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

To
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 of the Company for the quarter ended June 30, 2024

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 transcript of the Investors' Conference Call held on July 25, 2024, on the Standalone and Consolidated Unaudited Financial Results for the quarter ended June 30, 2024.

A copy of same shall also be posted on the website of the Company.

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

Thanking You

For **EPACK Durable Limited**

ESHA GUPTA Digitally signed by ESHA GUPTA Date: 2024.07.30 17:30:59 +05'30'

Esha Gupta
Company Secretary and Compliance Officer

Date: July 30, 2024
Place: Noida

Encl.: As above

“EPACK Durable Limited Q1 FY25 Results Conference Call”

July 25, 2024

MANAGEMENT:	**MR. BAJRANG BOTHRA – CHAIRMAN & WHOLE-TIME DIRECTOR, EPACK DURABLE LIMITED** **MR. AJAY DD SINGHANIA – MANAGING DIRECTOR & CEO, EPACK DURABLE LIMITED** **MR. SANJAY SINGHANIA – WHOLE-TIME DIRECTOR, EPACK DURABLE LIMITED** **MR. RAJESH KUMAR MITTAL - CFO, EPACK DURABLE LIMITED**
MODERATOR:	**MR. NIKHIL KANDOI – JM FINANCIAL**

Moderator: Ladies and gentlemen, good day and welcome to the EPACK Durable Q1 FY25 Results Conference Call hosted by JM Financial.

As a reminder, all participant lines will be in listen only mode and there will be an opportunity for you to ask question after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing "*" then "0" on your touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Nikhil Kandoi. Thank you and over to you, sir.

Nikhil Kandoi: Thank you. Good morning, all. On behalf of JM Financial Institutional Securities, I welcome you all to EPACK Durable Q1 FY25 Earnings Conference Call.

Today, we have with us Management represented by Mr. Bajrang Bothra - Chairman and Whole-time Director; Mr. Ajay Singhania - Managing Director and CEO; Mr. Sanjay Singhania – Whole-time Director and Mr. Rajesh Mittal – CFO.

I would like to thank Management for giving us the opportunity to host this call.

Now, I would like to hand over the floor to Management post which we can open the floor for Q&A. Thank you and over to you, sir.

Bajrang Bothra: Thank you. I am Bajrang Bothra and good morning, everybody. Welcome to our Earnings Conference Call to discuss the performance of the 1st Quarter of the Financial Year 2025.

In the interest of some of the people who are new to the company, let me first start by giving a brief overview of the company. EPACK Durable Limited is the second largest air-conditioned original design manufacturer in India in terms of number of indoor and outdoor units manufactured in fiscal 2023 through its ODM journey route. Our journey started in 2003 when we started as an OEM for RAC brands. Over the years, we have consistently grown by adding new customers, increasing our capacities and backward integration.

The expertise of EPACK Durable lies in manufacturing a diverse portfolio of room air conditioners and small domestic appliances which we call SDAs. We cater to all aspects of room air conditions and SDA value chain including extensive ODM and OEM service across our product line. We are a customer centric company where business is driven by a focus on continuous innovation and operational efficiency.

EPACK Durable works jointly with customer team and customizes the product according to different client requirements. Our strong manufacturing and design capabilities including developing, designing and manufacturing of room ACs of various designs and technical specifications. Further, the current RAC product offering enable the company to perform more customization to RAC brands in terms of completely built-up units of IDUs and ODUs separately as well.

Our integrated manufacturing facilities help us manage operational costs and logistics efficiently. In line with our focus on bringing in operational efficiency, our manufacturing operations involve the degree of automation, which reduces the margin of error and manual inefficiencies. Our manufacturing facilities are strategically located to facilitate product transportation to customers across India. We have three manufacturing facilities, the first one in Dehradun, Uttarakhand; second in Bhiwadi, Rajasthan and the recently operationalized facility at Sri City in Andhra Pradesh.

We strongly believe in staying ahead of the curve and the key role that R&D plays in product development. We have 4 dedicated R&D centers and close to 70 plus employees in R&D team. Our R&D activities focus on development of new products, optimization of existing products and manufacturing methods, process improvement, environmental protection and energy efficiency. With the help of our R&D, we have registered out one patent, filed a couple of them and also have numerous design decisions in India. Due to this strong operational capability, EPACK Durable today is one of the key ODMs for major brands in the country.

