

EPACK DURABLE LIMITED

Decent quarter, well equipped for future

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EPACK Durable Limited (EPACK) reported a decent quarter with a 35% growth in revenues and a 71bps expansion in gross margins, supported by a more favorable product mix. However, EBITDA margins were lower due to reduced fixed cost absorption from the underutilization of the Sri City plant (operating at only 15-20% capacity). Additionally, the industry faced challenges from disruptions in the supply of key raw materials, particularly copper, during Q3FY25. Looking ahead, with strong demand prospects and increasing production capacity, EPACK is well-positioned to benefit from operating leverage, which could drive EBITDA margin growth by FY26E/27E. The company's expansion into new product categories, including LDA/SDA and components, is expected to further boost revenues while improving margin profiles. EPACK is also progressing well with its partnership with Hisense and plans to begin manufacturing white goods for them by H2FY26E. Furthermore, the export business continues to grow and is expected to maintain strong revenue growth in the medium term. The recent budget, which is likely to increase taxpayers' disposable income, is expected to further boost demand for air conditioners, SDAs and LDAs underscoring significant growth potential. We remain positive on EPACK's strong growth prospects, driven by business diversification, capacity expansion, and strategic partnerships. These factors position the company well for long-term success and continued revenue growth. After reviewing the 9MFY25 results, we have tweaked our estimates inline with the positives mentioned above and thus maintaining our BUY rating on the stock with an unchanged TP of ₹575.

Q3FY25 result snapshot

EPACK reported a 35% YoY growth in revenue, with the contribution from RAC declining to 66% from 73% in FY24, reducing its reliance on RAC. EBITDA saw a modest 1.6% YoY increase, but APAT dropped sharply by 34.2% YoY. Gross margin improved by 71bps YoY, driven by a favorable product mix, while EBITDA margin contracted by 211bps YoY due to higher staff costs (+41% YoY) and a sharp rise in other expenses (+116.8% YoY). Although other income grew strongly (+159.1% YoY), higher depreciation (+36.7% YoY) and finance costs (+27.7% YoY) negatively impacted profitability. Management indicated that production is ramping up for coolers and washing machines, with additional capacity being added for mixer grinders, induction cooktops, and air fryers (starting mid-Mar'25). These initiatives will further help reduce the company's dependence on RAC.

Key Financials	FY23	FY24	FY25E	FY26E	FY27E
Total Sales (₹ mn)	15,388	14,196	21,854	27,575	32,636
EBITDA Margins (%)	6.7%	8.2%	7.2%	8.0%	8.5%
PAT Margins (%)	2.2%	2.6%	2.5%	3.7%	4.2%
EPS (₹)	6.6	3.8	5.7	10.6	14.4
P/E (x)	66.9	114.7	77.4	41.7	30.7
P/BV (x)	7.3	4.7	4.5	4.1	3.6
EV/EBITDA (x)	45.4	38.3	29.5	21.3	17.0
RoE (%)	11%	4%	6%	10%	12%
RoCE (%)	16%	8%	10%	14%	16%

BUY

Current Market Price (₹)	427
12M Price Target (₹)	575
Potential Return (%)	35

Stock Data

Sector :	Consumer Durables
FV (₹) :	1
Total Market Cap (₹ bn) :	41
Free Float Market Cap (₹ bn) :	14
52-Week High / Low (₹)	670 / 151
BSE Code / NSE Symbol	544095 / EPACK
Bloomberg :	EPACK IN

Shareholding Pattern

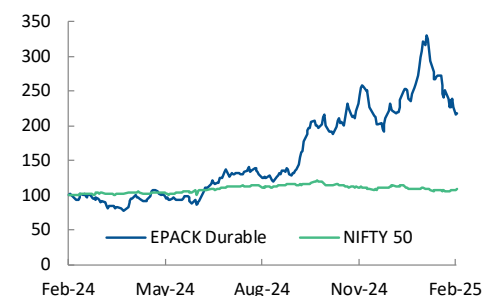
(%)	Dec-24	Sep-24	Jun-24	Mar-24
Promoter	48.04	48.06	48.14	48.11
Foreign Comp.	11.42	11.55	11.65	11.65
AIFs	6.23	7.89	10.71	10.55
Bodies Corporate	3.15	4.53	2.00	1.35
Insurance	2.03	1.97	4.56	6.08
FPIs	1.31	1.97	0.73	1.30
MFs	0.72	0.72	0.74	1.54
Others	30.25	27.84	23.47	20.77

