JM FINANCIAL

EPACK Durable | BUY

Good 4Q; focus now on execution of recent partnerships

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We acknowledge the contribution of Jignesh Thakur in preparation of this report

EPACK posted a good 4Q, with PAT rising 36% YoY and beating estimates. It expects to outgrow the industry through its customer diversification initiatives, a key contributor being the partnership with Hisense. ODM manufacturing for Hisense has already started, and the construction of the facility is also on track, with OEM manufacturing targeted by 3Q/4QFY26. The management has indicated an investment of INR 4.5bn-5bn over the next 12-18 months to ramp up capacities, predominantly in Sri City. We factor in these capacity expansion plans and cut our FY26/27E EPS estimates by 2-9%. However, the stock price has broadly been flat over the last 6 months, leaving ~28% upside to our target price. We maintain BUY with a target price of INR 460, at 40x Mar'27E EPS.

- **Strong RAC performance drives beat:** 4Q revenue was INR 6.4bn, +22% YoY, 9% ahead of estimate of INR 5.9bn. This was primarily driven by strong growth in the RAC business, given strong demand in anticipation of a strong summer. RACs contributed 64% of total revenue in 4Q. EBITDA was INR 721mn, +30% YoY, and EBITDA margin stood at 11.2%, expanding 70bps YoY, primarily led by higher gross margin, +110bps YoY, partly offset by higher other expenses as the Sri City facility is still in the ramp-up phase and has not yet achieved optimal capacity utilisation. 4Q PAT at INR 377mn rose 36% YoY.

- **FY26 guidance at 35% with 7.5% EBITDA margin:** The management target is to surpass indsutry growth of 15-20% in the RAC business. For FY26, it guided for a revenue growth of 35%, and EBITDA margin of around 7.5%. It announced capex of INR 4.5bn-5bn over the next 12-18 months, to ramp up manufacturing capacities. This includes INR 1bn for Hisense in Sri City, INR 2.3bn to ramp up the existing Sri City facility for washing machines and components, and INR 1.3bn in Bhiwadi for new product categories.

- **Manufacturing for Hisense has started; ramp-up expected in FY26:** EPACK has already started supplying to Hisense as an ODM from Mar'25 from its existing capacities. For washing machines as well, pilots have been completed and mass production is likely from June. Construction in Sri City for the facility for contract manufacturing for Hisense is progressing on expected lines, and mass production is expected to commence by end 3Q/start 4Q of FY26. This will include exports to Middle East and African countries.

- **Attempts to diversify also playing out well:** EPACK's small and large domestic appliances portfolio is the result of its attempts to diversify from its dependence on RAC manufacturing and to better utilise assets. Furthering its existing product range which included induction cooktops, water dispensers, and mixer grinders, EPACK launched air fryers in FY25, and has a pipeline that includes coffee makers, dry vacuum cleaners, nutri-blenders, etc for FY26 and tower fans, hair dryers, and air purifiers in FY27.

- **Weak secondary demand has yet not culminated into cuts in customer orders:** The management highlighted that given weak secondary sales in Apr'25 and May'25, the channel is already carrying inventory. However, its discussions with customers indicate the expectation of a rebound through the rest of FY26. It highlighted that while no cuts in full year orders have been seen yet, some delays in terms of offtake have been witnessed.

Recommendation and Price Target	
Current Reco.	BUY
Previous Reco.	BUY
Current Price Target (12M)	480
Upside/(Downside)	27.6%
Previous Price Target	540
Change	-11.1%

Key Data – EPACK IN	
Current Market Price	INR376
Market cap (bn)	INR36.1/US$0.4
Free Float	42%
Shares in issue (mn)	95.8
Diluted share (mn)	96.0
3-mon avg daily val (mn)	INR289.1/US$3.4
52-week range	674/158
Sensex/Nifty	81,312/24,752
INR/US$	85.4