We are also constantly expanding our product offerings in both Room ACs and Small Domestic Appliances and have also invested heavily in expanding our capacities and capabilities to cater to the growing demand. In terms of new product launches, we have already launched Air Coolers in January 2024 and we plan to launch Fully Automatic Washing Machines, Room Oil Heaters, Air Fryer, Tower Fans, Induction Water Heaters and Hair Dryers in the coming quarters.

Apart from this, we have a highly experienced board of directors with two nominee directors from ICICI Venture Fund and Affirma Capital and other Independent Directors.

Now, I will request our CFO – Mr. Rajesh Kumar Mittal to brief you on the Financial Highlights after which our MD and CEO – Mr. Ajay DD Singhania will brief you on the key Operational Highlights. Thank you.

Rajesh Kumar Mittal: Thank you, sir. Very good morning, everyone, and welcome to the Earnings Call.

Let me give you some of the key Financial Highlights for the 1st Quarter of the Financial Year 2024-25. The revenue from operation stood at INR 774 crores, which increased by 77% on year-on-year basis. The EBITDA was reported around Rs. 52 crores which also increased by 77% on year-on-year with the EBITDA margin reported at 6.68% remaining flat on year-on-year basis. The net profit was Rs. 23 crores as compared to Rs. 9 crores in the 1st Quarter of the previous financial year, which represent a significant increase of 169% on year-on-year. Profit after tax margin for the quarter stood at 3.02%.

Now, I would request our Managing Director cum CEO – Mr. Ajay DD Singhania to brief you on the Operational Highlights. Please, sir.

Ajay Singhania: Thank you, Rajeshji. Good morning, everyone. I am pleased to announce that our Sri City facility is now fully operational across all product lines.

This milestone marks the pivotal moment in our expansion effort and reinforces our commitment to meeting the growing demands of our customers. It is also one of the main driving factors of the exceptional year-on-year growth during this quarter. Apart from the addition of new customers and introduction of new products which boosted the revenues as well, our product business remains the cornerstone of our success, contributing 98% of our total revenues in Q1 FY25, representing a robust growth of 77% year-over-year, the AC product revenue contributing 86% of our total product revenue and achieved an impressive year-on-year growth of 82%. Overall, it has been a very healthy and encouraging quarter driven by a combination of market dynamics and our expansion plans.

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

Moderator: Thank you very much. We will now begin the question and answer session. Anyone who wishes to ask a question may press "*" and "1" on their touchtone telephone. If you wish to remove yourself from the question queue, you may press "*" and "2". Participants are requested to use handsets while asking the question. Ladies and gentlemen, we will wait for a moment while the question queue assembles. The first question is from the line of Aniruddha Joshi from ICICI Securities. Please go ahead.

Aniruddha Joshi: Ajay ji, congrats for really great set of numbers as well as the acquisition. So, just on the acquisition, if you can elaborate a bit more on the company that we plan to acquire. As I understand now, it will be a 50% holding for EPACK, so whether it will be first consolidated or it will continue to be accounted as a joint venture itself? Point one, secondly, what is the profitability of this company because what your data we could get based on that, it is still in investment mode or in red till FY23, so how do we see the profitability in FY24, Q1 FY25 as well as going forward as well? And secondly, if you can elaborate a bit more on the business of the acquired company, the BLDC Motors, so how do you see the market and now post this, do we cater to fan segment as well and which are the key customers, etc., on that?

