



EPACK DURABLE LIMITED

(Formerly Known as EPACK Durable Private Limited)

Regd. Off.: 61-B, Udyog Vihar, Surajpur, Kasna Road, Greater Noida, Gautam Buddha Nagar U.P. 201306

Corporate Off.: TR-901, AltF 142 Noida, 9th Floor, Plot Number 21 and 21A, Sector 142, Noida-201304, U.P.

CIN: L74999UP2019PLC116048,

Ph. No.: 0120-4522467, Email ID: info_ed@epack.in, Website: www.epackdurable.com

January 28, 2026

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

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

Sub: Transcript of the Investors' Conference Call on the Standalone and Consolidated Unaudited Financial Results for the Quarter and Nine Months ended December 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 held on January 21, 2026.w.r.t Unaudited Standalone and Consolidated Financial Results of the Company for the Quarter and Nine months ended December 31, 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



“EPACK Durable Limited
Q3 FY '26 Earnings Conference Call”
January 21, 2026



MANAGEMENT: **MR. BAJRANG BOTHRA– CHAIRMAN AND WHOLE-TIME DIRECTOR – EPACK DURABLE LIMITED**
MR. AJAY DD 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: **MR. TANAY SHAH – DAM CAPITAL ADVISORS LIMITED**



Moderator: Ladies and gentlemen, good day, and welcome to the EPACK Durable Limited 3Q FY '26 Earnings 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 call, 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 Mr. Tanay Shah from DAM Capital Advisors Limited. Thank you, and over to you, sir.

Tanay Shah: Thanks, Iqra. Good morning, everyone, and a very warm welcome to the Q3 FY '26 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; Mr. Narayan Lodha, Executive Director and Group CFO; and Mr. Rajesh Kumar Mittal, CFO, EPACK Durable Limited.

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

Bajrang Bothra: Good morning, everyone. I am Bajrang Bothra, Chairman of EPACK Durable, and I warmly welcome you all to our Q3 FY '26 earnings conference call. The Board of Directors have approved Q3 FY '26 results on 20th January '26, and I trust you all had the opportunity to review them.

As many of you know, EPACK Durable is India's second largest ODM in the Room Air Conditioner segment. While RAC continues to remain a strong and scalable core business for us, we are consistently diversifying into higher growth and structurally better margin categories. Our revenue mix is becoming more balanced and dependence on the top customers are steadily reducing.

This reflects both the broadening of our customer base across product categories and the increasing contribution from new verticals. Over time, this will make our business model more resilient, improve margin stability and reduce concentration risk while positioning EPACK for more sustainable and profitable long-term growth.

Joining me on today's call are Mr. Ajay DD Singhania, Managing Director and CEO; Mr. Narayan Lodha, Executive Director and Group CFO, EPACK Group; Mr. Rajesh Kumar Mittal, Chief Financial Officer, EPACK Durable. They will take you through the details of our operational and financial performance for the quarter.

Thank you. With that, now I hand over to Rajesh Mittal, our CFO, EPACK Durable, to take you through the key financial highlights for Q3 FY '26. Thank you.

Rajesh Mittal: Thank you, sir. Good morning, everyone. Welcome to our earnings call for the third quarter of the financial year 2026. I would like to thank our host, DAM Capital, for arranging today's earnings call. The key highlights for the quarter and the period under review are as follows.

For the third quarter under review, revenue from operations stood at INR427.8 crores, which increased by 13.5% on a year-on-year basis. The EBITDA for the quarter was INR31.7 crores, increased by around 31.5% on a year-on-year basis. The EBITDA margin reported at 7.41% as against 6.39% on a year-on-year basis. The net profit was INR2.6 crores, which increased by 4% on a year-on-year basis. However, net profit margin contracted by 5 basis points to 0.61% due to higher depreciation and finance costs.

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

Ajay DD Singhania:

Thank you, Rajeshji. And once again, good morning, everyone. The company reported a healthy performance during the third quarter with performance broadly in line with our internal targets. Despite a challenging external headwind, we delivered a resilient performance. We also continued to strengthen our core business fundamentals during the quarter.

We added two customers during the quarter for whom supplies have already commenced. With this, our total customer base has increased to 67 for first nine months of the year in line with our growth objectives. Our washing machine business is also ramping up well and is expected to be a meaningful contributor to both revenue and margin over the coming years.

With an improving product mix and better asset utilization supported by strong execution and continued focus on operational discipline, we remain firmly on track to deliver EBITDA margin expansion and stronger profitability on a year-on-year basis. From a segmental perspective, our AC business segment witnessed a marginal 1% year-on-year decline during the quarter. However, there is a strong performance across our other business segments. Hence, our overall revenue has grown, reflecting the success of our diversification strategy.

The Small Domestic Appliances segment grew by 30% year-on-year basis, driven by healthy order inflows across both existing and newly launched product categories. Demand for air fryers have been very encouraging and is gaining good traction with customers. Our Components segment delivered a standout performance, recording a strong 61% year-on-year growth, supported by robust order pipeline for PCBs, copper parts and plastic molded components.