Source: BSE

Price Performance

(%)	1M	3M	6M	12M
EPACK	-32.2%	-5.7%	67.2%	114.8%
Nifty 50	-1.1%	-1.1%	-4.0%	5.6%

* To date / current date : February 4, 2025

EPACK vs Nifty 50

Hisense Update

Tie-up with Hisense is advancing smoothly, with the plant setup already underway and expected to be completed by the end of July. Following that, an additional two months will be required for testing. So far, the company has spent ~ ₹0.6 mn of the planned ₹2.4 mn for Hisense production. Production is slated to begin in September- 26 for RAC .

Outlook & Valuation

The company has maintained its guidance of 50%+ YoY revenue growth for FY25E. We remain optimistic about improving profitability and margin expansion, driven by 1) operational leverage 2) increasing contribution from SDA & components 3) strategic tie up with Hisense. The stock has experienced a sharp correction presenting a strong opportunity to buy from current levels. After reviewing the 9MFY25 results, we have tweaked our estimates and maintained our **BUY** rating with an unchanged TP of ₹575 (40x FY27E).

Key Risks: A significant rise in competitive pressures, increased insourcing by OEMs (brands), and potential execution challenges (if any).

Exhibit 1: Consolidated Quarterly Result

(₹ mn)	Q3FY25	Q3FY24	YoY	Q2FY25	QoQ
Gross Sales	3,768	2,791	35.0%	3,771	-0.1%
COGS	3,096	2,312	33.9%	3,220	-3.9%
EBITDA	241	237	1.6%	96	150.7%
Margins (%)	6.4%	8.5%	-211bps	2.5%	385bps
Depreciation	121	89	36.7%	116	4.4%
Interest	124	97	27.7%	137	-9.5%
Other Income	49	19	159.1%	47	2.7%
PBT	44	70	-36.9%	-110	-140.3%
Tax	10	18	-44.6%	-32	-130.7%
Rate (%)	22.2%	25.3%	-311bps	29.1%	-691bps
Share of Asso.	-9	-3	NA	-7	NA
Reported PAT	25	49	-48.7%	-85	NA
Adj PAT	34	52	-34.2%	-78	NA
Margins (%)	0.9%	1.9%	-96bps	-2.1%	298bps

