EPACK Durable

Operator: Ladies and gentlemen, good day and welcome to EPACK Durable Q2 FY27 earnings conference call hosted by DAM Capital Advisors Limited. As a reminder, all participant lines will be in 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 that this conference is now being recorded. I now hand the conference over to Mr. Tanay from DAM Capital Advisors Limited. Thank you, and over to you, sir.

Tanay – DAM Capital Advisors: Thank you, Anam. Good morning, and welcome everyone to EPACK Durable's Q2 FY27 earnings call. Today, management is represented by Mr. Ajay DD Singhania, Managing Director and CEO; Mr. Rajesh Kumar Mittal, Chief Financial Officer; and Mr. Nitin Gupta, GM Finance. At this point, I will hand over the call to Mr. Rajesh Mittal for his opening remarks, after which we will open the floor for Q&A. Thank you, and over to you, sir.

Rajesh Kumar Mittal – CFO: Thank you, Tanay. Thank you all, and very good morning, everyone. Welcome to our earnings conference call for the second quarter and first half of financial year 2027. I would like to thank DAM Capital for arranging today's earnings call. The key financial highlights for Q2 FY27 are as follows.

For the second quarter, revenue from operations stood at 439 crores, registering strong growth of more than 106% year-on-year, compared to 213 crores in the corresponding quarter of the previous financial year.

EBITDA for the second quarter stood at 7.1 crores, compared to 0.5 crores in Q2 FY26, representing an improvement of approximately Rs. 6.6 crores. The EBITDA margin improved to 6. 1.62%, compared to 0.23% in the corresponding quarter of the previous year.

I would also like to highlight an important point regarding the comparability of EBITDA margins. The company has not accrued any PLI income in Q2 FY27, whereas it had accrued PLI income of Rs. 8 crores in Q2 on a year-on-year basis, which was included in that quarter's revenue. Because it carries no associated costs, the entire amount flowed directly into EBITDA.

Excluding the PLI income from revenue and EBITDA for Q2 FY26, EBITDA would have been negative Rs. 7.5 crores, compared to positive EBITDA of Rs. 7.1 crores during the current quarter. Accordingly, on a comparable basis, excluding PLI income, the company has achieved an EBITDA improvement of approximately 14.6 crores on a year-on-year basis, reflecting an improvement in underlying operating performance.

This is also a point here: this EBITDA margin does not include the—if I ignore the forex loss, EBITDA would have improved by Rs. 10 crores on a half-year basis.

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

Ajay DD Singhania – MD & CEO: Thank you, Rajesh. Once again, good morning, everyone. Let me begin with the industry first.

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Primary sales for room air conditioners in the July to September quarter were better than last year. Last year, unseasonal rains and destocking around the GST transition weighed down the industry. This quarter has been comparatively much better, both in terms of primary and secondary sales. Secondary sales have remained healthy, and channel inventory is at a comfortable level, which gives the industry a clean starting point for the coming season. We are seeing this in our customers' early production planning.

Commodity prices, particularly copper, aluminum, plastics, and FX fluctuations, have been volatile throughout this year. Our contracts provide for passing on this cost, but passing it on is an ongoing process with a lag, especially when prices are moving as sharply as they are. In such periods, some compression in percentage margins is natural, and it narrows as pricing catches up.

In large appliances, washing machines continue to grow ahead of the broader market, driven by a shift to fully automatic and front-load models and by rising penetration beyond the top cities.

In small appliances, kitchen categories such as air fryers, mixer grinders, and induction cooktops continue to see strong traction as consumers upgrade, and brands increasingly look to source those categories from reliable domestic manufacturers.

Air coolers had a softer year as channel inventory normalized and plastic costs rose.

Against this backdrop, I am pleased to share that EPACK Durable delivered its highest-ever first-half revenue of Rs. 725 crores in H1 FY27, up 51.3% year-on-year. In the second quarter, revenue more than doubled to Rs. 439 crores.

The quarter also showed our diversification at work. Small domestic appliances and large domestic appliances grew 57%. Washing machines and air fryers led that growth, and the non-RAC business contributed 63% of the revenue for this quarter. For the half year, SDA and LDA grew 62%.