The Large Domestic Appliances segment reported an impressive 74% year-on-year growth, driven by our continued focus on expanding product and diversifying customer base. Notably, our product business contributed 75% of total operating revenue during the quarter, reaffirming strong customer confidence in our core offerings and highlighting healthy market adoption across categories.

In line with our strategic scale and diversify, we have also taken a significant step in expanding our Component segment. This is a deliberate and strategic move to reduce concentration risk while positioning the company in adjacent high-growth industries. We see this as an important long-term growth lever that strengthens our business portfolio, enhances resilience and opens up new cross-sector opportunities for sustainable value creation.

We remain committed to long-term value creation through strategic capital investments aimed at expanding capacity and supporting our diversified growth road map. By the end of Q3 FY '26,

we made steady progress across multiple key locations. We have incurred INR44 crores of capex in Q3 FY '26, primarily directed towards capacity expansion and equipment installation for washing machine lines, component segment at our new Sricity plant.

Additionally, investments made at our JV facility with Hisense and our new greenfield plant in Bhiwadi are expected to commence production in coming quarters. These investments, along with the upcoming growing customer engagement, continued expansion of our product portfolio position us well for the future growth. With strong foundation in place, focused execution, we remain confident in achieving our full year target and sustainable healthy revenue and gross margin going forward.

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

Moderator: Thank you very much. We will now begin the question and answer session. The first question is from the line of Sucrit D Patil from Eyesight Fintrade Private Limited. Please go ahead.

Sucrit D Patil: I have two questions. My first question is to Mr. Ajay Singhania. As RAC now contributes less than 60% of the revenue, what specific initiatives are being taken to accelerate scale in SDA and LDA? Over the next 12 to 18 months, how do you see EPACK positioning itself to capture demand across Tier 2 and Tier 3 markets? And what role will backward integration or design play in strengthening the competitiveness? That's my first question.

I'll ask the second question after that.

Ajay DD Singhania: So regarding our specific initiatives, especially to grow the small domestic appliances and large domestic appliances, as shared earlier, we are diversifying both by increasing the product offerings as well as diversifying into acquiring of new customers. So especially in small domestic appliances, we have increased our product portfolio by introducing two new products in the current quarter and the last quarter, air fryer and nutri blenders.

Going forward, we have plans to further expand our product portfolio and introduce newer products like coffee makers, tower fans, air purifiers, etc. So with this expansion of product categories and acquisition of more customers, we are poised on a strong growth. Similarly, for large domestic appliances, our washing machine category, we already started the fully automatic top load washing machines.

Going forward, the company is also launching the front-load washing machines as well as the semi-auto machines. So with this, we believe that we will have a complete bucket of product offerings to the customers. And definitely, the growth in both the SDA and LDA categories is more -- is very high.

Sucrit D Patil: My second question is to Mr. Lodha. With EBIT margins improving over 100 bps year-on-year, how are you planning to balance cost efficiency with capital requirements for scaling SDA and LDA? Could you share how the company is approaching working capital optimization and funding to support multi-category growth while still protecting the profits?

Narayan Lodha: So while evaluating any product, whether it is SDA or LDA or any line, we deploy the capital allocation very diligently. We monitor the cost on product-wise and return on each and every product. Before launching any product, our internal team and R&D team develop the product. Once the product is validated and approved by the customer and desired IRR and return on investment is being calculated, that's when we make the investments.

So despite the increase of our portfolio and other things, our EBITDA margin is increasing. And going forward, when the scale will be there, definitely it will broaden our overall margins.

Sucrit D Patil: Thank you for the guidance and I wish the entire team best of luck for the next quarter.

Moderator: Thank you. The next question is from the line of Aniruddha Joshi from ICICI Securities. Please go ahead.

Aniruddha Joshi: Thanks for the opportunity. Congrats to the team for a good set of numbers given the volatility in the entire segment. Sir, two questions. One, how do you see the overall AC industry panning out? One -- what was the growth in December quarter?

Secondly, now from January, we have shifted to new BEE tables. So what has been the price hike? Again, copper and aluminum prices have gone up. So how it will have an impact on the pricing of the products, e-waste cost has also gone up. So considering all these things, how do you see the impact on the pricing of the products? That is question number two.

And three, in terms of overall, how do you see the entire sector panning out at least in Q4? Because at least so far, we have seen or whatever channel checks we have done is we understand the growth has been a bit slower in December and again, even in initial 15 days of January also.

Ajay DD Singhanian: Thanks, Aniruddha. I think you are already aware that the first two quarters where the industry degrowth was anywhere between 25% to 30% kind of degrowth is what the industry has been experiencing on primary sales, whereas as far as secondary sales is concerned, the degrowth has been close to 15% for the first two quarters. Post the GST reduction, there was some slight recovery.

And so Q3 was a cheer for the industry that the degrowth has reduced and presently, it seems that on the secondary side, the degrowth is anywhere around 10% to 12%. On top of it, especially for manufacturing, there was a big push, especially in Q3 to ramp up production considering the upgraded BEE norms coming into effect from January.

So the demand for RAC is gradually improving. With implementation of new BEE norms, the industry has begun that especially from mid of January, the production ramp-up has again started for the newly rated BEE production. Q3, there has been liquidation of primary inventory by most of the brands as far as we know, since these products could continue to be sold in the trade till the end of June.

