CONSUMER DURABLES

15 October 2025

Speed bump on a long ride

- **Significant growth in AC contract manufacturing to moderate as growth levers normalise; however, expect to outpace category growth**
- **CMs diversifying into components, SDA/LDA, EMS to smoothen seasonality and sustain the high growth**
- **Initiate coverage on white goods contract manufacturers, PGEL with HOLD and Epack with BUY**

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Since 2020, policy tailwinds in White Goods have reset supply base: Over the last 5–6 years, contract manufacturers (CMs) like Amber, PGEL, EPACK have compounded well ahead of RAC unit growth, propelled by (a) demand tailwinds, a low-penetration category benefiting from rising affordability (b) policy tailwinds—the 2020 ban on CBU imports and the White Goods PLI. Together, these shifted production locally, triggered capacity build-out across the component base, and lifted domestic value addition from ~15–20% to ~45–50%. Net result: a higher share of wallet and faster scaling than the underlying RAC volumes.

Seasonality and cost efficiency have favoured outsourcing: Beyond demand and policy tailwinds, CMs benefit from cost advantages (pooled purchasing lowering BOM, lean conversion and working-capital relief) that make pricing attractive to brands. While RACs are a structurally growing category, the demand is seasonal (Q4–Q1 peak). Hence, both seasonality and lower cost build attracted brands for higher outsourcing volumes.

Heightened brand competition and supply-side expansion create a nuanced outlook for contract manufacturers: PLI spurred both brands and CMs to add capacity, with CMs ramping up faster, given modular lines and shorter lead times. Today, final assembly capacity in RACs (brands + CMs) exceeds demand, and with weakness in volumes in the current year and intensifying competition, we expect near-term margin pressure for contract manufacturers.

Contract manufacturers leveraging existing manufacturing strengths to diversify: CMs are aiming to reduce the impact of seasonal demand swings in cooling products. By repurposing assembly, plastics, and electronic sub-assembly lines, companies are expanding into small and large domestic appliances such as mixer-grinders, induction cooktops, and washing machines.

Initiate coverage on PG Electroplast with HOLD and E-Pack with BUY: We initiate coverage on the listed leading white goods contract manufacturers, PG Electroplast and E-pack Durables with a HOLD and BUY rating respectively.

Recommendation snapshot

Ticker	Price	Target	Rating
EPACK IN	337	420	BUY
PGEL IN	571	600	HOLD

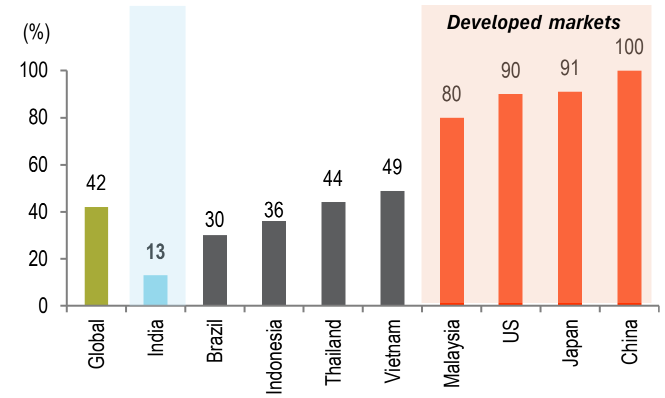
Price & Target in Rupees | Price as of 15 Oct 2025

RACs – a structural category with seasonal swings

Proven demand drivers remain intact, pointing to continued growth ahead: Over the last few years, AC demand has been strong (15% volume CAGR in FY19-25), driven by structural drivers: a) low penetration, significantly lower at 12% vs global average of 40% as well as vs other categories (TV, ref) b) rising disposable income with wider consumer finance access c) tailwinds in real estate demand (post Covid) d) improving electrification.

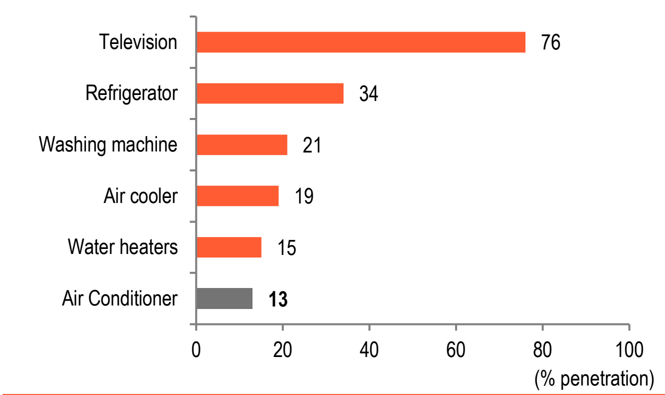
- AC penetration remains low at 13% in FY25 vs global average of 40%. Further, as compared to other consumer durable categories, the penetration is the lowest. TV is among the most penetrated categories, followed by refrigerators and washing machines.

Fig 1 – India's AC penetration lags global peers



Source: Industry, BOBCAPS Research

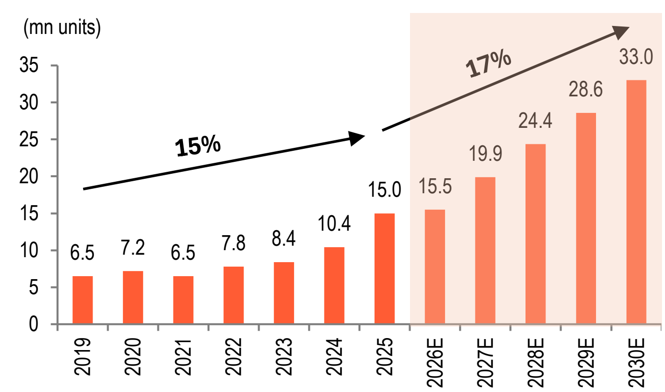
Fig 2 – Lowest penetration among large appliances



Source: Industry, BOBCAPS Research

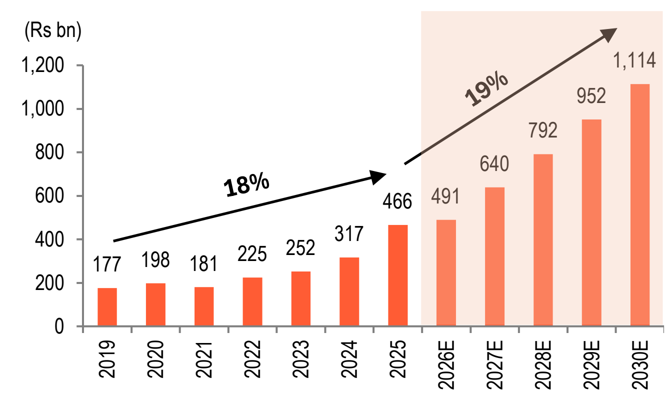
- Low penetration + increasing need + improving affordability provides robust demand visibility (17% /19% volume/value CAGR over FY25-30%). Higher ASP growth (implied 2%) is largely on the back of new product launches, especially energy-efficient AC every 2-3 years, as the industry periodically complies with BEE norms.