Our RAC business grew 38% in the first half, supported by share gains with existing customers and contributions from new ones. In the second quarter, RAC revenue grew nearly 61%, partly on a low base last year, when unseasonal rains and destocking around the GST transition affected volumes.

Components grew 45% in the quarter, and we continue to deepen captive integration in heat exchangers, copper tubing, PCBs, cross-flow fans, and molded parts.

We now serve 72 customers across 19 categories, and the concentration of our top 2 customers has come down to 32% from 72% earlier in FY23.

During the year, we launched vacuum cleaners, tower fans, and nutri-blenders, and added new water purifiers. For FY27, our pipeline includes oil-filled heaters, washing machines, hair dryers, and a couple of other products that are under development.

Regarding our Hisense partnership through EMPL, our wholly owned subsidiary's facility produced room air conditioners for Hisense during the last peak season. The next milestone is washing machines. Pilot production of front-load washing machines for Hisense is scheduled for the end of November 2026, with commercial production to follow. Front-load washing machines are a premium, growing segment of the washing machine market, and this takes EMPL from a

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single-product category to a multi-product plant.

As announced earlier, the Board has taken decisions to sharpen our focus on the core business. We are transferring our 50% stake in Epavo Electricals, a joint venture with Ram Ratna Group, to RR Global, which will now hold 100% of it. We are also winding up 2 subsidiaries, namely Kyungjin India Auto Products and EPACK Electronic Components Private Limited. Neither of them had any operating facility, and nothing commenced in either of them. Our share of losses from Epavo was Rs. 2 crores for FY26 and H1 FY27, and that drag now ends. Going forward, our capital and management attention will be fully focused on EPACK Durable and EMPL.

On margins, our reading is straightforward: we are scaling up the top line strongly and winning share, and like-for-like EBITDA grew 77% in the half. Reported profitability is being held back by depreciation and interest for new capacities, the lag in passing through commodity costs, the absence of PLI income, and seasonality, not by any weakness in demand or competitiveness. As facility utilization builds up, fixed-cost absorption will support margin recovery.

Our priorities remain 3-fold.

First, scale growth engines: sustain RAC share gains while ramping up washing machines, including front-load washing machines at EMPL, and small domestic appliances, which remain our fastest-growing and most margin-accretive category.

Second, deepen strategic partnerships: position EPACK as the preferred manufacturing partner across multiple categories with our key customers.

Third, build the margin: convert scale into operating leverage as new facilities absorb volume. Localization deepens our value addition, and the mix moves toward higher-margin categories.

We have a robust pipeline of new products and customers across segments, and our near-term priority is clear: converting record sales into stronger profitability.

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

Operator: Thank you very much. We will now begin the question-and-answer session. Anyone who wishes to ask a question may press star and 1 on their touch-tone telephone. If you wish to remove yourself from the question queue, you may press star and 2. Participants are requested to use handsets while asking a question. Ladies and gentlemen, we will wait for a moment while the question queue assembles.

The first question comes from the line of Tanay from DAM Capital. Please go ahead.

Tanay - DAM Capital: Hi, sir. Good morning, and thank you for the opportunity. I have a few questions, if I may. The first thing I want to understand is that we have seen very strong top-line growth this quarter for RAC on a favorable base. Maybe you can help us break it down into value and volume.

Ajay DD Singhania - MD & CEO: [pause] Volume-wise?

Tanay - DAM Capital: Yes, for the quarter.

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Ajay DD Singhania – MD & CEO: Volume-wise, I think it will be difficult; the data is not handy. But overall, RAC for Q2 grew by nearly 60% on a very weak base in the same quarter last year. I have the segment-wise breakup, which was part of the investor presentation already uploaded.

Tanay – DAM Capital: No, sir. What I mean to say is, for the 160 crores of RAC revenue that we achieved, can you help us break down how much was led by volume and how much was pricing benefit?

Ajay DD Singhania – MD & CEO: In that sense, yes. The overall pricing increase compared to the same quarter last year has been approximately 15-20%, varying from model to model. That is the approximate price increase.

Management: ...which happened because of the commodity and forex {? issues ?}. So overall, the price increase is varying from 15-20%, model to model.