So the channel inventory, yes, is definitely a little high, but it is expected to normalize post Q4 FY '26, supporting healthier demand and production planning going forward. And especially with the new BEE products, there is definitely a cost escalation on account of the newly designed

product as well as commodity impact of Q3 getting passed on to Q4 could be minimum. So both BEE as well as the commodity impact currently seems around 8% to 10%, especially for the production, ongoing production in Q4 currently.

And any further increase in commodities definitely will have further impact on the pricing going forward. Having said that, for EPACK, the margins are still protected because for us, all commodities are passed through. So that protects us, but that definitely remains the concern, considering the market demand outlook if the commodities continue to grow at such significant high levels.

Aniruddha Joshi: Understood. Helpful. But do you see the primary sales would have happened? Like the brands like Voltas, Blue Star would have sold to the trade and hence, the inventory at the brand level would have gone down. So there will be more need for manufacturing and they will be sourcing more products from us in Q4. Will that be a fair understanding?

Ajay DD Singhania: Absolutely, yes. So yes, both Q3 and now Q4, the demand outlook is very robust. And all the brands are planning growth over financial year '24, '25 because FY '25, '26 has anyways been a bad year. So most of the brands are planning anywhere between 15% to 20% kind of growth over FY '24, '25 numbers. And based on it, the current order book is very robust for us. And we firmly believe that this momentum will continue and the demand outlook as of now is very positive.

Aniruddha Joshi: Sure, sir. Very helpful. Many thanks.

Moderator: Thank you. The next question is from the line of Praveen Sahay from PL Capital. Please go ahead.

Praveen Sahay: Thank you for the opportunity. Just a clarification. To what you had given some numbers like 25% to 30% of a decline in the first half of the primary sales, which has reduced to 10% to 12%, what you said by nine months?

Ajay DD Singhania: So Praveen, at 25% to 30% degrowth was in primary sales, whereas the secondary sales was still at 10% to 12% over the last nine months, which means that the inventory buildup which has happened in previous year was kind of sold out.

Praveen Sahay: And secondly, on the growth you had also guided for the way forward 20% to 25% of a growth for you. So you are expecting whatever the liquidation by the brands, especially in terms of the primary sales, which has happened in the Q3, that giving you indication that's the way forward, the growth for you?

Ajay DD Singhania: Yes. So currently, in line with our discussion with most of the large brand customers, most of the brands have planned 15% to 20% kind of growth over FY '24, '25 numbers. And the current RFQs and order book is in line with such escalated demand.

Praveen Sahay: And on the pricing, 8% to 10% of our price hike to pass on the inflation. So that is for you, you were talking on or at the brand level or the sector level, you are talking about, 8% to 10% of the price?

- Ajay DD Singhania:** Praveen, this is across industry for both us as well as the brand, the price increase which has already impacted the ongoing production with the new BEE-rated products. So part of it, is on account of the new star rating and part of it is the commodity impact, which has already impacted the industry in last quarter.
- Praveen Sahay:** And now moving to another part of your business, which is the component. And in the component, you had mentioned that there is a good order pipeline of PCB, copper parts and the plastic molding. So which product order pipeline is on the higher side. Is it more towards a plastic molding or some other products?
- Ajay DD Singhania:** So for us, component business as a whole, all the three categories, the copper parts, plastic and PCB are rapidly growing. For plastic, especially, we are doing a lot of components like cross-flow fans wherein we have approvals from almost all the marquee clients. So plastic parts, PCBs, copper, all three -- the entire component segment is what we see growing at a much faster rate. And not just components for AC, these are also for other diversified appliances.
- Praveen Sahay:** Also, if you'll give us some indication on all the four segments, like RAC, SDA and LDA and the component, how is the margin profile?
- Ajay DD Singhania:** Since we are not reporting margins at segmental basis, I can briefly talk in -- at a very high level, I can talk in terms of overall gross margins category-wise. So even in my earlier calls, I've said that for AC being a high ticket size products, the margins are -- the gross margins are the lowest, whereas for the small domestic appliances, the low ticket size products, the gross margins are relatively better.
- So considering our overall gross margins, net of BOM costs at around 14% to 15% level, which is largely indicative of the gross margins in air conditions. For small domestic appliances and large domestic appliances, the gross margins are comparatively better at around 16% to 17% and similar is the case with the components. So hence, like we see for the results declared in Q3, the margin improvement has been on account of the increased revenues from the other sectors, the other segments.
- Praveen Sahay:** Right. And any indication like how the RAC segment contribution for next year?
- Ajay DD Singhania:** So going forward, we continue that our growth in SDA, LDA and components will be much bigger and whereas the AC will also continue to grow. So our overall guidance remains that AC will be at around 60% to 65% of our total revenue. Small domestic appliances at around 12% to 15% and components again at around 20%. So that is the kind of overall guidance we have for the product mix and the revenue mix.
- Praveen Sahay:** Right, sir. And just a clarification, sir, lastly, that 20%, 25% value terms you had indicating growth?
- Ajay DD Singhania:** Yes. Yes.
- Praveen Sahay:** Thank you, sir and all the best.