Price Performance			
%	1M	6M	12M
Absolute	3.1	-3.6	99.9
Relative*	1.8	-5.4	83.2

* To the BSE Sensex

Financial Summary					(INR mn)
Y/E March	FY24A	FY25A	FY26E	FY27E	FY28E
Net Sales	14,196	21,709	27,349	37,030	46,735
Sales Growth (%)	-7.7	52.9	26.0	35.4	26.2
EBITDA	1,162	1,577	2,062	2,828	3,620
EBITDA Margin (%)	8.2	7.3	7.5	7.6	7.7
Adjusted Net Profit	354	551	714	1,142	1,602
Diluted EPS (INR)	3.7	5.7	7.4	11.9	16.7
Diluted EPS Growth (%)	-39.8	55.6	29.5	60.0	40.2
ROIC (%)	5.9	7.0	8.3	10.4	12.2
ROE (%)	5.9	6.0	7.2	10.6	13.2
P/E (x)	104.5	67.2	51.9	32.4	23.1
P/B (x)	4.1	3.9	3.6	3.3	2.9
EV/EBITDA (x)	33.8	25.6	20.3	15.0	11.8
Dividend Yield (%)	0.0	0.0	0.0	0.0	0.0

Source: Company data, JM Financial. Note: Valuations as of 28/May/2025

Takeaways from conference call

Guidance for FY26

- **Revenue and margin guidance:** Witnessed healthy order booking across all product categories. Going forward in FY26/27, the Indian RAC industry is expected to register a growth of 15-20%; EPACK aspires to surpass industry growth. Further, it will focus on growing the appliances business. FY26 revenue growth is seen at 35%, while EBITDA margin is expected to hover around 7.5%+ for FY25.
- **Capex guidance:** INR 4.5bn-5bn capex investment over the next 12-18 months, specifically to ramp up manufacturing capacities. Of this, (1) INR 1bn will be incurred for the Hisense facility in Sri City, (2) INR 2.3bn in ramping up the existing Sri City facility for washing machines and component manufacturing, and (3) INR 1.3bn for new product categories (announcements will be made soon) in the Bhiwadi facility. This INR 4.5bn will be funded through – existing IPO proceeds, internal accruals and ~INR 1bn of debt.

Comments on demand scenario

- Industry impacted owing to unseasonal rains, especially in the South. Saw weak secondary sales in Apr'25 and May'25. Hence, the channel is already carrying inventory. Expect industry to rebound and post positive growth in FY26, contrary to trends witnessed through summers. Expect some concern in 1Q; however, customer diversification initiatives will drive growth in FY26. No cuts in full year orders yet, although some delays in terms of offtake seen.
- On the compressor front, global giants including Hailey, GMCC and Daikin, through their Indian facilities, are ramping up capacities to meet India demand.

Progress on manufacturing for Hisense

- Construction in Sri City for the facility for Hisense progressing on expected lines. Expect to commence production for Hisense by end 3Q/start 4Q of FY26.
- Two aspects of the Hisense business: (1) EPACK as an ODM - Supply has started from Mar'25; this includes products designed by EPACK, which it will manufacture for Hisense. Similarly for washing machines, pilots have been completed and mass production will commence from June, and (2) EPACK as an OEM – in the upcoming Sri City facility being set up specifically for Hisense, EPACK will act as an OEM for Hisense, wherein it will carry out contract manufacturing as per Hisense's designs. This facility will cater to domestic and exports to Middle East and African countries.
- Currently, Hisense has a presence in the Indian LED TV market, and it is now making inroads into the channel for ACs (earlier had only online presence). Washing machines is a completely new category for Hisense in India and will ramp up over time.

Motor manufacturing JV - EPAVO

Entered into a JV with EPAVO for the manufacturing of motors. A greenfield facility at Bhiwadi has been established and will commence production by Q2FY26. Installed capacities in EPAVO plant for AC motors will be about 3mn. An RAC unit has 2 motors generally, hence considering a 15mn RAC market; the demand for motors is close to 30mn. About 50% of the motor requirements are being imported from China. However, as BIS regulations kick in, the need for localisation will kick in.