Tanay – DAM Capital: Sure, sir. The other thing I want to understand is that, while we have taken a 15-20% price increase, gross margins have seen a sharp contraction on a year-on-year basis. Can you perhaps split the contraction into 2 pieces? One piece would be the under-recovery of price hikes, and the second would be a portion of higher ASPs impacting our margins optically. So, can you help us understand what percentage of the price hike is yet to be taken versus the cost escalation that has been seen?

Management: If we compare like-for-like, last year in H1 or Q2, as Rajesh mentioned, we had accrued PLI income of 8 crores in Q2 and approximately 20 crores overall in H1. If we exclude the PLI, the gross margin last year was approximately 12.4%, whereas now it is 12.8%. So, on a like-for-like basis, gross margins have improved. Although there has been a lag in passing on the commodity impact, because of the change in model mix, especially with the focus on small and large domestic appliances, the overall margins have actually increased.

Tanay – DAM Capital: Understood, sir. So, is it fair to say that the 15-20% price hike we have taken covers all the escalation to date?

Management: Sorry, could you repeat that?

Tanay – DAM Capital: I am asking whether it is fair to say that the 15-20% price hike we have taken for our customers takes care of all the cost increases we have seen.

Management: Largely, yes. But as I mentioned earlier, there is a lag. Prices are not passed on immediately, so there is always a lag. But yes, in general, based on our contracts, any escalation or decrease in commodity prices is passed on in subsequent quarters. So, that is an ongoing process, but there is always a lag. However, largely, the increase has been passed on to almost all the customers.

Tanay – DAM Capital: Sure, sir. The other question was that we have been seeing that secondary sales have been far better. Can you help us understand the current industry inventory levels, both at the brand and channel levels? Any indicative number or indication that you can provide would be helpful.

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Management: In terms of inventory levels, compared to last year, inventory had piled up both with the customers and with the channel partners due to unseasonal rains. I think we are looking at a significantly improved situation. My only estimate would be that last year, I remember we were talking about approximately 5.5-6 million units of inventory in trade toward the end of Q2. That was the situation last year. It is probably 40-50% lower now. This is again an estimation based on the kind of outlook we are getting for Q3 and Q4. There is good demand in Q3 and Q4 as well. That gives us the confidence that channel inventories are fairly comfortable or on the lower side because sales continue. They are at a lower level, sir.

Tanay - DAM Capital: Sure. The other thing was that we have seen a lot of capex being invested over the last couple of years. We have had a plan of more than 400 crores in terms of expanding capacity. That has not yet translated into meaningful revenues for us. What is our roadmap for the next 3-4 years in terms of scaling and utilizing these capacities and sweating these assets? A lot of it is also for Hisense. How are we thinking about scaling up Hisense as a brand and partner for us over the next 2-3 years in terms of revenue scale-up?

Management: In terms of the overall capex, the announcement we made almost 18 months ago was that we were looking at capex of close to 470 crores, of which 370 crores had been actualized by the end of September. Most of this has already been put to use, and the plants are largely complete. The balance 100 crores will be staggered over the next 6-12 months.

That is the medium-term vision, and now the focus is very clear. We are withdrawing from a couple of joint ventures and a couple of other areas. The focus is also very clear: we are looking only at segments where we see good growth. The balance 100 crores that was envisioned earlier has also now been stretched, and we will take another 6-12 months. By the time we see real growth in those categories, we will invest.

The investment in Hisense is largely completed, with the commencement of front-load washing machine production expected at the end of November. The remaining 100-plus crores that is now budgeted will be staggered over the next 6-12 months to further ramp up capacities for washing machines and to look at other mother-daughter combinations. However, there are no significant immediate investment plans.

Tanay - DAM Capital: Understood, sir. I will fall back in the queue and join again later. Thank you very much for answering my questions, sir. Thanks.

Operator: Thank you. As a reminder, to ask a question, participants may press star and 1 on their touch-tone telephone. The next question comes from the line of Shreyansh Jain from 3A Capital Services. Please go ahead.

Shreyansh Jain - 3A Capital Services: Hello, am I audible?

Management: Yes, yes.

Shreyansh Jain - 3A Capital Services: Thank you for the opportunity. I have a couple of questions. First, since this is the last year for PLI, how do you see margins going forward after PLI? Will we have to take a further price hike to maintain margins?

