450 crores to INR500 crores, including multiple JVs and subsidiaries. As we go to breakdown what kind of ROIC and payback period expected in those investments?

Ajay DD Singhanian: Mr. Bala, in terms of our Hisense dedicated setup for Hisense to manufacture the entire range of appliances. So there are three phases to it. In Phase 1, which is setting up of AC production, the plant is now already commissioned. And as we discussed, the trial productions are ongoing there. And we expect mass production to start towards the end of December or first week of January when we see mass production starting for air conditioners. This will be an OEM product, which is the global portfolio of Hisense and will be used to be marketed in the domestic India market as well as exports to certain Middle East and African countries.

So, for this, the capex is close to -- INR100 crores will be capex for setting up the AC production line, which is now almost completed. On top of it, going forward, there is plan to start washing machine, both top load, front load and semi-automatic, which the Phase 2 is currently looking to be productionized towards the end of quarter 1 in FY '27.

So, April, May is when we look at starting the washing machine production and certain other products are also in pipeline. So, all these 3, 4 products put together in 5 years, the cumulative revenue is projected at close to INR1 billion in revenue, which is INR8,000 crores.

Balasubramanian: Okay. What is the breakup of capex of INR450 crores to INR500 crores?

Narayan Lodha That is there on the investor presentation.

Ajay DD Singhanian: That is part of the investor presentation we shared in the last quarter. Almost INR200 crores was additional investment for -- I don't have it handy, but it was part of our last -- okay. So Bhiwadi expansion, the plant investment was INR125 crores. Sri City, the plant investment was INR225 crores. And for Hisense facility, the plant investment was INR100 crores, which I shared is now almost done.

In quarter 1, out of this INR450 crores, we did INR45 crores of investment. And quarter 2, like we said, we've done almost close to INR129 crores, INR130 crores of investment is what's already done. So out of INR450 crores in quarter 1 and quarter 2 put together, INR175 crores is done.

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

Abhisar Jain: Ajayji, just wanted to know this Sri City capex other than the Hisense, that INR225 crores, which we are undertaking and we have spent INR64 crores in the first half. So two questions there. One is that which all product segments you are expanding there?

And given the demand scenario and the increased competitive scenario, what is giving us the confidence in terms of the demand going ahead to put up such a large capex outside Hisense because Bhiwadi is also getting around INR125 crores additional capex. So just wanted your thoughts of what is the demand visibility on these capex and if some firm orders are also there for these?

Ajay DD Singhanian: So Abhisar, in terms of the Sri City capex, the INR225 crores of capex, INR100 crores into the building, which is to be used by the newly -- the wholly-owned subsidiary of Hisense. So the building is being built up in the EPACK Durable land and has been leased out to the JV. So that's where the INR100 crores is being invested. And 2 new product lines are being set up.

So close to INR50-odd crores is going into ramping up washing machine production. So we had originally invested in top load, now front load and semi-automatic are also getting -- the tools are getting manufactured. So that's the other upcoming product line for which INR50-odd crores is going to be invested.

And for new components, controllers and others another INR80 crores is going to be invested. So that makes almost INR225 crores, INR100 crores plus INR50 crores plus INR80 crores, that's INR225 crores, INR230 crores is going to be invested overall in Sri City.

And for the Bhiwadi investment, that's a greenfield facility what we're talking about, a new greenfield facility is getting constructed in Bhiwadi, for which currently the building is being under construction.

And the product lineup like we shared earlier, will be shared subsequently once the formal nonbinding -- the binding agreements are signed with our partners. So it is something to do with the ECMS scheme. And once we have a binding agreement in place, we will share it with the industry.

Abhisar Jain:

Understood, sir. Sir, the second question is on the washing machine side. So, I understand that the initial ramp-up and approval has taken some time. But sir, what would be your assessment on the outlook, say, for FY '27, even if we assume that -- that also goes in further ramping up slowly as we get more approvals. But for FY '27, what kind of outlook can you provide on the washing machine side? And also, sir, if you can give the LDA number, what we did for Q2?

Ajay DD Singhanian:

For washing machine, yes, the delay has not been some -- we are almost delayed by 3 quarters in ramping up production. So that has made us now extremely cautious in terms of our further design capability and as we are getting approvals from the customers. So now we are more realistic. We understand that this is one product which takes more time as compared to in which we already have an established capabilities.

So now we are very confident that with our top load almost approved or rather already approved by the leading brands, going forward for us, it is replicating our expertise. So as we talk, front load and semi-automatic, 2 other lines of products which we are now envisioning and for which the design development is ongoing.

So with the complete range being available in FY '27, we see that the order book is going to be extremely healthy and at least 3 key customers or anchor customers are already onboarded as we discussed. And the quantities are extremely promising from these 3 anchor multinational customers. So we see that an extremely good growth coming in FY '27 from our washing machine category.

Abhisar Jain:

Okay, sir. And the LDA revenue for Q2, the last one?

Ajay DD Singhanian:

For the LDA category? LDA, the base was extremely small. So the growth is like what we said, 466% but it's on a very small base because LDA predominantly is cooler. So like you see even cooler was muted. But since we started off in January, there is definitely a growth of like 450% on it, but it's on an extremely small base.