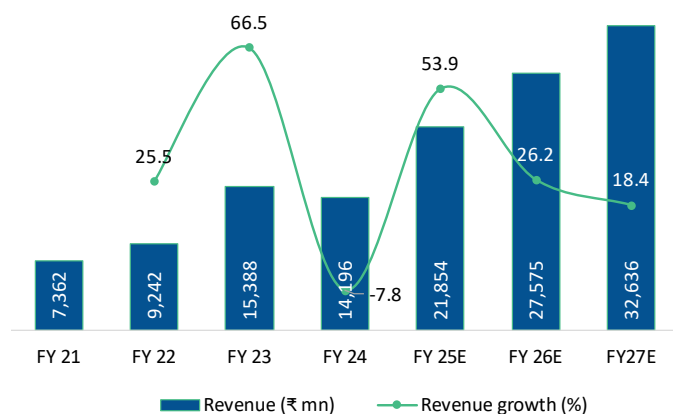
Source: Company, LKP Research

Concall Highlights

- **Guidance:** The management has upheld its revenue guidance for FY25E, expecting a growth of ~50% YoY. EBITDA margin is projected to be ~7.2% for FY25E. The target contribution from the components and RAC businesses is estimated to be ~12%-15% and ~65%, respectively.
- **Margins:** EBITDA growth for Q3FY25 was lower on a YoY basis, primarily due to the Sri City facility not yet reaching its optimal capacity.
- **Utilization:** The Bhiwadi and Dehradun plants are operating at 50%-55% utilization, while the Sri City facility is currently running at ~15%-20% utilization, with expectations to reach ~50%-55% in the near future.
- **Hisense:** The factory setup is expected to be completed by the end of July, with an additional two months allocated for testing. Production is planned to start in September. So far, the company has spent about ₹0.6 mn of the ₹2.4 mn budget for Hisense production. EPACK has also indicated that Hisense could acquire up to a 26% stake in the subsidiary, subject to regulatory approvals.
- **Raw Material:** The industry has experienced supply-chain challenges, mainly related to copper, as domestic manufacturers who committed to establishing plants by CY24 failed to meet the deadline. This delay has resulted in shortages of raw materials like copper.
- **Compressor:** The company has not yet been affected by component supply issues, such as compressors, and anticipates no impact from compressor shortages until June 2025.
- **Capex:** EPACK has invested ₹0.55 bn in setting up a new RAC manufacturing facility through its subsidiary. The company plans to spend a total of ₹2.0-2.1 bn over time to complete the construction of this RAC facility.
- **SDA:** EPACK has increased its air cooler production capacity to 60,000-70,000 units per month. Additionally, the company is poised to scale up its washing machine production to around 100,000 units per month, pending client approvals. The company plans to begin manufacturing air fryers by mid-March 2025 and may introduce additional products in Q2FY26. EPACK is also boosting the production of grinders and induction cooktops.
- **EPAVO JV:** A greenfield facility is expected to be commissioned by the end of Q1FY26 under the EPAVO joint venture. In the meantime, the Silvassa facility will continue to meet production demands.
- **Debt & Cash:** The current gross debt stands at ₹4.9 bn, with a term loan of ₹600-700 mn. Cash and cash equivalents amount to ₹130 mn.