Ajay Singhania: So, the company, Epavo which is currently an associate of EPACK Durable wherein our current investment is 26% and 74% is being held by (RRWL) Ram Ratna Wires Limited. So, going forward the plan is to increase our equity from 26% to 50%. So, this is a strategic investment for EPACK Durable, because Epavo is a motor company which is in the business of manufacturing motors. The company was started two and a half years ago with an intent to develop motors. So, yes, you are right that currently the PAT and the margins of the company are not significant because the last two and a half years were devoted to developing products. So, in last two and a half years, the products have been developed in a test and pilot setup and now going forward we are planning at Greenfield manufacturing facility for this Epavo, which is now currently under construction at Bhiwadi, very close to the EPACK Durable Bhiwadi facility. So, the new facility will be operational by end of this year. So, around November end, we will be ready for operations with mass production. So, the good thing is all the products which were envisioned have now been developed, test marketed and also pilot production has been done at our tech facility and supplies had commenced in last quarter. So, we are now ready to get into a completely new set up with increased capacities and mass production. So, the market for this, yes, currently we are in the business of developing the BLDC motors in this particular company, Epavo, but the product segments which have already been developed is the BLDC motors for Air Conditioners, the BLDC motors for Ceiling Fans and also HVLS fans. So, these are the three product segments which have been currently developed. And going forward, we also plan to get into the other motors, both the induction motors and universal motors as well as the professional house for motors. So, the plan of the company is to really now scale up the operations and business in the next 3-4 years. So, this would now become a 50-50 JV between both the groups, between EPACK Durable and Ram Ratna Wires, RRWL wherein the consolidate results, yes, there will not be any line by line consolidation done for either of us. It will be at the JV account only.

Aniruddha Joshi: Sir, how is the management of this company, whether now we getting 50% stake, it will be managed by EPACK or it will continue to have its own separate management fully supported by the Ram Ratna Group as well as EPACK and how we should read that? And again, is there any cross sell from Epavo to EPACK or so?

Ajay Singhania: So, the management will be a joint management 50-50 equity, 50-50 so it is a joint management, equal management from both the sides. And yes, there will be professional management for day-to-day operations. That is on the management side. So, this company, Epavo especially for air conditioned motors, yes, EPACK would be one of the customers. So, there will be some related party transactions to that extent, but yes, since this is the Motor Company especially so we are open to self, we will be catering to almost all the customers.

Aniruddha Joshi: And sir, indicatively EPACK as percent of sales of Epavo would be any indicative number?

Ajay Singhania: It is difficult to give numbers, so our priority will be to serve the market first, but in fact it will be on arm's length basis, so it will depend on the EPACK's buying team, sourcing team, how they want to allocate the share between Epavo and the other suppliers.

Aniruddha Joshi: No, sir, obviously, we will be focusing on external customers, but let us say FY24, the historical figure, what will be the EPACK as percent of total sales of, let us say, Epavo?

Ajay Singhania: So, FY24, there was hardly any purchase from Epavo. So, in terms of motor buying if we envision, I think we would be targeting anywhere between 40% and 50% of EPACK's motor buying from Epavo, let us put it this way.

Aniruddha Joshi: Sir, and on our AC business, how do you see the 1st Quarter has been really great. So, how do you see the industry panning in next 3 quarters as we understand the inventory with the trade is at literally bare minimum level, so how do you see the next 3 quarters panning out? That second question and the last question from my side is how do we see the business potential in the other small appliances that we are doing because this year itself we had started Voltas Air Coolers, so any update on that and in general on the small appliances, so what has been the growth in the business?

Ajay Singhania: Now, especially the AC business, it contributes currently to almost 86% plus of our revenue. This has been an exceptional quarter yet, but the best thing is even currently the market is selling the lowest amount of inventory. The inventories in the market are bare minimum. The forecast for next two quarters or our order book for next two quarters is also extremely healthy. So, in that sense, we are sitting in a very right position with right capacities and right mix of inventories to cater to the market for next two quarters. And at the same time Aniruddha, I would also like to highlight that lot of concerns around in-sourcing which were raised last time, last year by most of the analysts and yourself, those have now been subdued and people realized that industries actually sitting on a lower seasonal capacity, which is required and they are looking at the market potential and growth which is forecasted over next 3-4 years. We are poised to outgrow the market growth. So, maybe this year the market is estimated to grow at least 25% plus on complete year basis, whereas the EPACK is definitely going to outgrow the market growth. On the business potential for small domestic appliances, a lot of small domestic appliances are also getting added and at the same time, the traction and the incentive given by the government in the budget for disposable income to improve consumers durables, I think these all are going to help these festivity sales for these small domestic appliances especially and we have again a very healthy order book for our current products as well as the newer ones we are adding like Air Fryers and Coolers like you said, which we have already added with one customer. So, going forward we are again expanding customer base for Coolers and then specially Washing Machine which we are targeting to start by the beginning of third quarter. So, we already are in advanced discussion with most of the esteemed clients and we see a very positive attraction there as well. So, all these put together the whole idea is to strengthen our Q2 and Q3 earnings and thereby balance each of the four quarters.