Other takeaways

- **Domestic appliances:** There has been a slowdown in demand for usual products such as mixer grinders. However, EPACK expects to grow revenue from newer products such as air-fryers, coffee makers, etc, wherein the demand scenario is relatively better.
- **Promoter pledge:** Part of the promoter holding pledged to pay off some loans taken in personal capacity. Expect this pledge to end in the next couple of quarters.
- **Components PLI:** Evaluating the Electronics Component Scheme, but no concrete plans yet. PLI benefit for FY25 – INR 375mn, accounted as part of total revenue. Of this, INR 100mn has been booked in 4Q.

Exhibit 1. . EPACK – 4QFY25 results review

(INR mn)	Q1FY24	Q2FY24	Q3FY24	Q4FY24	FY24	Q1FY25	Q2FY25	Q3FY25	Q4FY25	Q4FY25E
Total Revenue	**4,367**	**1,781**	**2,791**	**5,257**	**14,196**	**7,737**	**3,771**	**3,768**	**6,432**	**5,891**
YoY	**nm**	**nm**	**1%**	**-18%**	**-8%**	**77%**	**112%**	**35%**	**22%**	**12%**
Raw Material Costs	(3,770)	(1,505)	(2,312)	(4,312)	(11,899)	(6,656)	(3,220)	(3,096)	(5,205)	(4,851)
Gross Profit	**596**	**276**	**478**	**945**	**2,296**	**1,081**	**551**	**673**	**1,227**	**1,040**
Gross Profit margin %	**13.7%**	**15.5%**	**17.1%**	**18.0%**	**16.2%**	**14.0%**	**14.6%**	**17.9%**	**19.1%**	**17.7%**
Employee Cost	(106)	(104)	(120)	(152)	(482)	(177)	(168)	(169)	(179)	(185)
% of sales	2.4%	5.8%	4.3%	2.9%	3.4%	2.3%	4.4%	4.5%	2.8%	3.1%
Manufacturing and other expenses	(198)	(95)	(121)	(239)	(653)	(387)	(287)	(262)	(328)	(312)
% of sales	4.5%	5.3%	4.3%	4.5%	4.6%	5.0%	7.6%	7.0%	5.1%	5.3%
EBITDA	**292**	**77**	**237**	**554**	**1,162**	**517**	**96**	**241**	**721**	**543**
YoY	**nm**	**nm**	**453%**	**-10%**	**13%**	**77%**	**24%**	**2%**	**30%**	**-2%**
EBITDA margin%	6.7%	4.3%	8.5%	10.5%	8.2%	6.7%	2.5%	6.4%	11.2%	9.2%
Total D&A Expense	(77)	(83)	(89)	(106)	(355)	(113)	(116)	(121)	(124)	(125)
EBIT	**215**	**(6)**	**149**	**449**	**807**	**404**	**(20)**	**120**	**597**	**418**
YoY	**nm**	**nm**	**-852%**	**-18%**	**6%**	**88%**	**243%**	**-19%**	**33%**	**-7%**
EBIT margin%	**4.9%**	**-0.3%**	**5.3%**	**8.5%**	**5.7%**	**5.2%**	**-0.5%**	**3.2%**	**9.3%**	**7.1%**
Other Income	8	7	19	55	89	61	47	49	55	39
Finance Costs	(98)	(81)	(97)	(113)	(389)	(140)	(137)	(124)	(137)	(135)
PBT	**125**	**(79)**	**70**	**391**	**507**	**325**	**(110)**	**44**	**515**	**322**
YoY	**nm**	**nm**	**-184%**	**-14%**	**9%**	**160%**	**38%**	**-37%**	**32%**	**-18%**
Income Tax Expense	(35)	22	(18)	(107)	(138)	(89)	32	(10)	(126)	(79)
Rate % (ex JCE and associate income)	28.0%	27.5%	25.4%	27.4%	27.3%	27.4%	29.2%	22.3%	24.4%	24.6%
Share of JCEs and Associates	(3)	(3)	(3)	(6)	(15)	(2)	(7)	(9)	(12)	(4)
Net Profit	**87**	**(61)**	**49**	**278**	**354**	**234**	**(85)**	**25**	**377**	**239**
Margins	**2.0%**	**-3.4%**	**1.8%**	**5.3%**	**2.5%**	**3.0%**	**-2.2%**	**0.7%**	**5.9%**	**4.1%**
YoY	**nm**	**nm**	**-177.6%**	**-10.8%**	**20%**	**168.5%**	**39.5%**	**-48.9%**	**11%**	**-14.2%**