Fig 3 – Industry saw ~15% volume CAGR over FY19-25



Source: Industry, BOBCAPS Research

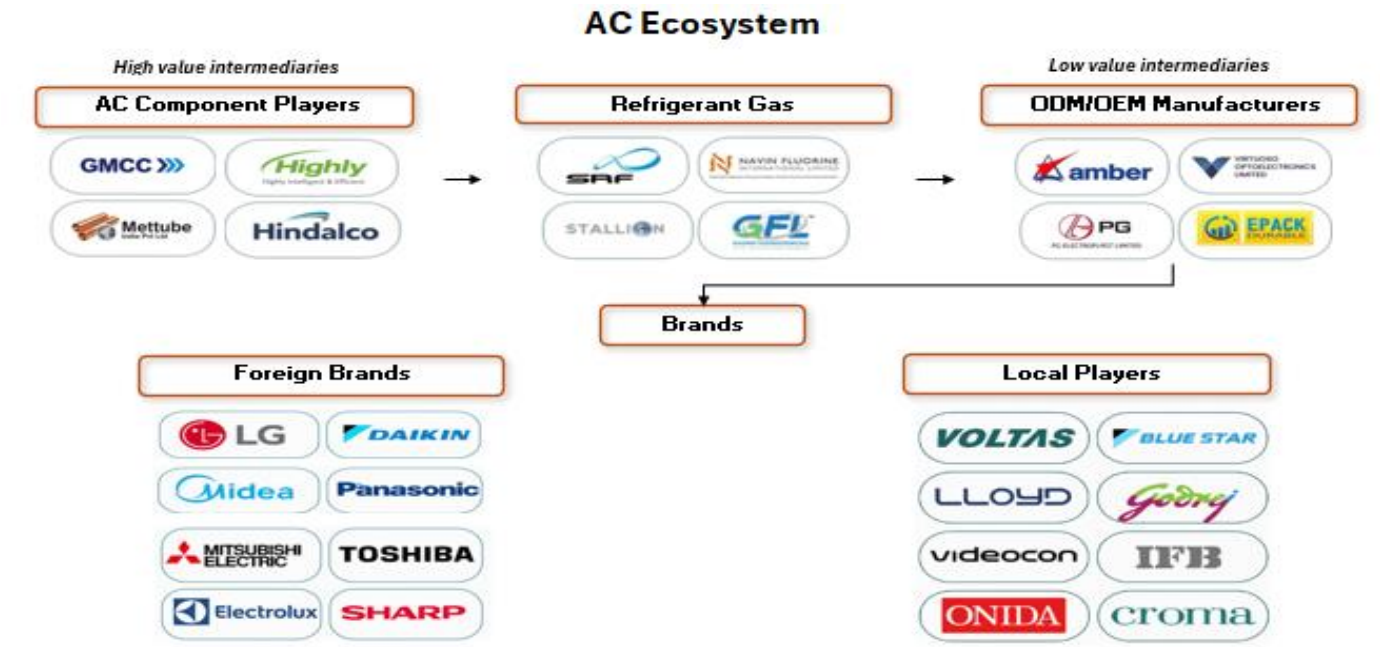
Fig 4 – New energy-efficient SKUs to drive higher ASPs



Source: Industry, BOBCAPS Research

Sensing the opportunity, more than 25 brands are active in the AC category: Earlier, easy access to Chinese imports either through drop-shipping completely built units (CBUs) or assembling semi/completely knocked down (SKD/CKD) kits had lowered entry barriers and attracted several new brands into the category. Over time, the rise of domestic contract manufacturers further eased market entry, while the rapid expansion of alternative channels such as large-format retail, modern trade, and e-commerce provided greater reach. Together, these factors have led to the emergence of more than 25 active brands (total ~65 brands) over the last decade. Easy access to Chinese imports by drop shipping completely built units (CBUs) or assembling semi-knocked units or completely knocked units, earlier and now a deep bench of domestic contract manufacturers lowered the entry barriers and drew many brands into the category. Further, growing alternative channels such as large format retail, modern retail and e-com also gave reach to the newer brands, which has resulted in more than 25 active brands (total ~65 brands) over last decade.

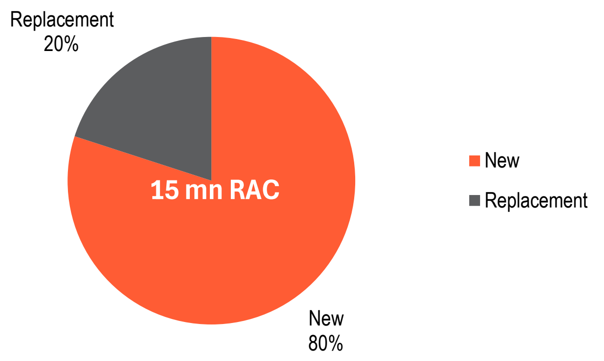
Fig 5 – More than 25 active brands – sourcing components from a few high-value component manufacturers



Source: Industry, BOBCAPS Research

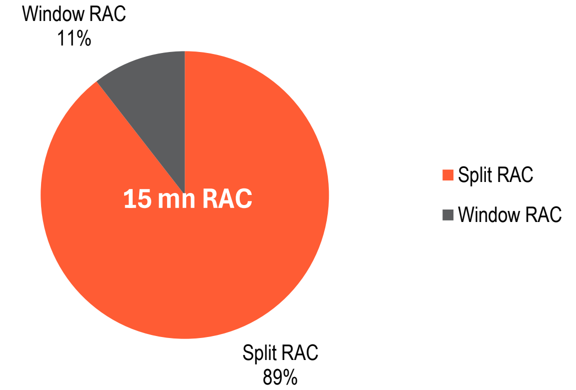
Higher new demand vs replacement has led to faster adoption of newer products: A key structural driver for newer products has been the dominance of new demand over replacement, which has expedited adoption of newer formats and technologies. Over the past decade, split ACs have displaced window units, inverter penetration has surged, and the market now skews to 3-star and 5-star models. This tech adoption has been faster in ACs vs refrigerators or washing machines.

Fig 6 – 80% of RAC volume is led by new demand



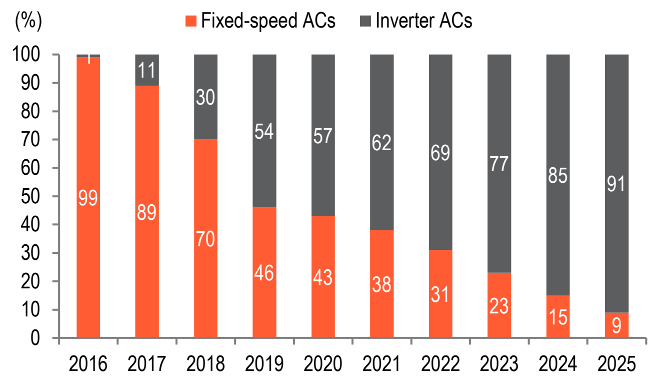
Source: Amber QIP, BOBCAPS Research

Fig 7 – Product mix is skewed towards newer products



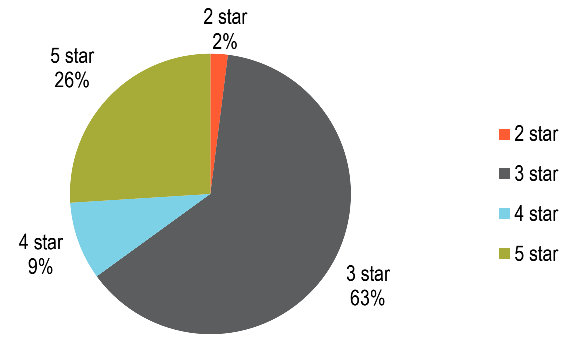
Source: Industry, BOBCAPS Estimate

Fig 8 – Faster adoption of tech can be attributed to a) higher new demand b) growing awareness of EE



Source: PGEL QIP, BOBCAPS Research

Fig 9 – 3 & 5 star rated AC dominate the RAC product mix



Source: Industry, BOBCAPS Research

Energy efficiency is at the core of product development: With growing awareness of product lifecycle costs and energy savings, energy efficiency sits at the core of AC product development, as it lowers the total cost of ownership. However, brands differentiating through star-rated performance are not a major hurdle anymore, as brands can easily tap ODM supplied designs, use in-house R&D, or buy off-the-shelf technology.