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

Abisar Jain: Congratulations sir for a very strong top line growth on both year-on-year as well as quarter-on-quarter basis. I think the traction that you have seen in the AC business is quite heartining. Sir, my question is on the margin front. So, while we have maintained margins on a year-on-year basis that sequentially there is a drop in margins on both gross margin and EBITDA margin basis despite a very strong topline growth and very strong season that we had this time. So, just wanted to understand that have we a little bit invested in the fixed asset base because we have the Sri

City plant coming in or whether there have been a little bit lower margin orders that we have executed and hence how do you see the margin outlook for the whole year and going forward?

Ajay Singhania: So, yes, on margin front, we have been flattish Q-on-Q basis, but if you are comparing it with Q4 of last financial year, definitely we see a little dip in the material margin as well as the EBITDA margin. So, one, this is attributed to the operationalization of Sri City wherein now there is the absolute amount increase in the manpower cost and the operations cost. Definitely that is contributing slightly to it, but more than that the margins have taken a slight hit on account of the commodities, which saw a significant upward trend in April, May, June. So, that is something which hit us slightly, but at the same time, since we are in a business, wherein the commodities get passed on in the next quarter. So, we will see the impact of commodities now settling down in Q2 and Q3 onwards. So, it is a recurring effect which gets settled in the next quarter.

Abisar Jain: And hence sir, the full year outlook for the margins will be in what band according to you, would we be able to maintain the last year full year level?

Ajay Singhania: That is what I think I also said in my last earnings call. Yes, this is what the management aspires too. And we are pretty confident we will be able to maintain the margin at similar level.

Abisar Jain: Sir, one question on Sri City, so I know the plant has got commissioned very recently in the last two quarters, but at what utilization it is currently running and what is the outlook on the orders from the customer since we have set up such a big facility there?

Ajay Singhania: So, Abhisar, Sri City which got operationalized in December only for last 6 months, we have been able to slowly ramp up the production and current utilization level would be anywhere between 40% and 50% being the first year. But at the same time now these newer lines like the washing machine, we are setting up in Sri City itself. So, that will be a product expansion at Sri City and the order book now onwards, so lot of orders for our pan India customers which are targeting towards South are getting transferred to Sri City. So, in a phased manner, we will see the utilizations getting ramped up over next 12 months. So, we have been pretty sure that next year same quarter we will be able to utilize 80%-90% of Sri City investments.

Abisar Jain: Ajayji, you had also talked about reducing the concentration of the top 5 customers in the AC business and of course last year we saw a setup of lot of in-house capacities by lot of big players, something which is now I think settling down. So, how is the top 5 share and how is the effort in getting more customers on board in the AC business if you can throw some light on it?

Ajay Singhania: Abhisar, on customer concentration from FY23 to FY24 and now there has been a significant improvement. Previously, we had 3 customers contributing to more than 70% of the sales. And FY24, we saw almost 5 customers contributing to 70% of the sales. Now, we have almost 8 customers contributing to 80% of the sales. So, we see a significant improvement in the customer mix and concentration. So, this is one area we are definitely working on and going forward with the expansion of the product portfolio and component business, we see a lot of rationalization happening on that front.

Abisar Jain: And sir, just last question on the new products, so the pipeline looks really exciting with many of those products and you told washing machine, you should start in Q3. So, sir, what is the overall idea in terms of the percentage that the non-AC product should have in our portfolio in the next 2-3 years' time and how much visibility do you have on that percentage in terms of your dialogues with your customers at this point of time?