- Moderator:** Thank you. The next question is from the line of Raman KV from Sequent Investments. Please go ahead.
- Raman KV:** Sir, I just have one clarity. You have said 20% to 30% revenue growth in the coming year, FY '27. Sir, this is on the FY '24 base -- or sorry, FY '25 base or FY '26 base, the growth?
- Ajay DD Singhanian:** FY '27, we have not especially shared any revenue guidance as such. We are talking about the industry growth and the growth in air conditions. So we are discussing that the growth of AC market is currently seems to be around 15% to 20% kind of growth in AC numbers for the industry for current calendar year FY '26 is the ongoing discussion, yes.
- Raman KV:** So you are expecting -- after three quarters of degrowth, you are expecting a 20%, 30% growth in Q2 with respect to AC, if my understanding is right?
- Ajay DD Singhanian:** We are talking again, I repeat. So this is in line with the calendar year discussion for the seasonal AC market. So for the current coming season of AC, the market is planning a growth of around 15% to 20% over the FY '24, '25 number because the calendar '26 was a degrowth. So calendar '26 seems that the market will grow at around 15% to 20% over calendar year '24. This is the industry growth that we are discussing.
- Raman KV:** And sir, I just want to understand your capex plan. Can you give us a ballpark update on the capex -- current ongoing capex and future capex with respect to washing machine and component manufacturing expansion?
- Ajay DD Singhanian:** In our opening for this financial year, we have given a guidance that the company is looking at an investment of around INR450 crores over next 12 to 18 months. In line with that, the company has already incurred a capex of almost INR220 crores in last nine months. So in quarter 1, we had an investment of around INR45 crores. in quarter 2, INR130 crores and quarter 3, the last quarter, another INR45 crores.
- So totally INR218 crores is something the company has already capitalized in last nine months. And another six to nine months, we are looking at an additional INR225 crores.
- Raman KV:** Understood, sir. And sir, my final question, if possible, can you give us a guidance for the coming year?
- Ajay DD Singhanian:** The growth in AC is expected to be around 15% to 20% for the coming four to five years. And the company is poised strongly to grow at a much faster rate, at least like 25% to 30% growth in AC in next four till 2030 is the kind of outlook we have, whereas our other segments like LDA would grow at a much faster rate. So while we continue to grow for AC, our growth in SDA, LDA and components would be much higher.
- Raman KV:** Understood. Thank you so much.
- Moderator:** Thank you. The next question is from the line of Anupam from SUD Life. Please go ahead.
- Anupam:** Sir, if you can highlight the answer, what is the whole...

- Narayan Lodha:** Can you be a bit louder?
- Anupam:** Yes, sir. Am I audible now?
- Ajay DD Singhanian:** Yes. Yes.
- Anupam:** Yes. Sir, if you can give us some light on the old rated stock in the industry and what sort of our brand seeing on the new rated and how the order pick up and ramp-up is happening? As such, what is the strategy from the brand and the new rated units?
- Ajay DD Singhanian:** So Anupam, as far as the old rated product is concerned, the last date of production for the same was 31st of December. Our estimate is currently and the trade inventory put together, the overall inventory level in the market is approximately at 4 million to 4.5 million is the kind of inventory currently in the trade, which includes the inventory with the trade partners, brands, everywhere put together.
- As a manufacturer, we are not allowed to carry any inventory of the old rated product. So we have zero inventory of the old rated product. This inventory for the liquidated over Q4. However, it is allowed to be sold until June of FY '26. The new rated production -- the production for the new rated product -- for everybody, this is gradually ramping up. Going forward, the entire production has to be done with the new rated product only.
- Anupam:** Sir, just one more, you may have repeated. On the summer outlook, how are we ready? Do we see, let's say, first half any growth than the last year? Because last year, there was a good sort of production happened? How production or sales do you expect in this first half of next FY '27?
- Ajay DD Singhanian:** So for the current calendar year, Jan to June, if I talked about last -- like I've been repeating, the industry is preparing itself for a growth of almost 15% to 20% on calendar year '26 numbers. Hence, we are very positive that both Q4, Jan to March as well as April to June are going to be significantly better as compared to the last financial year.
- And the industry is looking at a growth of 15% to 20%. However, having said that, for the entire financial year, '25, '26, we believe that the industry degrowth would be close to 10-odd percent overall.
- Anupam:** Got it. Understood, sir. Thank you. I will join back the queue.
- Moderator:** Thank you. The next question is from the line of from Disha from Sapphire Capital. Please go ahead.
- Disha:** So I think you mentioned that around AC, I think you're targeting 60%, 65% and SDA/LDA around 15%, 20% and components were at 20%, right? For next year, the product mix. But like going ahead, because you mentioned that we see LDA, SDA, and component growing much faster than the AC growth, so what is the sort of average product mix we have, say, two, three years down the line?
- Ajay DD Singhanian:** So Disha, for medium- to long-term horizon, this is the outlook that we are trying to diversify and reduce our overall dependence on AC. And as we can see over the last three years, we have

gradually reduced dependence on AC from 80% to now currently 57% or 60%. And it will further reduce to around 55% in the medium term, let's say, till FY '28, '29 kind of.