Fig 10 – Higher energy efficiency command premium

(Rs/unit)	1.5-ton 3-star AC	1.5-ton 5-star AC	Premium (%)
Blue Star	33,190	41,490	+25
Voltas	3,3000	38,690	+17

Source: e-commerce, BOBCAPS Research

Fig 11 – Change in BEE ratings over the past

Ratings level	Jan 2009- Dec 2011	Jan 2012- Dec 2013	Jan 2014-Dec 2017	Jan 2018- June 2022	July 2022-Dec 2025	Jan 2026- Dec 2028
1 star	2.3	2.5	2.7	3.1	3.3	3.5
2 star	2.5	2.7	2.9	3.3	3.5	3.8
3 star	2.7	2.9	3.1	3.5	3.8	4.3
4 star	2.9	3.1	3.3	4.0	4.4	5.0
5 star	3.1	3.3	3.5	4.5	5.0	5.6

Source: Industry, BOBCAPS Research

Fig 12 – Role of BEE in product innovation has gained prominence over the years with multiple implementation

Period	What was planned	Implemented /Delay/ Extension	Remarks
2006	BEE was first introduced; it wasn't mandatory but voluntary		AC and refrigerators
Jan-09	Mandatory AC labelling	implemented	First compulsory star label, based on EER
2009 - 2011	First validity window	implemented	
2012 - 2013	Next tightening / ratcheting	implemented	
2014 - 2017	Next tightening / ratcheting	implemented	
Jan-18 - Dec-19	Planned new regime (ISEER adopted)	Extended to Dec 2020	Industry sought 1Y extension citing readiness issues
Jan-21 - Jun-22	New table should've started 2021	Extended again till June 2022	COVID led disruption
Jul-22 - Dec-25	Current ratings (ISEER based)	in force	
Jan-26 - Dec-28	Next revision is also tightening/ ratcheting		Weak demand and high channel inventory can push implementation

Source: Industry, BOBCAPS Research

Off the shelf tech (lack of IPs) has led to low product differentiation among brands; product distribution, after-market service becomes key: Air conditioners have common core hardware i.e. compressors, motors and controllers, which brands/ contract manufacturers buy from a handful of global suppliers (GMCC, Highly, Rechi, etc). The prevalence of off-the-shelf tech has made ACs look and perform similarly across brands as design and components are widely shared, perceived differentiation erodes and advantages rests more on distribution, reliability of the product, and pricing discipline for brands.

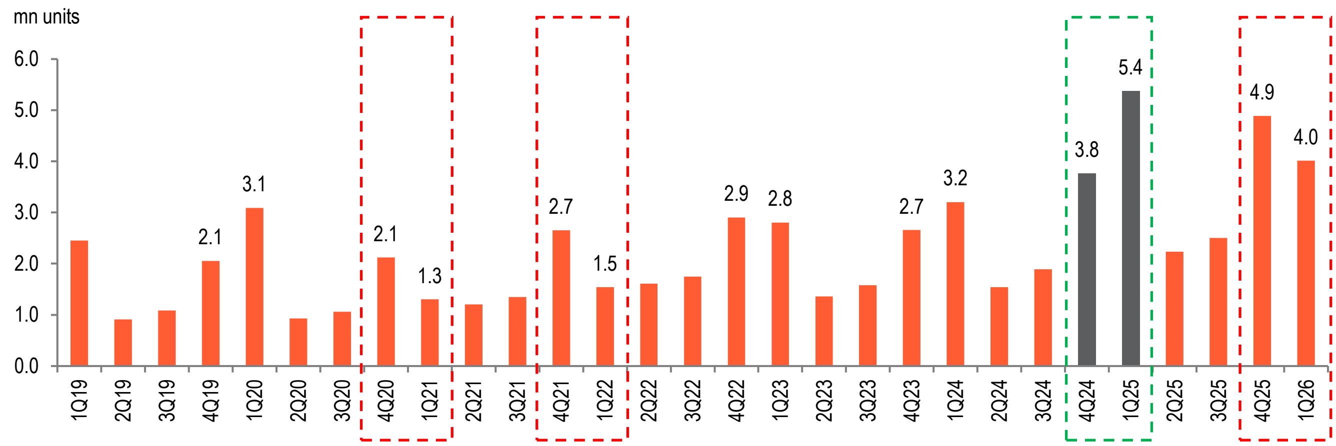
Fig 13 – Most of the features are available across brands in 1.5-ton 3-star inverter AC

Brand	MOP (Rs / unit)	ISEER	Indoor Noise (dB)	WiFi/ App control	PM 2.5 filter	Anti corrosion coating	Convertible modes	Stabilizer free operation
Whirlpool	37300	3.83	43.3	✓	✓	✓	✓	✓
Panasonic	37900	3.76	43.4	×	✓	✓	✓	✓
Samsung	37900	3.86	44.7	×	✓	✓	✓	✓
LG	38200	3.86	44.0	✓	✓	×	✓	✓
Voltas	39700	3.86	47.4	✓	✓	✓	✓	✓
Godrej	39900	3.79	43.9	✓	✓	✓	✓	✓
Haier	40400	3.93	45.3	×	✓	✓	✓	✓
Daikin	40100	3.92	44.6	×	✓	✓	×	✓
Blue Star	42300	3.75	41.7	✓	✓	✓	✓	✓
Lloyd	42400	3.82	42.2	✓	✓	✓	✓	✓

Source: Company, BOBCAPS Research

Intensity & duration of summer are among key factors of seasonal swing: Besides the long-term structural demand drivers, room AC demand remains inherently seasonal, peaking in the summer months and easing materially in the off-season. Two dynamics dominate intra-year swings – a) the intensity and duration of summer, which directly lifts secondary sales as heat days rise b) pre-season stocking by brands and channels that builds primary sales ahead of summer in anticipation of consumer buying. During the current summer season (CY25/Q1FY26), we saw high pre-season stocking that were disappointed by lower intensity shorter duration of summer, which in turn led to significant decline in AC volume sales (~decline of 20-25% YoY).

Fig 14 – Quarterly swings and disrupted summers over last 5 years



Source: Industry checks, BOBCAPS Research

Summer of CY20 and CY21 saw seasonal swings when the peak season demand was disrupted due to the Covid-led lockdown, which led to higher inventories in the channel. However, the summer of CY24 was among the strongest of summers, witnessing the highest demand ever. This swing was largely due to higher-than-anticipated demand. During the peak season, brands look forward to contract manufacturers, to avoid a stock-out situation.