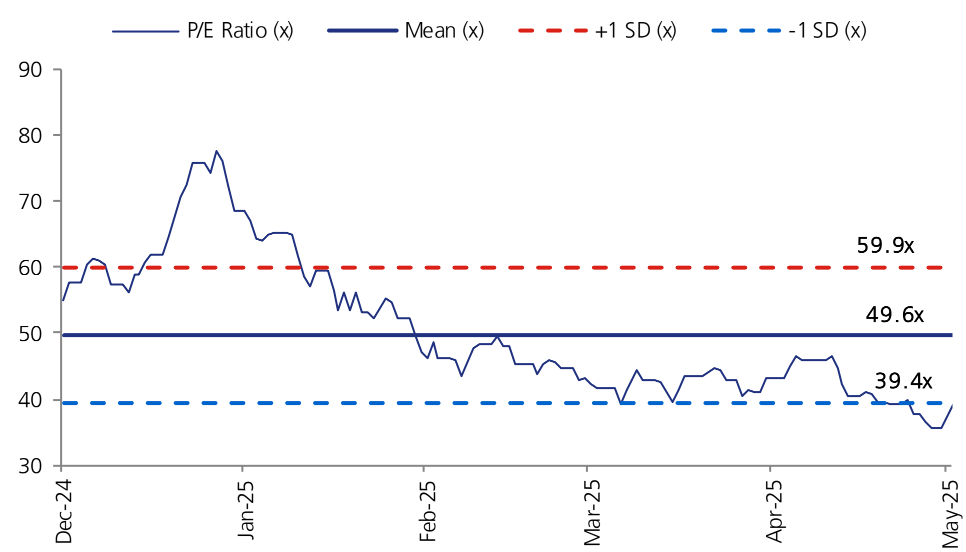
Source: Company, JM Financial

Exhibit 2. EPACK – EPS revision table

Year End Mar (INR mn)	FY26E	FY27E	FY28E
Revenues			
Old	29,238	39,761	NA
New	27,349	37,030	46,735
Change	-6.5%	-6.9%	NA
EBITDA			
Old	2,050	2,878	NA
New	2,062	2,828	3,620
Change	0.6%	-1.7%	NA
EBITDA margins			
Old	7.0%	7.2%	NA
New	7.5%	7.6%	7.7%
Change	51	40	NA
Recurring PAT			
Old	725	1,250	NA
New	714	1,142	1,602
Change	-1.6%	-8.6%	NA
EPS			
Old	7.6	13.0	NA
New	7.4	11.9	16.7
Change	-1.7%	-8.8%	NA

Source: JM Financial, Company

Exhibit 3. EPACK – 1-yr forward P/E band chart



Source: JM Financial, Company

Financial Tables (Consolidated)