Ajay Singhania: Currently, the Room AC segment contributes almost 86% plus of our revenue and small domestic appliances almost close to 15% odd. So, going forward, we have categorized washing machine, coolers and the new products has large home appliances. So, large home appliances we see contributing at least 8% to 10% in next 3-4 years. And AC, despite growing at the market plus, outgrowing the market growth, we will see AC concentration coming down from 86% to may be less than 70%.

Moderator: Thank you. The next question is from the line of Yash from Stallion Assets. Please go ahead.

Yash: Sir, I just wanted to understand, as you said that you estimate the industry to grow by 25% this year, and given the fact that we have low inventory levels right now for AC as well, so you think we can significantly outgrow the number, you think we can grow 40%-50% in revenues this year? What is your internal sort of target?

Ajay Singhania: Yes, definitely that is the outlook we are looking at and the previous earnings call also, we have made the similar indication. So, at EPACK, we are definitely looking at 45% plus growth for this financial year as compared to last year.

Moderator: Thank you. The next question is from the line of Bhoomika Nair from DAM Capital. Please go ahead.

Bhoomika Nair: Sir, my first question is on the AC segment. We have done quite well and industry is also kind of supported, how would have been our mix between components and the finished goods, if some color can be given on that aspect?

Ajay Singhania: Q1 is predominantly an AC season, so AC definitely we look at the Q1 standalone result, it will be close to 88% whereas small domestic appliances start picking up from Q2-Q3 onwards. So, on an annualized basis we say that it is almost 82% or 83%-84% for AC. So, yes, for Q1, AC contributes almost 88%, but at the same time like your existing component is something which is picking up very well. So, in value terms, component business was almost insignificant in last year. We see definitely improvement in, so even if it goes by 200% in value terms, it remains very low. But over next 3-4 years, this component business is going to contribute significantly. So, currently in value terms it is very small, although it has grown by 200%.

Bhoomika Nair: So, the other thing was on this acquisition for the motor business, now you spoke about getting into other areas of BLDC for fans, etc., now including RAC and fans, etc., do they have all the customer approvals in place right now?

Ajay Singhania: Yes. So, we have already been doing from our test pilot set up in currently in Silvassa, we have already started supplies in the last quarter. So, last 3-4 months, we have done pilot lot supplies to almost all the customers and we have received extremely good acceptance from the market and so the market acceptance has received, the product approval is done for both Electronic Motors as well as BLDC fan Motors. So, this is why we are now investing in a full-fledged plant. And also there is a PLI which is applicable for Epavo as well.

Bhoomika Nair: We have RAC customers on which they are selling outside of us, they will be selling through EPACK and they also have their own RAC customers to that extent, which they have approved?

Ajay Singhania: Absolutely, it is the component business, yes.

Bhoomika Nair: And from in, we acquired 25% now the RR Wires still continues to hold another 50%, is there any thought process to kind of further do some more acquisition and kind of complete make that 100% subsidiary over a period of time or is it that we will be capping it at 50% or any thoughts on where do we want to eventually take it to over a period of 4-5 years?

Ajay Singhania: Bhoomika, this is a very strategic investment and both the groups, EPACK as well as RRWL are strong enough to grow this business on a standalone basis. So, we see a good opportunity to scale up this business to a standalone entity going forward. So, there is no intention to go beyond 50% from either side right now. It is more of a strategic investment from both sides where we see opportunities to grow together.

Bhoomika Nair: Sir, the second aspect is on the washing machine business where we are entering, are there any anchor customers? How do you see the volume scaling up as we move ahead say in FY26-27, given the fact that there is enough competitive intensity in this business?

Ajay Singhania: Bhoomika, this is extremely important for me to tell that we have very strategically placed ourselves in the washing machine by launching only fully automatic top load washing machines in Phase 1. So, with this, we saw a lot of capability gap between the existing OEMs, ODMs and the customer requirements. So, we have got very good attraction from almost all the top Tier customers for top load automatic washing machines which we are launching and currently with almost 3-4 of them we are at a final closer stage wherein the machines are being tested and validated by them and commercial closes has been done. So, on the top load fully automatic what we started developing, we are on track to start supplies from the beginning of Q3. At the same time with this discussion, it has also helped us now to gain customers confidence to get into a discussion for semi-automatic machine, so for us semi-automatic machine is something which will follow through product. With the automatic, we are already now entering most of the marquee customer's requirement for this product and especially with this investment coming in South we see a lot of capability gap and capacity which exist in the market. So, it is a very strategic investment again wherein almost all the brand customers have given a lot of positive outlook and confidence to us.