Seasonality a catalyst for outsourcing: Given RAC's pronounced seasonality, Mar–Jun spike (4–5 months) and a 7–8-month off-season, brands optimise for steady, year-round utilisation rather than maxing out in peak. Hitting high peak-season utilisation would require a larger installed base and multi-shift operations. So, most brands pre-build on a single-shift base (Dec–Mar) and outsource incremental peak demand on high-volume SKUs to CMs/ODMs. Example: a brand with 10% share in a 15 mn-unit market implies ~1.5 mn units annually, of which ~0.8–0.9 mn sell in 4-5 months; covering that internally would necessitate higher capacity or sustained second shifts. Outsourcing absorbs the surge without burdening fixed costs or working capital.

PLI support has accelerated localisation

India's RAC supply side has evolved materially: In the early phase (mid-1990s to 2000s), the market was concentrated among a few brands—Voltas, Carrier, LG and Lloyd (retail foray under Fedders Lloyd). In the early-2010s, Blue Star—long focused on central cooling—entered the residential RAC segment, broadening the branded set. In 2017, Havells acquired Lloyd. As import restrictions tightened and customs duties rose, brands ramped up in-country assembly capacity. Post-2017, a long tail of new brands and private labels (MarQ, AmazonBasics, Croma, Koryo, TCL, realme, Hisense, etc.) has entered, even as existing players expand manufacturing footprints and integrate backwardly.

Fig 15 – Timeline of brands entering the Indian AC market

Time period	Key brands entering the market
1961-65	Voltas secured license to manufacture Carrier Airconditioning equipment
1981-85	Voltas launched India's first split AC units in India
1986-88	Carrier sets up base in India with a manufacturing facility in Gurgaon, Haryana
1997	LG and Samsung set up base in India
1998	Hitachi started selling Hitachi brand room ACs in India
2000	A JV between Daikin and Shriram was formed
2000	Fujitsu General enters India for sale of Acs
2000-04	Whirlpool expands consumer durable portfolio
2004-07	Fedders Lloyd re-enters into RAC under Lloyd brand name
2007	Haier started its first manufacturing plant in Pune
2010	Mitsubishi enters RAC business in India
2011	Blue Star enters RAC segment
2017	Lloyd was acquired by Havells from Fedder Lloyd

Source: Industry, BOBCAPS Research

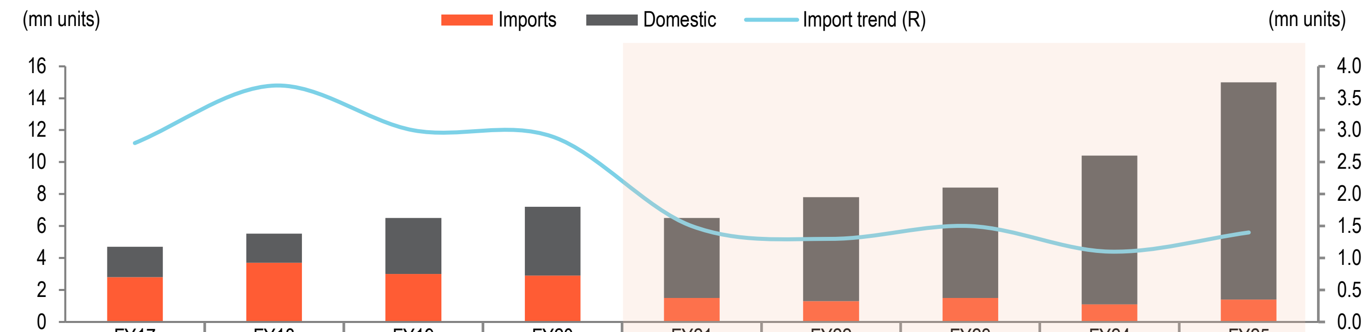
From import-heavy, low-value addition to localised high-value addition: India's RAC manufacturing has moved through two distinct phases. Pre-Covid (to FY20), brands relied more on imports with ~45–50% of volumes sourced offshore and limited in-sourcing; local value addition hovered near ~20% (assembly plus plastics/sheet metal). Post-Covid, coinciding with policy inflection points, import curbs on ACs and White Goods PLI, the capacities shifted onshore. By FY23, imports had fallen to ~5–6% and domestic value addition improved to ~65–70%, given that India now produces most key sub-assemblies while selectively importing where cost/quality is superior. Net effect: higher localisation, lower supply risk, and a larger role for both brand insourcing and domestic ODMs.

Fig 16 – Domestic value addition improved post import ban and White Goods PLI

(%)	Till FY20 (pre-covid)	Post covid
Imports of CBU	45-50	<10
DVA	20	65-70

Source: Industry, BOBCAPS Research

Fig 17 – Imports fell to 1.4mn units, forming ~9% of total consumption in FY25



	FY17	FY18	FY19	FY20	FY21	FY22	FY23	FY24	FY25
Domestic	1.9	1.8	3.5	4.3	5.0	6.5	6.9	9.3	13.6
Imports	2.8	3.7	3.0	2.9	1.5	1.3	1.5	1.1	1.4
Import trend (R)	2.8	3.7	3.0	2.9	1.5	1.3	1.5	1.1	1.4

Source: Industry, company RHPs, BOBCAPS Research

Policies have been the prime driver for rising domestic value addition in ACs: Under the phased manufacturing plan (PMP) for ACs, DGFT in Oct 2020 (Q3FY21) announced curb on importing ACs with refrigerant, which shut the main CBU imports route. PMP for AC is to shift the value from imports to domestic manufacturing by sequencing localisation of sub-assemblies (coils, controller, PCBA, BLDC motors) and later compressors. Post the import ban, government launched production-linked incentive schemes for white goods that incentivises sub-assembly and component manufacturing of AC.

Fig 18 – Supply-side evolution in ACs over the last decade

Period	Pre-2017	FY18–FY20	Oct 15, 2020 (pivot)	FY21–FY23	FY24–FY25	FY26 (onward)
Finished unit imports (CBU)	~45-50% CBUs were imported; brands started mix of imported CBUs with local assembly.	CBU import share ~28–30% of RAC sales	CBUs with refrigerant banned, CBU route collapsed. Giving opportunity for local assembly	Local contract manufacturers ramp up their capacities	low imports.	low imports.
Component imports (parts/CKD/SKD)	High for tech-intensive parts (compressors, inverter drives, controllers).	Heavy reliance on components alongside CBUs.	Shift accelerates to parts/CKD/SKD for local assembly.	Still meaningful but increasingly substituted by domestic parts as lines localize.	Imports of high value intermediate such as compressor and copper tubes continue to dominate	Imports largely select components only; domestic nodes deepen.
Policy action	Gradual tightening of BEE star norms toward inverter/BLDC; outsourcing share was increasing	BCD for compressors hiked to 12.5% in 2020	Full prohibition of import of CBU with refrigerants	Budget 2021 hikes compressor duty to 15%; PLI-White Goods (ACs & LED) notified (2021) that 1st round was announced.	PLI round 2 & 3	PLI round 4

Source: Industry, BOBCAPS Research

PLI played a pivotal role in setting up component manufacturing base: Before the PLI and import ban, RAC sourcing typically followed four routes: (a) import of fully built units (CBUs) with refrigerant (b) CBUs without refrigerant (albeit very low as it was costly to unbundle, fill and bundle back) (c) CKD assembly (d) SKD assembly. Leading brands initially leaned on CBU (with refrigerant) imports; between 2007–2013, many expanded local assembly lines and shifted to CKD, and as a domestic vendor base emerged (including early CMs), they increasingly used SKD. By FY21, India had ample assembly capacity, but a thin component ecosystem. And for this reason, PLI was not announced on mere assembling, but also on backward integration through component manufacturing. In a total of 3 rounds, the PLI has attracted ~Rs 90bn of investment for building component ecosystem.