Moderator:

The next question is from the line of Natasha Jain from PhillipCapital.

Natasha Jain:

My first question is more so from the trade perspective. Now you had mentioned that 5-star production continues because cost savings probably would be maximum there. And then maybe fixed speed also would fall in that category. Now 3-star is the majority of the market at 75%

salience. And within that, I believe the cost hike is just under 3%. Having said that, newer inventory, when they come into the system, the cost difference may not be so much to the consumer. So do you think there could be steep price discounting in the third quarter to push the inventory to the trade by the brands?

Ajay DD Singhanian: So I think this -- as an ODM manufacturer, the brand strategy in pushing the sales in the market is something we generally don't want to comment on. But yes, like you rightly said, 5-star and fixed speed are the 2 products on which the increase because of the BEE is the highest, and we are seeing a continued production happening on these 2 categories, whereas 3-star, the impact being minimal, we are seeing that most of the production happening only when it is required. So yes, that definitely is going to happen. How the discounting happens in market, I think that generally lies beyond our comment.

Natasha Jain: Understood. And sir, one more question. Given that we might see La Nina this year for an extended winter. So fourth quarter, given the third quarter, a lot of inventory will get pushed to the fourth quarter, plus newer inventory will roll into the fourth quarter. And given an extended and a harsh winter, would you still maintain commentary of a flattish growth for RAC this year?

Ajay DD Singhanian: So, Natasha, like I said, I see a best case of a flattish kind of growth for the industry. So we are keeping our fingers crossed. We believe that could be the best case for the industry to be flattish overall in FY '26 for the reasons you just mentioned.

Moderator: The next question is from the line of Heta from Monarch AIF.

Heta: So most of my questions are answered. I just have one more question. With respect to Epavo, could you throw some light on when Epavo will be able to ramp up its production and breakeven and at what margins will it operate?

Ajay DD Singhanian: So for Epavo, the greenfield facility in Bhiwadi for manufacturing almost with a setup capacity of 3 million is now ready, and we have already started production from the mid of Q2. So from beginning of September is -- we already started production in Epavo of BLDC motors for utilization. And as we discussed, the facility is putting up -- the production is ongoing, and we continue to stock up material for the coming season.

So the approvals from all the key customers, including captive consumption at EPACK is now already approved. And so the production is ongoing. And we are very confident that for the next calendar year FY -- calendar year of '26, we will see a significant improvement in the overall capacity utilization. So with 3 million capacities installed, we see the capacities being utilized during the coming year.

So that will be the first year of operations. And as it progresses, we firmly believe that there will be a need to further expand capacity depending on the response we receive. So now as we discussed, yes, the production is ongoing, and we already have approvals from certain key customers and the captive consumption of EPACK is already approved.

Heta: Okay, sir. And at what margins Epavo operates?

- Ajay DD Singhania:** In terms of margins, see we have to be competitive in the market. So, in the first year of operations, I think a lot of innovations will happen as we ramp up production, we reduce our -- we work further on innovating and reducing our bill of material. So, it will be very difficult to project the margin at this point of time.
- But yes, definitely with the first year of significant production, we will be in a better position to further improve in the coming quarters. So, it's an ongoing journey. For the first year, we definitely want to be market competitive, gain a lot of market share and prove our metal as a quality manufacturer. So that's the objective for the first year.
- Narayan Lodha:** And as it is a component, so components definitely have a healthy margin. So going forward, sustainably, there will be a good margin in the components
- Heta:** Okay. And sir, just one last question. What components do we supply to this energy meter sector? Are we seeing any major growth in that direction?
- Ajay DD Singhania:** Yes. So for the energy meters sector, we started supplying the molded parts, the cases and the casings to certain large manufacturers in Jaipur and all. So -- and we are seeing extremely encouraging or rather very good order book with them.
- So, as we can see, the component growth has been phenomenal in the last quarter that despite being AC production being almost close to zero, so which means that most of the component sales has happened to non-AC segment and in which energy sector definitely -- the energy meter segment has definitely played a very significant role. And it's more of a secured order book, and we continue to grow with that set of customers.
- Heta:** Okay. So non-AC sector as of now includes only the energy meter segment, right? Or have we entered some other space as well?
- Ajay DD Singhania:** There are other businesses as well in the component business. So, as we can see, the growth in the component is extremely well. I'm seeing it's despite almost no sales for the AC components. So, this -- the component business basically is largely non-AC. Energy meters is definitely is one of them, but there are other sectors as well.
- Moderator:** Ladies and gentlemen, that was the last question. I now hand the conference over to Ms. Bhoomika Nair. Over to you, ma'am.
- Bhoomika Nair:** Yes. I just want to thank all the participants for being on the call and particularly the management for giving us an opportunity to host the call. Thank you very much, sir, and wish you all the very best. Any closing comments from your side?
- Ajay DD Singhania:** So, thank you, Bhoomika, first of all, and thanks, DAM Capital for hosting the earnings call today. Thank you all the participants. I hope we have been able to answer your questions satisfactorily. In case there are further questions, please reach out to us. Our IR team will definitely be available to answer them. Thank you once again.
- Moderator:** On behalf of DAM Capital Advisors Limited, that concludes this conference. Thank you for joining us, and you may now disconnect your lines.