Bhoomika Nair: And the last question is on the interest cost, which kind of saw increase both on Y-o-Y and the Q-o-Q basis, so if you can just talk about if there has been any increase in the working capital, what are our debt levels versus the FY24 levels etc.?

Ajay Singhania: On interest cost side, yes, there has been an increase as compared to the previous quarter, the Q4 of the last year. So, it is more because of one we had substantially over 77% increase in revenues and so that is one primary reason which has led to this. It is the increased revenue on the quarterly basis which is attributing to this. At the same time, let me also highlight that the working capital days have actually reduced from 45 days in Q4 to 41 days in this quarter. So, there is actually reduction in the working capital days. The absolute value increase is only a reflection of the revenue.

Bhoomika Nair: So, if Rajeshji can give the debt numbers at the end of the quarter, it can be useful?

Rajesh Kumar Mittal: Bhoomika, gross debt at June is around Rs. 370 odd crores, gross debt.

Moderator: Thank you. The next question is from the line of Pranav from PINC Wealth Advisors. Please go ahead.

Pranav: Sir, I just had a couple of questions. First would be what would be your cash conversion cycle?

Ajay Singhania: 41 days, last quarter it was 45.

Pranav: And what would be your fixed asset turnover ratio?

Ajay Singhania: 2.5.

Pranav: 2.5 for this quarter?

Ajay Singhania: For this quarter.

Pranav: And sir, as we go forward, we are sort of, we want to have a better product mix, right because we don't want ACs to be our main component which will be moving to other products as well. So, can we expect some margin improvement as we move from AC or the AC business where the margins are higher, if you could just help me out there?

Ajay Singhania: On margin mix, yes, the margin levels are different for different products. So, currently we see that the component business as we grow, the margins would definitely improve and at the same time the newer segments which were entering into, again the idea is same that we want to capitalize on the margin improvements. So, yes, this is why we are looking at optimizing our product mix and rather improving the overall utilization of the manufacturing capabilities.

Pranav: And at the current capacity, sir, could you please give a rough outlook, then what would be your current utilization?

Ajay Singhania: Because of AC, the seasonal capacity utilization like for Q1, it would be almost close to 95% plus for the AC business. But having said that, Q2 and Q3 is the two quarters where the capacity utilizations specially drop significantly and hence our efforts to introduce these products, the small domestic appliances and the larger appliances like washing machines and all we are talking about. So, that is the effort in the direction to improve the capacity utilization especially during Q2 and Q3. So, the entire effort is to actually improve the utilization in Q2 and Q3.

Pranav: And we have an order book for these items?

Ajay Singhania: Yes. So, the order book is extremely healthy, and this is why we have shared the numbers for the entire year at almost 45% growth.

Moderator: Thank you. The next question is from the line of Hiten Boricha from Sequent Investments. Please go ahead.

Hiten Boricha: Sir, my question is on the PLI benefits. Can you throw what was the PLI benefits in current quarter and maybe also what are we expecting in this full year?

Ajay Singhania: Yes. So, Hiten, for the Financial Year 24-25, the total outlay for the expected PLI incentive is going to be Rs. 37.5 crores out of which roughly Rs. 14.5 crores is something which has been accrued in Q1 itself and the balance will be accrued in the subsequent 3 quarters.

Hiten Boricha: So, this 14.5, we have indicated in the sales itself, right, sir?

Ajay Singhania: Yes. It is proportionate to the sales revenue.

Hiten Boricha: And my second question is on the debt, sir, as you mentioned, finance costs have gone up in terms of sales, so we are expecting assuming the sales will come down in Q2 and Q3 because of weak quarter. So, a finance cost will also come down. So, what will be our finance cost for FY25?

Ajay Singhania: The finance cost in value terms is going to reduce in Q2 and Q3, but as a percentage of sales, if you look at it is more or less the same. So, as percentage of sales, there is no increase in the finance cost.