Income Statement					(INR mn)
Y/E March	FY24A	FY25A	FY26E	FY27E	FY28E
Net Sales	14,196	21,709	27,349	37,030	46,735
Sales Growth	-7.7%	52.9%	26.0%	35.4%	26.2%
Other Operating Income	0	0	0	0	0
Total Revenue	**14,196**	**21,709**	**27,349**	**37,030**	**46,735**
Cost of Goods Sold/Op. Exp	11,899	18,177	22,900	30,969	39,039
Personnel Cost	0	0	0	0	0
Other Expenses	1,135	1,955	2,387	3,232	4,076
EBITDA	**1,162**	**1,577**	**2,062**	**2,828**	**3,620**
EBITDA Margin	8.2%	7.3%	7.5%	7.6%	7.7%
EBITDA Growth	13.3%	35.8%	30.7%	37.2%	28.0%
Depn. & Amort.	355	474	542	661	781
EBIT	807	1,103	1,520	2,168	2,840
Other Income	89	211	67	56	58
Finance Cost	389	539	622	736	798
PBT before Excep. & Forex	507	774	964	1,488	2,100
Excep. & Forex Inc./Loss(-)	0	0	0	0	0
PBT	507	774	964	1,488	2,100
Taxes	138	193	240	370	522
Extraordinary Inc./Loss(-)	0	0	0	0	0
Assoc. Profit/Min. Int.(-)	-15	-30	-10	25	25
Reported Net Profit	354	551	714	1,142	1,602
Adjusted Net Profit	**354**	**551**	**714**	**1,142**	**1,602**
Net Margin	2.5%	2.5%	2.6%	3.1%	3.4%
Diluted Share Cap. (mn)	95.8	96.0	96.0	96.0	96.0
Diluted EPS (INR)	**3.7**	**5.7**	**7.4**	**11.9**	**16.7**
Diluted EPS Growth	-39.8%	55.6%	29.5%	60.0%	40.2%
Total Dividend + Tax	0	0	0	0	0
Dividend Per Share (INR)	0.0	0.0	0.0	0.0	0.0

Source: Company, JM Financial

Balance Sheet					(INR mn)
Y/E March	FY24A	FY25A	FY26E	FY27E	FY28E
Shareholders' Fund	8,922	9,518	10,232	11,375	12,977
Share Capital	958	960	960	960	960
Reserves & Surplus	7,964	8,559	9,273	10,415	12,017
Preference Share Capital	0	0	0	0	0
Minority Interest	0	0	0	0	0
Total Loans	3,314	3,697	4,947	5,447	5,897
Def. Tax Liab. / Assets (-)	0	0	0	0	0
Total - Equity & Liab.	**12,236**	**13,216**	**15,180**	**16,822**	**18,874**
Net Fixed Assets	7,043	7,487	9,448	10,231	10,980
Gross Fixed Assets	7,604	8,206	11,041	12,475	13,975
Intangible Assets	0	0	0	0	0
Less: Depn. & Amort.	827	1,301	1,813	2,444	3,194
Capital WIP	266	582	220	200	200
Investments	31	168	168	168	168
Current Assets	10,604	12,473	14,555	18,260	22,526
Inventories	3,782	5,807	7,462	10,306	13,267
Sundry Debtors	2,124	2,980	3,830	5,289	6,809
Cash & Bank Balances	1,071	442	220	71	306
Loans & Advances	0	0	0	0	0
Other Current Assets	3,628	3,243	3,043	2,593	2,143
Current Liab. & Prov.	5,442	6,913	8,992	11,837	14,801
Current Liabilities	4,769	5,944	8,016	10,862	13,825
Provisions & Others	673	968	975	975	975
Net Current Assets	5,163	5,561	5,564	6,423	7,725
Total – Assets	**12,236**	**13,216**	**15,180**	**16,822**	**18,874**