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Management: Thanks {? Vinay ?}. Thanks, Shreyansh. Yes, this is the last year for the AC PLI for white goods, and last year and this year we are currently not accruing any income in terms of the PLI. Based on our current discussions and the industry representation made to the Ministry and DPIIT, the budgeted amount for the AC PLI, which was approximately 5,000 crores, has largely remained unutilized with the government. There is an ongoing discussion in which we believe there could be some extension, and that is one aspect.

At the same time, whatever PLI income was accrued by us was largely passed on to customers to remain competitive in the market. As you can see, we have been discussing increasing the overall gross margin in the product. The initiative has been taken to increase prices wherever discounts were being given in terms of the PLI. In the medium term, I believe there will be some normalization next year, and further normalization after that, as PLI discounts get reversed quarter-on-quarter.

Shreyansh Jain – 3A Capital Services: It is great to hear that, sir. My next question is: could you please provide the sales number from Hisense? Have you had any discussions with the Hisense team regarding the response they are receiving from the Indian market?

Management: Overall, on the Hisense side, Hisense is already a very strong brand and has gained significant market share in India in terms of the television market, which is how the brand is being created. For ACs, with the current year being the first year for them as a mass player, they have already sourced close to 80,000 air conditioners from us this year, up to September. That gives us a lot of confidence in terms of their overall penetration and the channel reach they have created.

Now, with large domestic products going forward, such as washing machines, we believe Hisense is on the right track, and our association will strengthen in line with the outlook and intent with which we partnered with them.

Shreyansh Jain – 3A Capital Services: Sir, could you please provide the sales number from Hisense? It would be helpful.

Management: For H1, it is approximately 90 crores.

Shreyansh Jain – 3A Capital Services: 90 crores. Okay, sir. Thank you very much, and all the best, sir.

Operator: Thank you. The next question comes from the line of Pratap Maliwal from Mount Intra Finance. Please go ahead.

Pratap Maliwal – Mount Intra Finance: Hi, am I audible?

Operator: Yes, sir.

Pratap Maliwal – Mount Intra Finance: Thank you for taking my questions, and congratulations on a good top-line performance. I wanted to ask about our overall debt on the balance sheet. If we look at a peer of ours that is almost twice our scale, they seem to have this kind of debt. What is our outlook on our finance cost? I believe management had also pointed out last quarter that we can do better on this front. Can you give me an idea of how the debt levels will turn out going forward?

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Management: Mr. Pratap, compared to last year, in terms of the debt position, the gross debt for the company was close to 770 crores, and currently it is also approximately 775 crores. However, improvements have been achieved in certain areas where the company has been focusing, especially in Q2 in terms of inventory reduction. Payments have also been made to suppliers. Approximately 225 crores of payments have been made to suppliers for the inventory we were carrying. We reduced inventory by almost 125 crores, and 100 crores have been capitalized in terms of capex incurred in the last quarter.

So yes, the debt remains similar currently. However, in terms of the capex plans, as I shared, approximately 100 crores of investment is planned over the next 6-12 months. The company is not looking to raise any new capital, or any significant new capital. In the medium term, the overall debt position will remain similar, at almost 0.8 times equity, and then you will see normalization as the capacities that have been created are put to use.

Pratap Maliwal - Mount Intra Finance: To go a little deeper, most of our debt is, I think, short-term working capital debt. As we project strong growth going ahead, as that growth comes in, we do not anticipate a corresponding constant increase in finance costs. We should be able to get some of that leverage into our bottom line and effectively achieve a more uniform profitability profile, is that correct, sir? What I am trying to ask is whether our finance cost should not see much more of an increase going forward, even with the strong revenue growth that we are projecting.

Management: If you look at the numbers, the total finance cost last year versus this year, in terms of value, has almost remained the same. There has not been any increase in the overall finance cost in absolute terms. Going forward, as we rationalize and increase our SDA business, where payment terms are significantly better compared to RAC, we believe the working capital requirement will remain normal or within the same limits that we currently have.

Pratap Maliwal - Mount Intra Finance: I was also comparing with some of our peers that are focused on air-conditioner manufacturing. Even if I look at some other players, we seem to have the lowest margins in the peer group. A player that is smaller in scale and shares one of our anchor customers has margins in the range of 8-9%. A larger player also has margins of 8-9%, whereas we are at approximately 6%, even on an annualized basis. Why do we have the lowest margin, and what can we do to improve this margin profile?