Rajesh Kumar Mittal: It will be around Rs. 40 - Rs. 45 crores around for the full year basis because in the 1st Quarter the sale, there will be around, you see around Rs. 750 crores. This is why you are seeing that the finance cost has gone up in the current quarter. As you have mentioned rightly, in the second and third quarter, there will be a lower sale as per the business and the finance cost will definitely come down because the amount of the discounting gets reduced during the second quarter and the third quarter and the finance cost will also come down.

Hiten Boricha: And sir my final question is on the gross block. So, what is our current gross block after the commercialization of Sri City?

Ajay Singhania: It is roughly around Rs. 800 crores of gross block as on June.

Hiten Boricha: And we can do an asset T/O of around 2.5x on this, right?

Ajay Singhania: Yes.

Moderator: Thank you. The next question is from the line of Swechha Jain from White Stone Financial Advisors. Please go ahead.

Swechha Jain: Sir, most of my questions have been asked. I just have few questions. I just wanted to know the Sri City plant; it is right now at 45% capacity. So, what kind of revenue can we expect from this plant at a full capacity and what kind of CAPEX have we done for this plant, sir?

Ajay Singhania: See, Sri City we have created capacity of almost 1.2 million units, so it is roughly 6 lakhs of outdoor unit and 6 lakhs of indoor units, thus the capacity we created in Sri City which can roughly give a revenue or a topline of Rs. 600-Rs. 700 crores with the current CAPEX. Plus now that we are adding washing machine and other products to it and the component business. So, we can gradually ramp it up to Rs. 1,000 odd crores in next two years.

Swechha Jain: And sir, would you be able to give some order book number, would you able to quantify the order book in the AC, non-AC?

Ajay Singhania: Ms. Jain, let us put it in this way that the year-end number we are looking at is almost 45%-50% growth, so which means with Rs. 750 crores already achieved, we are looking at close to anywhere between Rs. 2,100 crores plus minus Rs. 50 odd crores of revenue in the entire year.

Swechha Jain: So, any new CAPEX that we are planning for this year?

Ajay Singhania: As per our annual business plan, we are not looking at any significant investments except for the washing machine lines which we are putting up in some bit of investments. So, our approved budget for CAPEX this year is approximately Rs. 50 - Rs. 60 odd crores.

Swechha Jain: And sir, just one last question, this 40%-45% growth in revenue that you are guiding for, this would be on an overall basis, right, not just the AC, right?

Ajay Singhania: Yes, this is overall basis and all organic growth we are talking about. So, we are not considering any inorganic growth here.

Moderator: Thank you. The next question is from the line of Tushar Sarda from Athena Investments. Please go ahead.

Tushar Sarda: I wanted to know about your gross margins, for the current part, they seem to be around 14%, whereas last quarter over 18%. So, if you can throw a little bit light on it, then you also mentioned that sales include incentives, so without incentives probably the margins are even lower?

Ajay Singhania: So, I think we already answered this question. Yes, if you are comparing it to Q4, our margins were 18 odd percent compared to 14% this quarter. On a Y-on-Y basis Q1 last year was also similar at 14%-odd. There has not been a dip, but yes, at the same time there is an impact of commodities, like I said, so there is almost 2%-2.5% impact of commodities itself, since especially copper zoomed in May-June, so that is something which has impacted our margins for the last quarter and as per our agreed pricing method with our customers, this gets passed on in the next quarter. So, we will see the margins for this Q2 and Q3 getting improved basically because of this.

Tushar Sarda: And sir, for the full year, what should be the gross margins?

Ajay Singhania: So, on a full year basis, we are looking at maintaining a similar margin as FY24.

Tushar Sarda: So, 16%?

Ajay Singhania: 15% may be (+/-) 0.5% or something what was achieved last year, and we are looking to maintain similar kind of margins.

Moderator: Thank you. The next question is from the line of Vedant Sarda, who is an Individual Investor. Please go ahead.

Vedant Sarda: Sir, what would be the split for the FY25 and FY26 for H1 and H2?