So that's the overall guidance that AC contributing 55% of the overall revenue and our SDA/LDA growing to 25% and component another 20%, 25%. So that is the overall revenue mix the company is looking in the medium-term horizon.

Disha: Okay, in the medium term. And sir for FY '27, what sort of EBITDA margins are we targeting?

Ajay DD Singhanian: Again, we don't give guidance on financial year to financial year basis. But overall, the company is confident that we will maintain margin -- EBITDA margin of 7.5% to 8% in medium- to longer-term horizon.

Disha: Okay, alright. That's it from my side. Thank you.

Moderator: Thank you. The next question is from the line of Tanay Shah from DAM Capital Advisors. Please go ahead.

Tanay Shah: Just one question, a couple of questions.

Narayan Lodha: Tanay, can you be a bit louder?

Tanay Shah: Yes. Just a couple of questions, right, starting with AC. We've spoken about how channel inventories are yet at around 4 million, 4.5 million. And commodity inflation to that extent, also cause for price hikes, which are pretty steep.

So going ahead, while you're expecting -- while the brands also expecting 15%, 20% sort of a growth for the calendar year, how can -- what are the potential risks to this growth which you are seeing obviously with this whole commodity inflation sort of playing out. So there is one bit where the brands are sort of positive on demand, but at the same time, you have these costs coming up as well. So what would you sort of comment on that?

Ajay DD Singhanian: So Tanay, you are an industry expert. You know that the risk with any industry and especially seasonal industry like AC, especially the demand in terms of the seasonal lift is always there. But however, especially when we are talking about the India market and the overall potential, the tailwinds are still strong with the lowest penetration. One of bad season does not indicate that the overall industry is not poised to grow.

So like I've been repeatedly sharing 15% to 20% kind of growth in medium- to long-term horizon is what the industry is definitely poised to achieve. And by almost 2030, the industry is looking at a demand of anywhere up to 28 million to 30 million is the kind of numbers what everybody is projecting. So the overall tailwinds still remain very strong, and especially with now the BEE ratings improving year-on-year, the efficiencies going high, the electrification, the incomes -- per capita income improving, we don't -- we have witnessed that in last three to four years.

The overall seasonality effect has reduced and AC is becoming more of a uniform demand across quarters, although not to that level, but then it is significantly improving every quarter. Hence any seasonal risks are getting reduced year-on-year.

And especially if we are worried about bad of season in calendar year '25, it has to be also looked from the perspective that the year previous to it, it grew at almost 30% plus. So already at a much higher level, this kind of risks are always there. But now the overall demand situation seems to be more rational and uniform. Hence, the risks are there minimum.

Tanay Shah:

Got that. And second, in your opening remarks, you also spoke about how washing machines can be a meaningful contributor to revenues and margins. So any comments on how we are sort of scaling that up? You spoke about getting into top loads and then front loads also. Given that in the industry, there is barely any outsourcing which happens for front loads, almost minimal, what is our plan out there in terms of washing machines?

Ajay DD Singhanian:

So Tanay, in terms of washing machine, we had started our top load, fully automatic washing machine almost two quarters ago, and now we see significant ramp-up happening with the acquisition of two key new multinational customers with whom the demand outlook is extremely good. And this gives us a lot of confidence.

We have -- we are already witnessing a large ramp-up happening in our washing machine category. And with our Hisense JV, we have already started now the setup of our new line for the front load, again, wherein we see Hisense as one of the key customers and then other customers are also in the pipeline. So like you rightly said, currently, there's no meaningful outsourcing happening for the front load. But at the same time, there are no established manufacturers also in India for the front load.

So that gives us confidence, and this is what we see as a growth contributor, which will then drive our further growth in washing machine category. Semi-automatic or twin tub is more -- is a category just to fulfil the entire product catalogue -- the product offering. So for us, the focus remains largely on the fully automatic, both top load and front load, and we see significant ramp-up happening in the next three to four quarters.

Tanay Shah:

Got that, sir. Thank you.

Moderator:

Thank you. The next question is from the line of Ashish Jain from Macquarie. Please go ahead.

Ashish Jain:

Sir, my first question is this 15%, 20% growth you're talking about is volume terms, I assume?

Ajay DD Singhanian:

Yes, Ashish.

Ashish Jain:

And then secondly, the 4 million, 4.5 million inventory that you spoke about at the end of September with the channel and all, what would it be in a normal year? Will it be like half of that number?

Ajay DD Singhanian:

Again, these are estimated numbers, but typically, the opening inventory in the Jan quarter for the industry is to take care of the projected sales in the current quarter. So that's how the overall inventory levels are typically. So again, it would be a very rough estimate, but not half, if today, we are seeing 4.5 million, probably earlier years, it would have been like around 3 million or 3.5 million. So the inventory levels are now not significantly high. So they are well within the band of, let's say, excess of 20% or so.