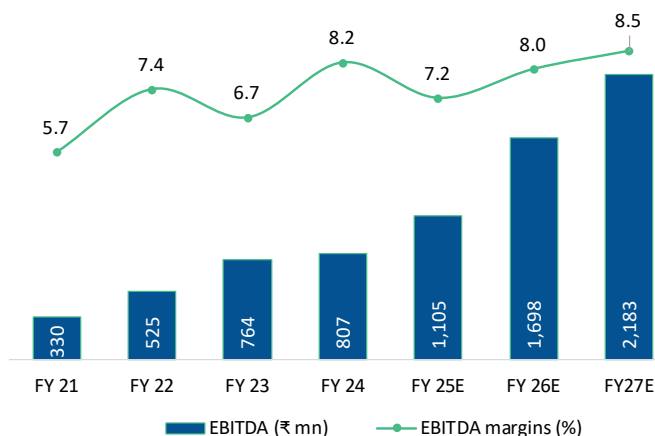
Financials in charts

Exhibit 2: Revenue & Revenue growth



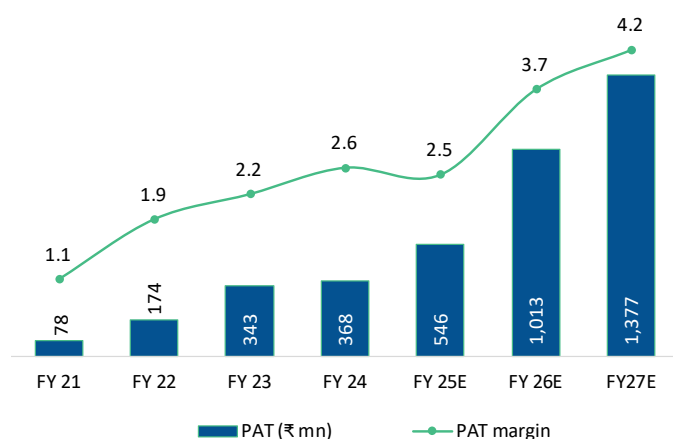
Source: Company, LKP Research

Exhibit 3: EBITDA & EBITDA growth



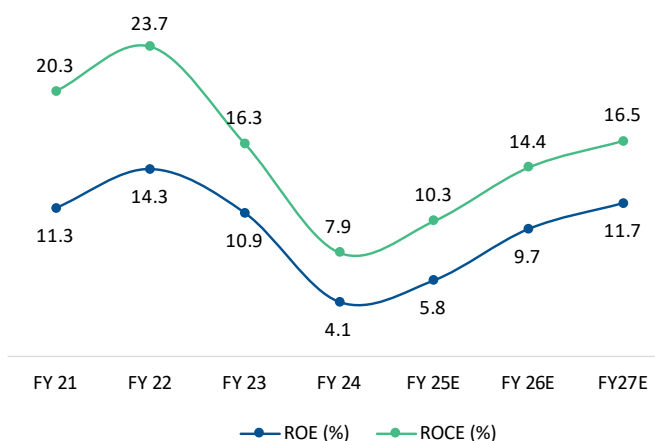
Source: Company, LKP Research

Exhibit 4: PAT & PAT growth



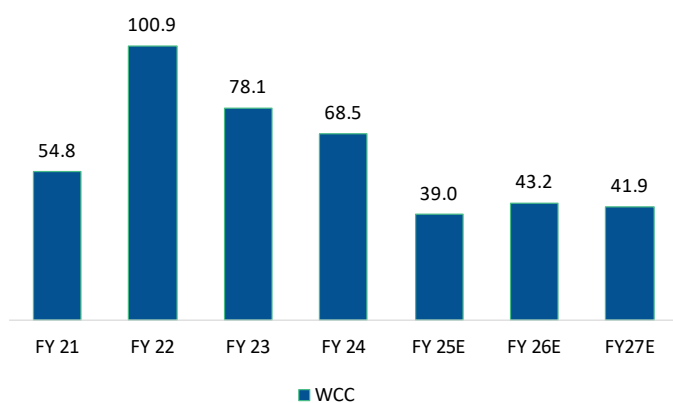
Source: Company, LKP Research

Exhibit 5: ROE v/s ROCE



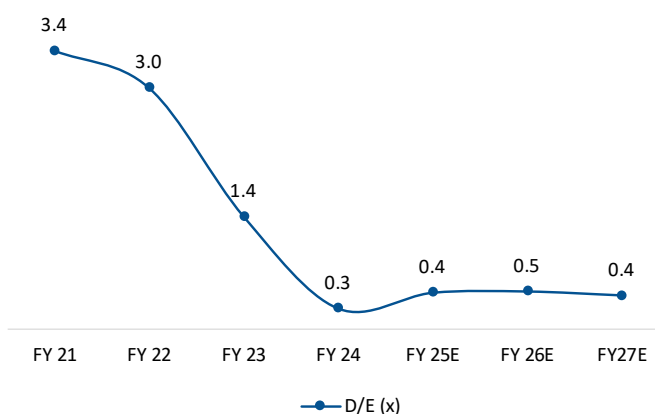
Source: Company, LKP Research

Exhibit 6: Working Capital Cycle (WCC)



Source: Company, LKP Research

Exhibit 7: Debt-to-Equity Ratio (D/E)



Source: Company, LKP Research

Exhibit 8: Profit and Loss Statement

(₹ mn)	FY23	FY24	FY25E	FY26E	FY27E
Total Income	15,388	14,196	21,854	27,575	32,636
Change (%)	66.5%	-7.8%	53.9%	26.2%	18.4%
RM Cost	13,241	11,899	18,401	22,942	27,218
Employees Cost	334	482	656	938	1,077
Other Expenses	788	653	1,224	1,489	1,567
Total Expenditure	14,363	13,034	20,280	25,369	29,862
% of Sales	93.3%	91.8%	92.8%	92.0%	91.5%
EBITDA	1,025	1,162	1,573	2,206	2,774
Margin (%)	6.7%	8.2%	7.2%	8.0%	8.5%
Depreciation	261	355	469	508	591
EBIT	764	807	1,105	1,698	2,183
Int. & Fin.Charges	315	389	584	513	609
Other Income	14	89	208	165	261
PBT bef. EO Exp.	464	507	728	1,350	1,836
EO Items	15	0	0	0	0
PBT after EO Exp.	449	507	728	1,350	1,836
Total Tax	121	138	182	338	459
Minority Interest	-8	-15	-23	-29	-34
Reported PAT	320	354	523	984	1,343
Adjusted PAT	343	368	546	1,013	1,377
Change (%)	96.9%	7.3%	48.2%	85.5%	35.9%
Margin (%)	2.2%	2.6%	2.5%	3.7%	4.2%