Fig 19 – PLI scheme in the last 3 rounds has attracted commitment of Rs 90bn

Round	Application Period	Applications Received	Companies Selected	Committed Investment (Rs bn)
Round 1	June 2021 - Sept 2021	30	26	47.9
Round 2	March 2022 - April 2022	6	6	9.1
Round 3	Oct-2024	16	16	33.1
Round 4	Sept 2025 - Oct 2025	Ongoing	Results Pending	-
Total (Rounds 1-3)	-	52	48	90.0

Source: PIB, BOBCAPS Research

Both brands and contract manufacturers have significantly added components capacity: Post the ban on imported refrigerant-filled CBUs, brands and contract manufacturers accelerated component capacity under the PLI scheme—plugging the pre-PLI gap in India's AC value chain. In Round 1, leading brands together committed ~Rs 11bn, while contract manufacturers committed Rs 17.8bn. Round 2 saw muted participation. In Round 3, Voltas and Blue Star added Rs 2.0bn and Rs 1.8bn, respectively. Voltas also announced Rs 2.5bn for compressor manufacturing.

Fig 20 – Brands and CM have committed ~Rs 21.5bn each in PLI scheme

Rounds	CMs	Brands	SCM
Round 1 (with revised commitments)			
Number of applicants	11	7	5
Investment committed	Rs 17.8bn	Rs 15bn	Rs 13.8bn
Round 2			
Number of applicants	2	2	2
Investment committed	Rs 1bn	Rs 3.5bn	Rs 4.6bn
Round 3 (excludes earlier applicants revising commitments)			
Number of applicants	4	2	4
Investment committed	Rs 2.7bn	Rs 3bn	Rs 14.8bn
Total number of applicants	17	11	11
Total commitments	**Rs 21.5bn**	**Rs 21.5bn**	**Rs 33.2bn**

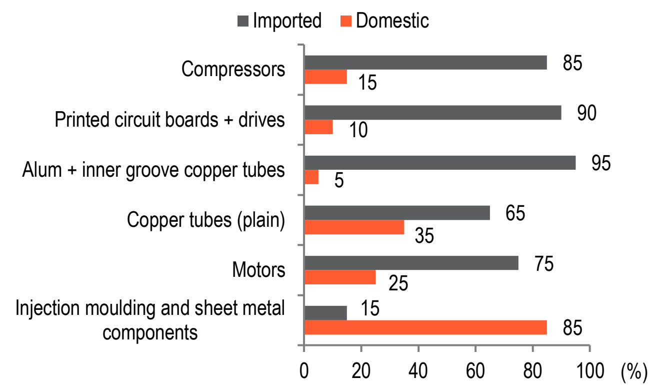
Source: PIB, BOBCAPS Research; SCM= specific component manufacturers like motors, copper tube and aluminium fins; also this excludes com; excludes companies under Press note 3

Fig 21 – Heat exchangers, controller assembly and motors form ~49% of BOM

Sub-component	% of BOM
Compressor	29–30
Heat exchangers (evap + cond coils)	20–21
Electronics (Power + Control PCB)	19–20
Plastics + Sheet metal + Refrigerant Circuit	11–12
Motors (IDU + ODU)	8
Fans/Blowers	3–4
Refrigerant gas (R-32 / R-410A)	2.5–3
Misc. (remote, pads, fasteners)	2
Total	100

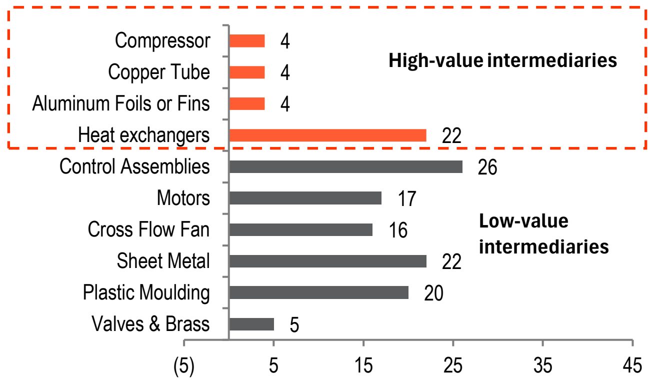
Source: Company, BOBCAPS Research

Fig 22 – 85-90% of compressors, PCBs and Cu tubes consumption are imported (FY22)



Source: RHP, BOBCAPS Research

Fig 23 – PLI saw higher applicants in heat exchangers sub-assembly, PCBA (controller assemblies) and motors



Source: Company, BOBCAPS Research

Fig 24 – Copper tube and aluminium fin form 65-70% of heat exchanger BOM

Heat exchanger sub assembly BOM break up (%)	Evaporators (IDU)	Condenser (ODU)
Copper tubes (straight + hairpins)	40-50	35-40
Aluminium fins	25-35	20-30
Others	15-35	30-35

Source: Industry, BOBCAPS Research

Specialised component manufacturers (SCM) participation under PLI points to accelerating localisation: Heat exchangers, next only to compressors in BOM weight, span both the IDU (evaporator) and ODU (condenser). Contract manufacturers typically build these as sub-assemblies where copper tubes and aluminium finstock dominate materials cost. Historically, both inner-grooved copper tubes and aluminium finstock/foil were heavily import-reliant; under the White-Goods PLI, these very items were prioritised, and commitments have stepped up across rounds. Notably, in Round-3 (Jan 20, 2025), Hindalco, already a beneficiary, revised its commitment upward to cover aluminium finstock for heat exchangers and copper tubes (plain/grooved), reflecting a clear push to localise coil materials at scale. As these sanctioned projects move into production, localisation intensity in coils should improve meaningfully. For context, basic customs duty on the relevant inputs (e.g., copper tubes, aluminium foil/finstock) has generally been around 7.5% in recent years, with occasional trade remedies (e.g., anti-dumping on certain aluminium foils) also influencing sourcing economics.

Fig 25 – Rs 31bn of Rs 90bn total commitments is from SCMs for HE components

SCM commitments round wise	Specific components	Amount (Rs bn)
Round 1		
Hindalco	Cu tube, Al foil	9.0
Mettube	Cu tube	3.3
Triton Valves	Valves & brass components	0.5
Round 2		
Adani Copper	Cu tube	4.1
Round 3		
Jupiter Aluminium	Al foils	6.2
RR Wires	Cu tubes, AL foils	2.5
SMEL Steel	Al foils	5.4
Total commitment (Round 1,2&3)		**31.0**

Source: Company, BOBCAPS Research

Strategic tie-ups for sourcing components by brands: In Mar-2025, Hindalco and Blue Star entered a strategic partnership to develop and manufacture copper tubes. As per Hindalco's AGM held in Aug 2025, Hindalco's new copper tubes plant in Waghodia, Gujarat, is ramping up and construction is in full swing. Whereas, Mettube manufacturing facility has been in production since early 2024 (as per media articles)> Further, in July 2025, Mettube and Adani Enterprises formed a 50:50 JV where Mettube will have access to Adani's copper refinery in Mundra.