Management: Pratap, I understand the concern. Yes, this is definitely an area of improvement for us, especially given the large setup, backward integration, and associated costs. Currently, the margins look slightly stressed for us, but as the capacities created are put to use, especially during the off-season for an AC-heavy company, Q2 always looks stressed.

As capacities in the component phase are built up and we improve our small domestic appliances, especially air fryers, induction cooktops, and washing machines, we will see the overall share of the non-AC business grow from almost 40-45% to nearly 50% on a yearly basis. As we improve and maintain this momentum, we will see many things normalize as capacities are utilized better.

Pratap Maliwal - Mount Intra Finance: One clarification regarding the washing machines for Hisense. I believe you had mentioned the pilot production and timeline. Could you please reiterate? The line was not clear, and I was unable to hear it. What is the commercialization status of the

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washing machine for Hisense?

Management: The Hisense washing machine we are discussing is a front-load washing machine, for which technology transfer has been completed by Hisense. Pilot production is currently ongoing. We will complete all pilot production by the end of November, and mass production will start from December onward.

Pratap Maliwal – Mount Intra Finance: Okay, sir. Thank you. Those were my questions. Thanks for taking them. Best of luck for the coming quarters.

Management: Thank you, sir.

Operator: Thank you. As a reminder, participants who wish to ask a question may press star and 1 on their touch-tone telephone. The next question comes from the line of Ravindranath Nayak from Nirmal Bang Institutional Equities. Please go ahead.

Ravindranath Nayak – Nirmal Bang Institutional Equities: Thank you for the opportunity, sir. Your voice is slightly muffled, and I cannot hear you properly. Could you please correct that? It would be helpful.

First of all, last year, without the PLI benefit, your gross margin was approximately 12.4%. This quarter, your gross margin is 12.8%. There is also an increase in hi-tech. You mentioned that the offtake from Hisense was 90 crores. Am I correct, sir?

Management: Ravindranath, the offtake from Hisense does not pertain to this quarter. The number was an approximate number for the entire H1.

Ravindranath Nayak – Nirmal Bang Institutional Equities: The previous year, without PLI, your total sales in RAC were Rs. 53 crores, and this year, on a like-to-like basis, it is Rs. 161 crores. There has been a significant rise in the RAC business.

Also, last quarter, your gross margin was 14%. Despite the higher contribution from Hisense and the growth in RAC, gross margin has declined quarter-on-quarter. It should have increased. Is the Hisense margin low?

There has also been significant traction in small domestic appliances, and component revenue has increased from Rs. 44 crores to Rs. 109 crores. Small domestic appliances have increased from Rs. 107 crores to Rs. 168 crores. Despite that, your gross margin is very low on a quarter-on-quarter basis. Is the Hisense margin low? Is the margin in components and other segments, the non-RAC segment, still low, which is why gross margin remains low? In the coming periods, will the RAC margin contribute to growth in the RAC segment, and will the contribution from RAC margins grow in the coming quarters, or will it not be like that?

Management: [pause] Mr. Devendra, let me first correct the numbers. I hope you already have them in front of you. For the current quarter, Q2 on a year-on-year basis, RAC revenue has increased from approximately 61 crores to almost 161 crores. That is 160% growth.

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Similarly, small and large domestic appliances have grown from 107 crores to almost 168 crores. That is again a 57% increase. Components have grown from 32 crores to 47 crores, which is a 45% increase. And others... [pause]

Overall, there has been an increase of 106%. At the same time, as you rightly stated earlier, gross margins have improved on a like-to-like basis, excluding PLI income. Last year, the gross margin was 12.3%, whereas in the current year the gross margin is almost 12.8%. So, at the gross-margin level, it has increased.

The increase can be attributed to a couple of factors. One is the growth in non-RAC sales, such as SDA and components. However, the increase would have been reflected much better if the RAC commodity impact had been passed on in real time, especially under the current turbulent situation, where there is always a lag. That has slightly dragged down margins, but overall there has still been an increase in gross margin.