Ajay Singhania: Basically, though historically H1 and H2 is almost equal. So, it is maybe like, it is almost equal. H1 and H2 are almost equal historically. So, there is no significant gap between revenues in H1 and H2. H2 is actually comparatively better. So, I will answer this way. H1 would be 45%, H2 would be 55%. This is what has been historically.

Moderator: Thank you. The next question is from the line of Pranay Roop Chatterjee from Burman Capital. Please go ahead.

Pranay Roop Chatterjee: I have only one question, sir, so this time in summer, so I am a resident of Delhi and at least for me the heat wave this time was sort of unprecedented. What that would also mean is that in a normal base-case scenario, we would not expect that to happen every year, right, now industry is increased by 40%-50%, I think in the summer season this year. Everyone has reported blockbuster growth and what has also happened is the in-sourcing already started before that. So, brands have started setting up the capacity and probably some are still left to ramp it up and then the contract manufacturers have also expanded their capacity, especially because of the shortage seen in inventory and production this season, right. Now, I am just trying to think how does the thought process happen because this is a call between a short term potential or what supply situation next year versus a long-term strategy call to have the capacity in place, right? So, because next year, one would expect that probably the industry would not have any growth or maybe a slight growth on these highways, right? There was a lot of first time buyers already have put in ACs in their homes, so how do you think about, do you see an oversupply situation next year because everyone has come up with capacity as a sort of a major reaction, right? So, how do you see this I may be completely wrong, but I just wanted to hear your thoughts?

Ajay Singhania: So, Mr. Chatterjee, yes, this year we have seen significant growth across brands and across all OEMs and ODMs attributing to the heat wave, yes. So, this is why we are seeing that this 25% growth is something unprecedented and we will be happy if this repeats, but then we at the same time don't expect similar 25% growth for the next year. You are right in that to that extent, but at the nominal growth of 12% to 15% odd year-on-year, not just because of the heat wave, but because of the increase buying powers because current penetration levels are very low in India. So, our potential to grow here is not because of the heat wave or just this. At a global average of 42% penetration, we India is just at 8%, which means we have a long way to go. So, on a long-term basis, we see the market is going to double every 4-5 years and there has been a very detailed report presented by BCG and other reputed consultants to the Government of India, to the industrial institutions at all levels. So, based on the projections given by the Government itself, the market is looking from current 10 million to become almost 24 million by FY28-FY29 and regional exports the market is and the India potential looks to around 40 million by 2029. So, that is the kind of potential the market is talking about and looking at and hence there is no excess capacity, let us put it this way. The same here which was given last year is there in excess capacity in the market has come flat now and people see that there is a shortfall in capacity. So, we see that this the growth for AC especially will continue over next 8-10 years definitely because we are really sitting in a very low penetration level.

Moderator: Thank you. The next question is from the line of Shraddha Kapadia from Share India. Please go ahead.

Shraddha Kapadia: Sir, I just have one question. So, like you said on the washing machine, once you have to start or are there any other products also which are yet to start and what would be the full potential which we can expect for the upcoming products to contribute to our revenue?

Ajay Singhania: Shraddha, we are continuously expanding our product portfolio, both for larger appliances as well as small domestic appliances. So, for the larger appliances, washing machine is something which is now to the development is complete and we are looking to launch in Q3. Similarly for small domestic appliances, a set of products like Air Fryers, Hair Dryers and others have been developed in which we are looking at to launch this year, so it is a continuous process. Again next year, we are evaluating certain products to develop for next year. So, that is a continuous exercise, and this is why we have high focus on our R&D capabilities and we are continuously expanding our R&D team. So, this is a continuous exercise, and our journey would continue to introduce newer products to the market every year whereby we can utilize our current capabilities and our manufacturing capacities.

Moderator: Thank you. Ladies and gentlemen, we will take that as the last question. I would now like to hand the conference over to the management for closing comments.

Ajay Singhania: Thank you all for participating in the Earnings Concall today. I hope we have been able to answer your questions satisfactorily. If you have any further questions or would like to know more about the company, please reach out to our IR Managers at Valorem Advisors. Thank you so much.

Moderator: On behalf of JM Financials, that concludes this conference. Thank you for joining us and you may now disconnect your lines.