Compressor manufacturing saw participation of leading brands – LG (Rs 7.3bn in round 2), Daikin (Rs 5.4bn in round 1) and Voltas (Rs 2.6bn in round 3). However, commitment in heat exchanger and its components has been higher i.e. Rs 31bn for components vs Rs 15.3bn for compressors.

Fig 26 – Voltas re-applied in round 3 for compressors; total approved commitment of Rs 15.3bn

Companies	Amount (Rs bn)
Round 1	
Daikin & Rechi (Approved)	5.4
Voltas & Highly JV (under press note 3, which didn't materialize)	3.5
Midea (under press note 3)	2.5
Panasonic (referred to CoE)	2.5
Round 2	
LG Electronics (revised with other components)	7.3
Round 3	
Voltas components pvt ltd (re-applied)	2.6
Total commitment	23.8
Total approved commitment	**15.3**

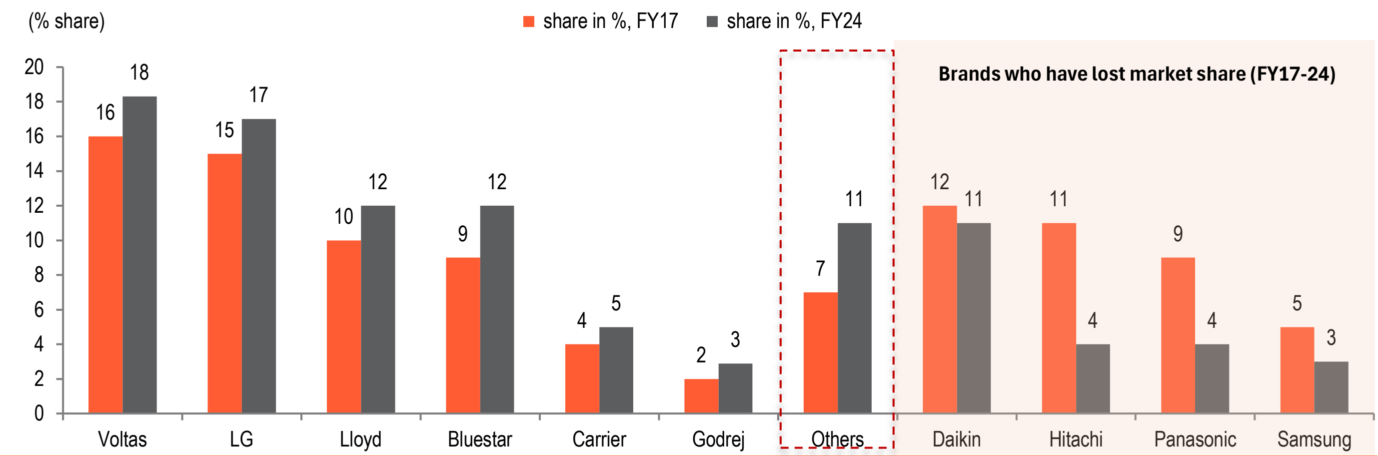
Source: Industry RHP, BOBCAPS Research

We believe PLI-enabled components sales could reach Rs 220-230bn at steady state (assuming ~Rs 90bn capex, asset turn 2.5x and commitment = commercialisation). However, only a part of that is domestically created. We estimate Rs 50-60bn of domestic GVA initially, rising Rs 90-110bn as tube/fin stock, controllers and compressor sub-parts localise.

Elevated brand competition & lower utilisation to weigh on CMs

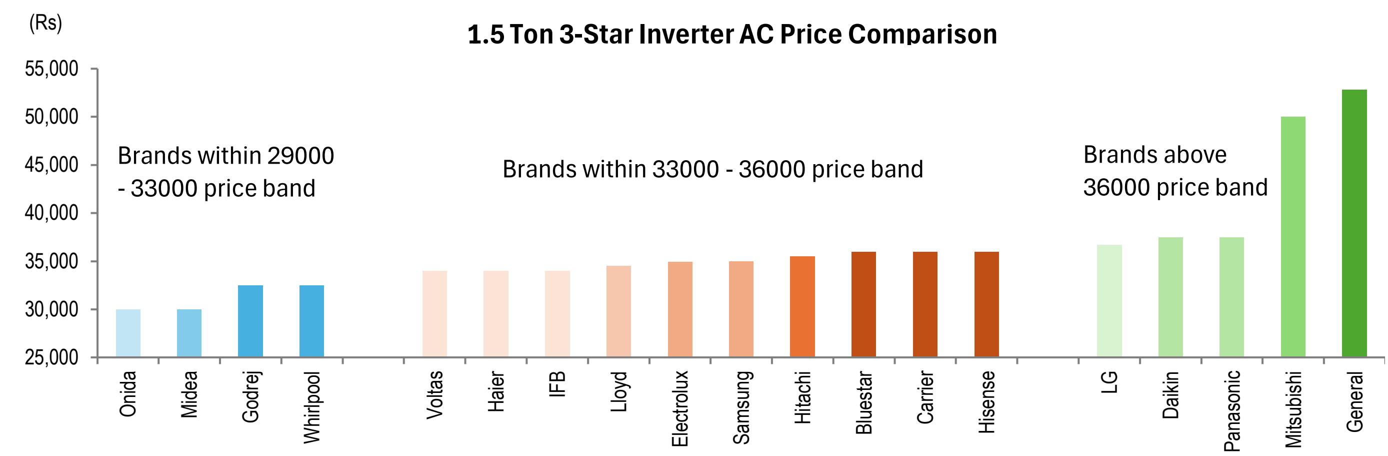
Traditional moats thinning; competition stays intense: Domestic RAC remains a crowded market. Leaders still defend share through deep distribution, brand spends, recognition, after-sales network, and new product launches. But the rapid rise of modern trade/LFR & MBOs and e-commerce, enabled by better logistics and consumer comfort, has lowered entry barriers for challenger brands. Price transparency and faster launch cycles mean many players now cluster around the same high demand SKUs, intensifying like-for-like competition.

Fig 27 – Newer and tail brands have gained market share over FY17-24



Source: Amber RHP in FY17& Amber QIP in FY26, BOBCAPS Research

Fig 28 – 1.5-ton 3-star inverter AC: the highest-selling SKU shows many brands clustered within a narrow price brand



Source: Company, BOBCAPS Research

Assembling capacity stands higher than near-term demand: Under PLI scheme, both brands and CMs have stepped up AC component capacity, each reflected in their commitment of Rs 21.5bn each, while brands have also expanded RAC assembly. Existing final assembly capacity for leading RACs is ~16.2mn, which is expected to reach 21mn over the next 2-3 years. Taking the installed capacity base of contract manufacturers of 9mn units a year, the industry capacity is ~25mn units a year vs demand of 15mn units in FY25.