- Ashish Jain:** And sir, just lastly, in terms of the cost or price inflation, when you spoke about 8% to 10% price hike is required, that is factoring the current commodity prices? Or what does that factor in terms of commodity?
- Ajay DD Singhania:** In terms of commodity, there is a lag of one quarter. So it factors the commodity of previous quarter, which is October, November, December.
- Ashish Jain:** The average of that quarter. I'm asking because it has been a one-way reduction in terms of commodities. So when you say previous quarter, is it average of that? How does it work?
- Ajay DD Singhania:** Average of October, November, December.
- Ashish Jain:** So, the current number is already higher, right?
- Ajay DD Singhania:** Yes. So very broadly, if I say 8% to 10% hike in price, 50% of it is contributed by the re-rating of the product, the BEE, and almost 50% because of the commodity increase in the last quarter, October, November, December. So that is something which will impact the new rated product, which is currently ongoing in Jan, Feb, March quarter.
- Ashish Jain:** Got it. That's very helpful. Thank you so much.
- Moderator:** Thank you. The next question is from the line of Subhanu from 3 Head Capital.
- Subhanu:** Sir, I'm very new in this industry and in this company. Sir, can you tell me our payable days to reduce drastically this is for a seasonal phenomenon?
- Narayan Lodha:** Can you bit clear and so? We are not able to hear?
- Subhanu:** Okay. Our payable days reduced drastically. This is a seasonal phenomenon?
- Ajay DD Singhania:** Okay. So the Trade payable days for us has reduced because we have been carrying paid inventory and there has been no new procurement done largely in the last quarter. Whatever inventory was left over because of the demand being going down due to unseasonal rains has now been consumed in the last quarter. So there was no new procurement.
- Subhanu:** Okay, okay, okay. But what is the normalized payable days? And going forward, we can expect?
- Ajay DD Singhania:** Normalized payable days are between 90 to 100 days.
- Subhanu:** My second question is which other revenue we are calculating in the other income -- other segment in our revenue mix?
- Moderator:** Sorry, can you please rejoin the queue for more questions?
- Ajay DD Singhania:** Other revenue includes basically whatever the -- so whatever the basically components which are supplied as a spare parts, this is known as other revenue. And apart from that, there is other income which is there in other income, not in other revenue. So there's a INR 100 crores there, which is basically spare parts of AC.

- Subhanu:** Okay. Thank you.
- Moderator:** Thank you. The next question is from the line of Arshia Khosla from Nirmal Bang Institutional Equities. Please go ahead.
- Arshia Khosla:** Sir, I just want to understand on the components part of the business. It has been doing good for the previous couple of quarters. So AC basically being very muted, the AC industry, what is leading to this components growth? I mean is there some -- what are the different specific industries that we are also supplying to apart from RAC?
- Ajay DD Singhania:** Arshia, component sales for us is to not only AC industry, it is to electrical meters, it is for coolers, it is for washing machines. So there are multiple products, categories or appliances wherein we are supplying the components.
- Arshia Khosla:** Understood, sir. And on the LDA as well, I mean, we seen a good growth in this quarter. So what is -- what are the specific products that you could just highlight for driving this LDA demand?
- Ajay DD Singhania:** LDA, currently, we have only two product categories, cooler, which is now almost a year old product for us. And then second is the newly introduced washing machines. Coolers and washing machines are the two product categories. And both are very new, and we see significant ramp-ups happening in the coming quarters in both the categories.
- Arshia Khosla:** But sir, I'm assuming coolers are still being muted this quarter, right? And so the basic demand is coming from washing machines only?
- Ajay DD Singhania:** Yes.
- Arshia Khosla:** And sir, lastly, how are we placed on Hisense? I mean are we completely on track for -- and for Hisense specifically for RAC, are we doing the new rated products?
- Ajay DD Singhania:** So Hisense, like we've been sharing earlier, one is the ODM product, which is currently being supplied from our existing Sri City plant. So that ramp-up is happening and the supplies have been consistently going on in the last year. The newly formed JV facility, which was under construction has now completed the construction and trial production is on track and have progressed very well.
- With all key milestones achieved, the facility is now ready to commence production in the current quarter, which is Q4 FY '26. The plant will initially manufacture RACs for domestic market and will gradually expand to export market, particularly focused on Middle East, GCC and Africa. And this facility will not only be confined to RACs for Hisense.
- Going forward, the plan is also to manufacture the fully automatic front-load washing machines and then TVs also, which will start -- we will start ramping up and introducing every quarter. So there is a large pipeline and a complete road map in place to streamline the overall production, products and customers at the Hisense JV.
- Arshia Khosla:** Sure sir. Thank you, that's helpful.