Exhibit 10: Key Ratios

YE Mar	FY23	FY24	FY25E	FY26E	FY27E
Basic					
Adj EPS	6.6	3.8	5.7	10.6	14.4
Cash EPS	11.6	7.5	10.6	15.9	20.5
BV/Share	60.2	93.1	98.6	108.9	122.9
Valuation (x)					
P/E	66.9	114.7	77.4	41.7	30.7
Cash P/E	38.0	58.4	41.6	27.8	21.5
P/BV	7.3	4.7	4.5	4.1	3.6
EV/Sales	3.0	3.1	2.1	1.7	1.4
EV/EBITDA	45.4	38.3	29.5	21.3	17.0
Return Ratios (%)					
RoE	11%	4%	6%	10%	12%
RoCE	16%	8%	10%	14%	16%
RoIC	4%	3%	4%	7%	8%
Working Capital Ratios					
Fixed Asset Turnover (x)	4.7	2.9	3.6	3.9	4.1
Asset Turnover (x)	0.3	0.2	0.3	0.3	0.3
Inventory (Days)	78.7	103.0	80.0	71.6	68.6
Debtor (Days)	99.1	88.9	59.2	68.9	65.9
Creditor (Days)	99.7	123.4	100.2	97.3	92.6
Leverage Ratio (x)					
Current Ratio	0.9	1.3	1.2	1.2	1.2
Interest Cover Ratio	2.4	2.1	1.9	3.3	3.6
Net Debt/Equity	1.4	0.3	0.4	0.5	0.4

Exhibit 9: Balance Sheet

(₹ mn)	FY23	FY24	FY25E	FY26E	FY27E
Equity Share Capital	521	958	958	958	958
Reserves & Surplus	2,615	7,964	8,487	9,471	10,814
Total Networth	3,136	8,922	9,445	10,429	11,772
Non-current Liabilities					
Long term debt	1,136	618	618	718	868
Deferred tax assets/liabilities	139	188	188	188	188
Other non current liabilities	288	425	425	425	425
Total non-curr liab & provs	1,563	1,230	1,230	1,330	1,480
Current Liabilities					
Trade payables	3,891	4,156	5,949	6,286	7,532
Short term provs+ borrows	3,817	2,734	3,316	4,450	5,260
Other current liabilities	2,235	635	635	635	635
Total current liab & provs	9,943	7,526	9,900	11,371	13,426
Total Equity & Liabilities	14,642	17,678	20,575	23,130	26,679
Assets					
Net block	5,101	7,042	7,966	8,986	9,921
Intangible assets	7	6	6	6	6
Other non current assets	827	626	626	626	626
Total non current assets	5,935	7,673	8,598	9,618	10,553
Cash and cash equivalents	600	1,069	-306	329	1,230
Inventories	2,937	3,782	4,285	4,714	5,518
Trade receivables	4,791	2,124	4,969	5,439	6,348
Other current assets	379	3,029	3,029	3,029	3,029
Total current Assets	8,707	10,004	11,978	13,512	16,126
Total Assets	14,642	17,678	20,575	23,130	26,679

Exhibit 11: Cash Flow Statement

(₹ mn)	FY23	FY24	FY25E	FY26E	FY27E
OP/(Loss) before Tax	440	492	728	1,350	1,836
Depreciation	261	355	469	508	591
Interest & Finance Charges	315	389	584	513	609
Direct Taxes Paid	-127	-96	-182	-338	-459
(Inc)/Dec in WC	-743	1,424	-1,556	-562	-467
Others	43	6	-23	-29	-34
CF from Operations	188	2,570	20	1,443	2,076
(Inc)/Dec in FA	-2,320	-1,566	-1,393	-1,529	-1,525
(Pur)/Sale of Investments	217	-2,148	0	0	0
Others	-72	-52	0	0	0
CF from Investments	-2,175	-3,766	-1,393	-1,529	-1,525
Issue of Shares	0	4,000	0	0	0
Inc/(Dec) in Debt	1,047	-1,732	582	1,234	960
Interest Paid	-301	-395	-584	-513	-609
Dividend Paid	0	0	0	0	0
Others	1,600	-207	0	0	0
CF from Fin. Activity	2,345	1,666	-3	721	351
Inc/Dec of Cash	359	469	-1,376	635	901
Opening Balance	241	600	1,069	-306	329
Other cash & cash equivalent	0	0	0	0	0
Closing Balance	600	1,069	-306	329	1,230

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