Fig 29 – Existing installed capacity of 16.2mn units for leading brands

(mn units/ yr)			RAC Final assembly capacity (mn units)	
Company	**Plant location**	**Region**	**Existing**	**Planned (expanding to)***
Voltas	Pantnagar, UK	North	1.5	1.5
	Chennai, TN	South	1	2
Blue Star	Baddi, HP	North	0.9	0.9
	Sri City, AP	South	0.9	1.2
Daikin	Sri City, AP	South	2	3
	Neemrana, HR	North	0.5	0.5
LG	Noida, UP	North	1.6	1.6
	Pune, MH	West	1.6	1.6
	Sri City, AP	South		1.5
Lloyd	Neemrana, HR	North	1.5	1.5
	Sri City, AP	South	1.5	1.5
Godrej	Mohali, PB	North	0.4	0.4
	Shirwal, MH	West	0.4	0.4
Haier	Greater Noida, UP	North	1.5	2.5
Hitachi	Kadi, GJ	West	0.9	0.9
Total			**16.2**	**21.0**

Source: Industry, BOBCAPS Research; 1ODU + 1 IDU is a split unit. Brands have different capacities for ODU and IDUs. All data has been sourced from publicly available data – RHPs media articles, transcripts. Expansion is planned over next 2-3 years.

Fig 30 – South capacity to 1.7x in next 2-3 years (for brands)

Region wise split (mn units/yr)	Existing	Planned (expanding to) *
Total North	7.9	8.9
Total West	2.9	2.9
Total South	5.4	9.2
Total	**16.2**	**21.0**

Source: Industry, BOBCAPS Research

Fig 31 – Leading contract manufacturers existing installed base of ~9mn units

Contract manufacturers	Existing	Planned (expanding to)
Amber	~4.0	~4.0
PGEL	~3.0	~3.0
Epack	1.6	2.1
Virtuoso	0.5	1.0
Total	**9.1**	**10.1**

Source: Company, BOBCAPS Research

Fig 32 – Region-wise demand split (FY25)

Region	Demand split (%)	Demand in volumes (FY25) (mn)
North	38	5.7
South	28	4.2
West	22	3.3
East	12	1.8
Total		**15.0**

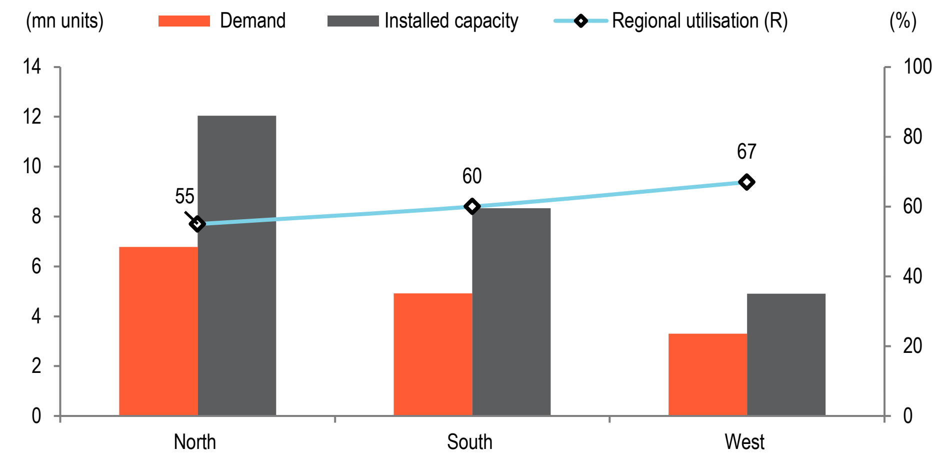
Source: Industry, RHP BOBCAPS Research

Fig 33 – Total installed capacity, brands and CMs together is ~25mn units a year

Total brands + CM (mn)	Demand (FY25)	Installed capacity
North	6.8	12.0
South	4.9	8.3
West	3.3	4.9
Total	**15.0**	**25.3**

Source: Industry, BOBCAPS Research; contract manufacturers regional capacity mix is calculated by indexing with regional demand split; East demand is 60% split to North (WB, JH & NE) and 40% split to South (Odisha closer to AP on east coast).

Fig 34 – Region-wise utilisation level between 55% and 67% across regions



Source: Industry, BOBCAPS Research

CMs' uniqueness in offering lower finished goods (lower BOM + conversion fee); brands' WC relief often a deal maker: Contract manufacturers' (CMs) edge lies in delivering finished goods at lower effective cost vs a brand's insourced build, driven by a cheaper BOM (purchasing efficiency) and lean conversion cost while offering brands working capital (WC) relief through reduced inventory and extended credit, which often becomes the deal maker. Assuming, if brand is in-house build cost is Rs 25k (BOM + internal conversion cost), outsourcing cost (including the working capital benefit) should at least equal the inhouse build cost. Conversion cost for contract manufacturers is fixed (generally around Rs 1.8-2k) as per our industry checks. Purchase efficiency of contract manufacturers is due to higher scale, leaner operations, level of backward integration and incentives (some pass on incentives to customers), and WC benefit (inventory carrying cost saving) allows them to offer lower build costs.

Given weak demand in the summer of CY25, intensified competition and constrained pricing, profitability hinges on utilisation gains and sourcing efficiency: With pricing tight, demand soft, and inventory elevated, brands will look to cut BOM costs rather than raise prices. Contract manufacturers could win if they could deliver a lower landed BOM, however, current weakness in demand has led to weak volumes in H2FY26, which could erode their purchasing scale. Notably, outsourcing brands specify contract manufacturers with approved vendor lists (AVL), which further limits substitution making cost downs harder. We expect brands to push for conversion fee resets or target costs deals on a turnkey basis. Near term, this shifts margin pressure to CMs, however the advantage sits with scaled, backward integrated players that long-term purchasing agreements and ODM capabilities.

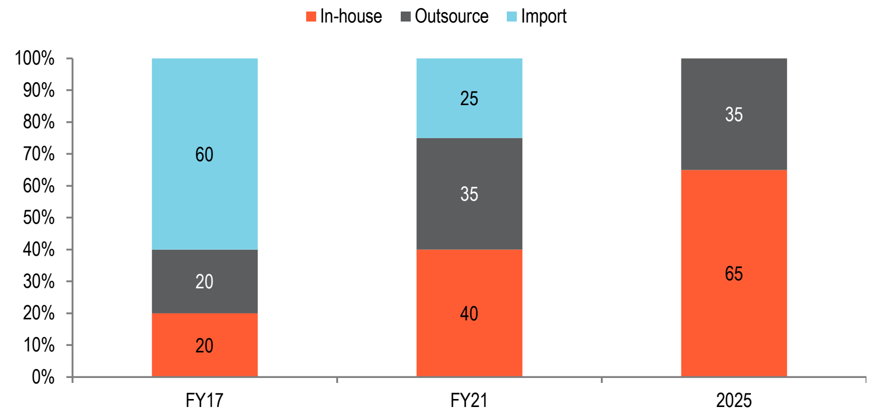
Fig 35 – Per unit value chain for 1.5-ton 3-star inverter AC (assuming Rs 33k as MOP)