- Moderator:** Thank you. The next question is from the line of Mr. Achal Lohade from Nuvama Institutional Equities. Please go ahead.
- Achal Lohade:** Thank you for the opportunity. Just wanted to understand in terms of the cost impact, while you have talked about in percentage, but I just wanted to understand, on an absolute basis for a 3-star inverter, which is the most popular SKU, what is the actual BOM increase in price and what you have seen basis October, November, December prices? Is that closer to INR2,000? Is that INR2,500 or more of INR1,500?
- Ajay DD Singhania:** Achal, it's an interesting question. It will be difficult to answer in absolute terms because it will vary from brand to brand and model to model.
- Achal Lohade:** Average, sir. Yes, yes.
- Ajay DD Singhania:** But on an average, like I shared early, especially for 3 star, the cost increase because of the BEE upgradation is anywhere between 3% to 5%, whereas for 5-star, it is, let's say, slightly more at 5% to 8%. And similar is the commodity impact for 3-star, the commodity impact of the last quarter compared to the last year December quarter is 5% to 6%, whereas for the 3-star, 5-star, it is slightly more.
- So when we say that the overall cost increase is 8% to 10%, it is considering an average of 3-star and 5-star. The increase on 3-star is slightly less, whereas on 5-star it is more. And hence, we have seen that even in last quarter, majority of production, which was being done by the brands has been focusing towards increasing the 5-star production.
- Achal Lohade:** Understood. And given the prices have risen, commodity prices have risen further in Jan, does that mean that there has to be further price increase in April, May, June for you?
- Ajay DD Singhania:** The current quarter effect is something which still needs to be assessed. And I think we'll be in a better position once it stabilizes. So because it has to be an average of at least Jan, Feb and March, we would have to slightly wait and watch how -- whether it stabilizes or it continues its upward trend. But under the current circumstances, the second price increase is something which is imminent.
- Achal Lohade:** And is it fair to say that the pricing methodology is fairly standard across the industry, across the players, across the brands?
- Ajay DD Singhania:** Yes, it is more or less industry standard.
- Achal Lohade:** So the margins are on a per unit basis. Have I understood right, sir?
- Ajay DD Singhania:** Yes.
- Achal Lohade:** So theoretically, your percentage margin could look lower in FY '27 if the current prices were to sustain?

- Ajay DD Singhania:** So it is difficult to put numbers in that way. But yes, if the commodity impacts are passed as it is or as a pass-through per unit basis, yes, the margins will -- might look slightly subdued. But the overall EBITDA and the growth will still continue.
- Achal Lohade:** That's fair point. Thank you and I wish you all the best.
- Moderator:** Thank you. The next question is from the line of Balasubramanian from Arihant Capital. Please go ahead.
- Balasubramanian:** Thank you so much for the opportunity. Sir, we are strategically expanding components, specifically energy meters, audio through EPACK components. And how does the margin and RAC of this new component business as compared to legacy RAC component business?
- Ajay DD Singhania:** Mr. Bala, I think I answered this question previously also, I repeat the same. Since we are not reporting at segmental basis, EBITDA margins for us, I can largely give an indication in terms of the overall gross margin. So the material margins in component is comparatively better as compared to the overall RAC, which is typically a 14% to 15% material margin. The component gross margins are somewhere at 16% to 18% kind.
- So that's again a very broad guidance because we are not reporting numbers at segmental basis, but that's broadly the guidance I can tell you.
- Balasubramanian:** Sir, I think three years back, our top two customers nearly accounted for nearly 70% of revenue. I think it's been reduced to 38% in Q3 -- nine months FY '26. And maybe next two to three years' time frame, so what kind of further diversifications we can expect? I think we are adding a lot of new customers.
- I think recently, we also had a partnership with Panasonic and Daikin. And I just want to understand how these diversifications will happen over the next two to three years' time frame. And also, you can mention what are the upcoming products like tower fan, hair dryer, air purifier. So what are the expected launch time line and addressable market for these products?
- Ajay DD Singhania:** Mr. Balasubramanian, I think we have now reached a very ideal situation wherein the top 2 customers contribute to 35% to 40% kind of revenue. While we continue to grow our other product categories, we are very mindful that we also need to look at increasing our wallet share from the existing customers. So it is not a one way wherein we continuously keep on reducing because we also want to increase our wallet share with each of the existing marquee clients.
- So at the current level, we think we have optimized it largely in the last three years, reducing from almost 70% plus to today 35% to 40%. And this seems to be quite an ideal number. Any further reduction is not what we are looking at. We are looking at increasing our wallet shares by offering diverse products to the same customers because cross-selling is something which definitely helps us to achieve better revenue growth and better margins.
- So -- but anyway, in the medium to long term, we see that our overall dependence on top 2 to 3 customers should be maintained anywhere around 30-odd percent.

Balasubramanian: Sir, my second question, I already mentioned that upcoming products like tower fan, hair dryer, air purifiers. So what are the expected launch time line and addressable market of these products?

Ajay DD Singhanian: So each of these markets are part of our overall SDA growth road map, wherein every quarter, we are looking to launch new product categories, one to two newer products and then look at gradually ramping up. So in the current quarter, quarter 4, we are looking to launch at least two new products, vacuum cleaners and tower fans and then slowly use them as -- so this will be the launch pad and then gradually start ramping up this product category.

We also understand the limitations that we cannot continuously keep on increasing the overall product categories year-on-year. So especially in small domestic appliances, we want to limit ourselves at overall product offerings of 8 to 10 numbers and then create each category as a growth lever and then do both horizontal and vertical deployment by way of backward integration and then penetrating newer customers, increasing the product portfolio.