Source: Company, JM Financial

Cash Flow Statement					(INR mn)
Y/E March	FY24A	FY25A	FY26E	FY27E	FY28E
Profit before Tax	492	744	954	1,513	2,125
Depn. & Amort.	355	474	542	661	781
Net Interest Exp. / Inc. (-)	0	0	0	0	0
Inc (-) / Dec in WCap.	-777	810	-426	-1,207	-1,268
Others	49	37	0	0	0
Taxes Paid	-138	-193	-240	-370	-522
Operating Cash Flow	**-19**	**1,872**	**830**	**596**	**1,115**
Capex	-2,294	-918	-2,503	-1,444	-1,530
Free Cash Flow	-2,314	954	-1,673	-848	-415
Inc (-) / Dec in Investments	0	-138	0	0	0
Others	201	-1,791	200	200	200
Investing Cash Flow	**-2,093**	**-2,846**	**-2,303**	**-1,244**	**-1,330**
Inc / Dec (-) in Capital	-1,178	2	0	0	0
Dividend + Tax thereon	4,995	43	0	0	0
Inc / Dec (-) in Loans	-1,388	301	1,250	500	450
Others	0	0	0	0	0
Financing Cash Flow	**2,429**	**346**	**1,250**	**500**	**450**
Inc / Dec (-) in Cash	**316**	**-628**	**-223**	**-148**	**235**
Opening Cash Balance	754	1,071	442	220	71
Closing Cash Balance	1,071	442	220	71	306

Source: Company, JM Financial

Dupont Analysis					
Y/E March	FY24A	FY25A	FY26E	FY27E	FY28E
Net Margin	2.5%	2.5%	2.6%	3.1%	3.4%
Asset Turnover (x)	1.2	1.6	1.9	2.2	2.5
Leverage Factor (x)	1.9	1.4	1.5	1.5	1.5
RoE	5.9%	6.0%	7.2%	10.6%	13.2%

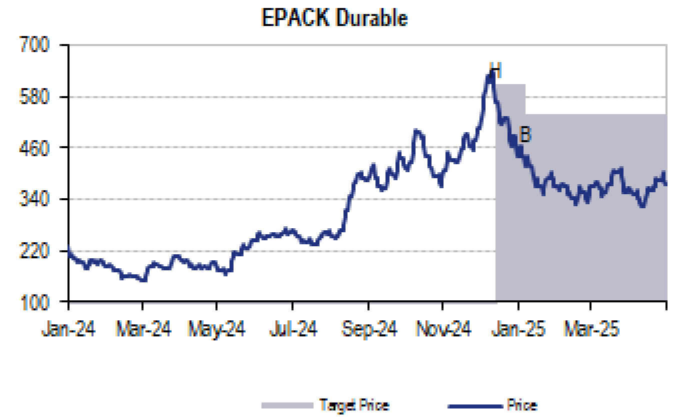
Key Ratios					
Y/E March	FY24A	FY25A	FY26E	FY27E	FY28E
BV/Share (INR)	93.1	99.2	106.6	118.5	135.2
ROIC	5.9%	7.0%	8.3%	10.4%	12.2%
ROE	5.9%	6.0%	7.2%	10.6%	13.2%
Net Debt/Equity (x)	0.3	0.3	0.5	0.5	0.4
P/E (x)	104.5	67.2	51.9	32.4	23.1
P/B (x)	4.1	3.9	3.6	3.3	2.9
EV/EBITDA (x)	33.8	25.6	20.3	15.0	11.8
EV/Sales (x)	2.8	1.9	1.5	1.1	0.9
Debtor days	55	50	51	52	53
Inventory days	97	98	100	102	104
Creditor days	116	98	108	110	112

Source: Company, JM Financial

History of Recommendation and Target Price

Date	Recommendation	Target Price	% Chg.
11-Jan-25	Hold	610	
3-Feb-25	Buy	540	-11.5

Recommendation History



APPENDIX I

JM Financial Institutional Securities Limited

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Hold	Price expected to move in the range of 10% downside to 10% upside from the current market price for stocks with market capitalisation in excess of INR 200 billion and REITs* and in the range of 10% downside to 15% upside from the current market price for all other stocks, over the next twelve months.
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* REITs refers to Real Estate Investment Trusts.

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