Second, as Rajesh mentioned in his opening remarks, the company has booked a forex loss of approximately 10 crores, which has also led to a reduction in the gross margin reflected in the numbers. If neither of these factors had occurred, gross margins would have been much better.

Ravindranath Nayak – Nirmal Bang Institutional Equities: What is the game plan regarding the BLDC motor joint venture that you sold? Do we require BLDC motors for our applications? What is the game plan?

Management: Regarding our exit from EPneo and the 50% stake sale to Ram Ratna Group, RR Global, the game plan is clear. Over the last 2 years, the company has booked a loss of almost 12 crores, which has reduced its equity from approximately 21 crores to almost 9 crores. There was a loss of 12 crores.

RR Global wanted to scale up the business further, and they are looking to venture into other businesses, including motors in the non-BLDC segment, high-FHP motors, and others. These are not of great interest to EPACK Durable.

EPACK Durable also has options to source motors. While we will continue to work closely with EPneo even after the stake sale in developing customized BLDC motors, the exit opens the door for us to explore opportunities to buy motors from elsewhere as well, which we were doing earlier.

BLDC motors as such are not an area of concern for us. EPACK Durable already has in-house capabilities to manufacture almost all the other components, including controllers, heat exchangers, copper tanks, moldings, sheet-metal parts, and everything else in-house. The core competence remains within EPACK Durable. We already have the option to buy motors from several other suppliers, so we have kept our options open.

Ravindranath Nayak – Nirmal Bang Institutional Equities: So that means—

Management: We see our exit from EPneo as a matter of maintaining capital discipline, and not as a regret. This brings management focus to our core business, which is already showing significant quarter-on-quarter improvement. Going forward, we also believe that with this continued focus and capital discipline, we will continue to accelerate.

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Ravindranath Nayak – Nirmal Bang Institutional Equities: Lastly, one question regarding the RAC business. What is the mix between outdoor and indoor units? Can you provide that number in percentage terms? How much revenue would be from indoor units, and how much would be from outdoor units? That is all I am asking.

Management: Overall revenue was 160 crores in this quarter and almost 780 crores for the entire actual year. Revenue is not calculated separately for indoor and outdoor units because RAC is sold as a single complete set to our customers.

We have 2 categories here: window ACs and split ACs. Our total installed capacity as of date is almost 2.3 million sets.

Ravindranath Nayak – Nirmal Bang Institutional Equities: Do you have compressor inventory or a complete tie-up for compressors for the entire year, for everything you are going to manufacture? Is it fully covered, 100%?

Management: In terms of compressors, domestic manufacturing capability within India has now largely developed. We can claim that India is now self-reliant in terms of the overall compressor capacity available and the requirement. We have tie-ups in place and have already been securing compressors from the 2 large players, Highly and GMCC. They have ramped up their capacities, so we do not see any shortfall. We will work with them on a competitive basis.

Ravindranath Nayak – Nirmal Bang Institutional Equities: What is the total volume you are expecting this year?

Management: The AC market is definitely on track to grow this year. Our estimate is that, for the full year, the AC industry is expected to grow by anywhere between 20-25% compared to last year.

Ravindranath Nayak – Nirmal Bang Institutional Equities: No, I am asking about your volume, for FY25.

Management: We do not provide forward-looking numbers. However, looking at the trend, for H1, we see that the business has grown in value terms by almost 58.4%. In volume terms, it could have grown by close to 40-45%, in my estimate, because there has been an increase in ASPs.

Ravindranath Nayak – Nirmal Bang Institutional Equities: So, do you mean maintaining 45%?

Management: We do not provide forward-looking numbers. However, we are looking at the industry growing anywhere between 20-25%. As EPACK continues to focus on increasing its share of business and developing new partnerships with new and existing customers, we definitely believe that we should outgrow the industry.

Ravindranath Nayak – Nirmal Bang Institutional Equities: I am sorry, sir. I could not hear you properly. In any case, all the best, sir. Thank you.

Management: Thank you. Thanks.

Operator: Thank you. The next question comes from the line of Rajiv Mehta from YES Securities. Please go ahead.

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Rajiv Mehta – YES Securities: Good morning. Your voice is not very clear, but I still want to ask you about margins. On the margin side, is there any pass-through remaining from our side to our customers that will reflect from October onward or in the second half? Is there any lagged pricing impact remaining that will be reflected and support a better margin trajectory in the second half of the year?