So the next journey would be on increasing the margins in the newly launched product categories by way of backward integration, increasing our market share. So yes, we are increasing the product category, but at the same time, we are also very mindful that it consumes a lot of bandwidth, so we cannot keep on increasing continuously.

Balasubramanian: Got it, sir. Thank you.

Moderator: Thank you. The next question is from the line of Vidhi Shah from CR Kothari & Sons.

Vidhi Shah: Yes. So given the revenues declined around 13%, 14%. So what is the outlook for quarter 4? Like how will FY '26 pan out? Any revenue and margin guidance?

Ajay DD Singhanian: Vidhi Shah, I think last -- like I have shared earlier, since RAC contributes almost 70% -- 65% to 70% of our overall sales and wherein we have witnessed the industry to degrow at, 10% to 15% is what the industry degrowth we estimate at the end of this financial year. So in line with that, our key sector AC, definitely, we will see an overall degrowth. But for the overall revenue numbers, our other levers like SDA, LDA, components have helped us recover a lot of that lost revenue.

And at best, currently, we are estimating a flattish kind of revenue for the current financial year FY '25 '26 marginal growth. So at best flattish or a marginal growth in overall revenue numbers, what we are looking or in another way, we are saying that the degrowth in AC, we are looking to recover from our growth in the other diversified sectors.

Moderator: Thank you. The next question is from the line of Aryan Bhatia from Inved Research. Please go ahead.

Aryan Bhatia: Thanks for the opportunity. My question is on Epavo. If I look at the past few quarters, it has been constantly making progress and we have begun the commercial production in Q2 FY '26. And if I look at the history of the company as well, it has been making losses. So what gives us the confidence that we will be able to make the loss-making company profitable in the upcoming few quarters?

Ajay DD Singhania: So Aryan, Epavo for us is strategic investment. So it is not only a backward integration, it also helps us position, support the growing demand for energy-efficient since the BEE is upgraded every year BLDC application is increasing every year. And we are not only looking to manufacture motors for AC, but also for other appliances like washing machines, fans, HVLS fans.

So the new greenfield facility in Bhiwadi commenced production -- trial production in end of Q2. Q3, we have seen the ramp-up happening. And as in Q3, the AC market has recovered. There has been some sales, which has happened. But more importantly for us, the approvals from all the key clients has happened. And Q4 onwards, we are looking at reducing first the loss year-on-year. And definitely, FY '27, we will see this company trending into green from red.

Moderator: Thank you. The next question is from the line of Karan Gupta from ACMIIL. Please go ahead.

Karan Gupta: Yes. My question is on the order book side. We have order book on SDA, LDA, and component side? Any disclosure on that?

Ajay DD Singhania: Yes. So Karan, we have projections. So for this industry, the order book is not confirmed. It's always six, 12 months of projections received from the customer. So in terms of order book for both SDA and LDA, it is extremely encouraging to see the growth in SDA, LDA categories both.

So this gives us lot of confidence that these two categories will drive both revenue growth and margin growth for us, and we see significant improvements going forward, both in SDA and LDA categories, the current existing products as well as the newer product categories, what we are sharing that we will be introducing them in the coming quarters.

So yes, the order book is there. These are not in terms of confirmed PO's. These are always in terms of projections received from the customer.

Moderator: Thank you. The next question is from the line of Deepali Bansal from Ventura Enterprises. Please go ahead.

Deepali Bansal: Would you be able to give me the revenue potential of the recently launched? As you have mentioned that air fryers, we might sell 1 million units for INR200 crores in the next coming years. Would you be able to give us some, like what is the revenue potential of, let's say, infrared vacuum cleaners, coffee makers and nutri blenders?

Ajay DD Singhania: Each of these smaller appliances like the air fryers, infrared, coffee maker, Nutri blender, these each are in 3-digit categories. So they are INR800 crores to INR1,000 crores categories each in terms of market potential. And we are looking to slowly increase our wallet share in this category, starting from zero to 20%, 30% in years to come. So that is -- we believe that each of these categories could ramp up to be 150 to 200 categories in a medium horizon three to five years.

Moderator: Thank you. The next question is from the line of Heta from Monarch AIF. Please go ahead.



- Heta:** I just had one question. Our interest cost in this quarter has come down from an earlier INR20 crores to now INR13 crores. Could you help me understand how were we able to bring this down?
- Narayan Lodha:** I think there is some error. The cost is similar to the last quarter. So definitely, we are consistently improving our inventory level and working capital, and we are geared up to reduce the interest cost, but it is the same as last quarter.
- Moderator:** Ladies and gentlemen, due to time constraints, that was the last question for today. I now hand the conference over to Mr. Tanay Shah for closing comments. Thank you, and over to you, sir.
- Tanay Shah:** Thank you, sir, for giving us the opportunity to host the call. Wishing you all the very best for the fourth quarter and the upcoming year. Any closing comments on your side?
- Ajay DD Singhanian:** Yes. So thank you all for participating in this earnings con call today. I hope we have been able to take your questions, respectively. And thanks to DAM Capital for hosting the call. Thank you so much.
- Moderator:** Thank you all. On behalf of DAM Capital Advisors Limited, that concludes this conference. Thank you for joining us today, and you may now disconnect your lines.