Could you also tell us what your explicit margin guidance could be for the full year, and perhaps for next year as well? We need to understand how operating leverage and leverage at the PAT or earnings level will play out, because we have been seeing that while the top line is increasing significantly, EBITDA and PAT have not been growing commensurately.

Can you tell us whether any margin pass-through remains, what your explicit margin guidance is, and what your earnings growth guidance might be for next year? Will earnings growth be better than top-line growth?

Management: On pass-through, yes, there is still a portion remaining because this is an ongoing process. At any given point in time, in real time, there will always be a lag because our pricing agreements with most large customers are on a quarter-to-quarter basis. The previous quarter's price increase is passed on in the following quarter. That is how it has been working for the entire industry for the past several years.

At any given point in time, yes, there will be some lag. Having said that, overall I can say there is no significant gap remaining in terms of passing on commodity inflation to brand customers. That is the first point.

As I shared earlier, the biggest dent for us has been the forex fluctuation, which is definitely an area of concern and we are working on it. Forex fluctuation cannot be passed on in real time. When payments are made to customers, the rupee has been depreciating against the USD, especially against the CNY, and that is an area of concern. We are keeping a continuous watch on it.

That is something where we definitely need to work to improve our overall margins. Again, in terms of the outlook for margin growth in the future, there are 2 areas that I mentioned earlier.

First, with our discipline in recovering the PLI discounts that were passed on to brands earlier, as we roll them back in a phased manner, margins will definitely improve going forward. That is one thing we see and are working on.

Second is the product mix. Large and small domestic appliances are margin-accretive. As the overall product mix changes, that will also help us improve our overall product margins.

Regarding the outlook, although we cannot give a definitive number, the 2 levers being put to work are rolling back the PLI incentives passed on to brands and improving the overall product mix.

Rajiv Mehta – YES Securities: In line with the capacity expansion we are undertaking, besides Hisense, whatever capacity is tied up for Hisense will hopefully scale up. But for the other capacity, have you tied up with customers? How are you thinking about utilization of those capacities over the next year or the year after? What is the visibility on utilization of the upcoming capacities?

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Management: In terms of our existing capacities, especially the previous 2 plants, namely Dehradun and Bhiwadi, capacity utilization has improved significantly. Those 2 plants have been delivering good capacity utilization for us, as well as revenue and margins.

Our challenge over the last couple of quarters was always the utilization of the Sri City capacity. With Hisense production commencing, and now with multi-products such as ACs and washing machines also ramping up as they gain penetration in the Indian market, that will definitely help us improve Sri City utilization.

At the same time, more brand customers that have established capacities in that area have reached a stage where they are the standard of large vehicle, and that is another set of businesses coming to us in the south. With both of these factors, we definitely see better utilization of our newly created additional capacity at Sri City, which is now being put to use. With that lever in place, overall capacity utilization will improve significantly.

Rajiv Mehta – YES Securities: Do we receive any money by divesting the 50% stake in that joint venture to Ram Ratna Group? Will we receive any consideration? What will that consideration be?

Management: [pause] [off-mic discussion] Consideration.

Management: The consideration for this entire 50% stake is Rs. 15 crores.

Rajiv Mehta – YES Securities: Understood, sir. Thank you, and best of luck.

Management: Thank you. Thanks.

Operator: Thank you. Ladies and gentlemen, those who wish to ask a question may press star and 1 on their touch-tone telephone. If you wish to remove yourself from the question queue, you may press star and 2. Participants are requested to use handsets while asking a question. We will wait for a moment while the question queue assembles.

Ladies and gentlemen, we will take this as the last question for today. I now hand over to management for closing comments. Over to you, sir.

Management: Thank you all for participating in today's earnings conference call. I hope we have been able to answer your questions satisfactorily. Thanks to DAM Capital for organizing today's conference call. Thank you all. Thank you very much.

Operator: Thank you. On behalf of EPACK Durable and DAM Capital Limited, that concludes this conference. Thank you for joining us. You may now disconnect your lines.

Note: {? ... ?} indicates a figure or name where audio clarity was insufficient for confident transcription. Verify against the source audio or the company's published filings.

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