Particulars	Amount (Rs)
AC Selling price (Rs)	33,000
GST on AC (%)	18
Net of tax	**27,966**
General trade	
Dealer/ retailer gross margin	3,000
Distributor margin	800
Consumer scheme/ promos	500
Last mile logistics	280
OEM (Brands) ex-factory net realisation	**23,386**
Manufacturing costs	
BoM (74%)	**17,306**
Conversion costs	**2,000**
Warranty/ other provisions	234
Total	**19,540**
% of OEM net realisation	84
Gross profit	3,847
Selling, distribution, brand marketing & promotion	819
R&D	1,169
EBIT	**1,859**
Margin (%)	7.9

Source: Industry, BOBCAPS Research; these assumptions taken during industry and channel checks and don't belong to any specific brand

Higher aggregate outsourcing mix can intensify competition; optimal mix matters: While outsourcing lowers effective cost (cheaper BOM + WC relief), an excessive aggregate shift to CMs can erode brand moats further, platform parity or product diffusion invites lower tier/ tail brands intensifying price competition and compressing channel economics. A balanced mix of insourcing (to protect premium design) and outsourcing (for seasonal flex and value/mid SKUs) helps contain entry and sustain margins. That said, we expect outsourcing production to drift higher as post-PLI capacity at CMs seeks utilisation; to keep unit economics attractive for anchor customers and remain relevant to tail brands, CMs will push for higher run-rates.

Fig 36 – In-house share increased from 40% in FY21 to ~65% in FY25; indicates a healthy mix



Source: Industry, -company RHP data, BOBCAPS Research

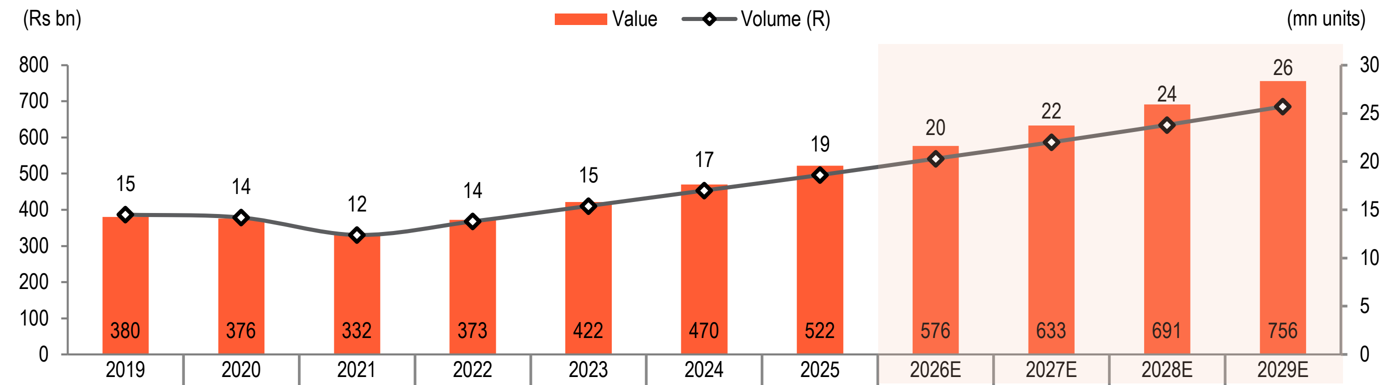
WM & Refrigerator to smoothen RAC seasonality

Leading AC contract manufacturers are broadening scope (a) into large and small appliances (e.g., EPACK, PGEL) (b) from AC PCBAs into adjacent consumer/industrial electronics (e.g., Amber) (c) deeper into AC components (compressors), and (d) select B2B/B2C devices (PoS machines, IT hardware). The strategic intent is to dampen seasonality, lift utilisation, and tilt the mix towards higher-ROCE electronics, reducing reliance on a single, weather-sensitive category.

High penetration, yet structurally resilient: Refrigerators are India's most mature large-appliance category, with household penetration exceeding 34% well ahead of washing machines (~21%) and air conditioners (~13%). Yet, despite nearing saturation, the segment continues to expand steadily, driven by rising replacement cycles, energy-efficient upgrades, and consumer upgrading toward frost-free and inverter models. Sales are evenly distributed across regions - North, South, and West - each contributing ~30%, while the East accounts for ~10% reflecting broad-based, climate-agnostic consumption. With nearly 87% of the 17 mn unit market still manufactured in-house by brands, outsourcing remains limited, presenting a structural opportunity for integrated third-party manufacturers such as Epack and PGEL to expand their role in select SKUs and component assemblies. Thus, the category serves as a stable, cash-generating base within the White Goods portfolio, complementing higher-growth segments like RACs and washing machines.

India's refrigerator market is projected to grow from Rs 470 bn in FY24 to ~Rs 750 bn by FY29, implying a ~10% value CAGR on a ~8% volume CAGR. The widening gap between value and volume growth underscores premiumisation and technology upgrades as key drivers of ASP expansion within this mature category.

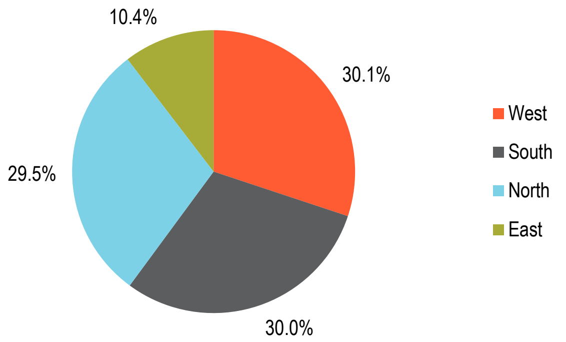
Fig 37 – Steady volume growth, value upside from premiumization



	2019	2020	2021	2022	2023	2024	2025	2026E	2027E	2028E	2029E
Value	379.9	375.8	331.5	372.6	421.7	470.3	521.6	576.4	633	691.1	756.1
Volume (R)	14.5	14.2	12.4	13.8	15.4	17	18.6	20.3	22	23.8	25.7

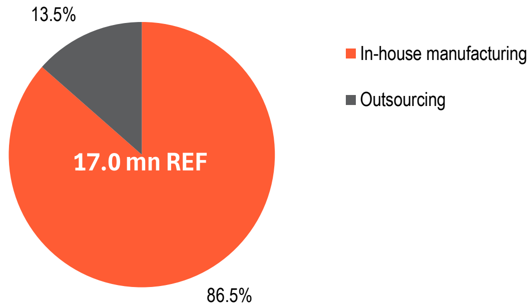
Source: Company, BOBCAPS Research

Fig 38 – Indian refrigerators market, sales by region



Source: Company, BOBCAPS Research, Data as on FY24

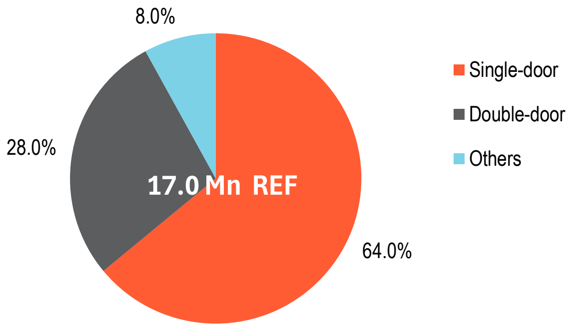
Fig 39 – In-house manufacturing vs outsourcing



Source: PGEL QIP, BOBCAPS Research, Data as on FY24

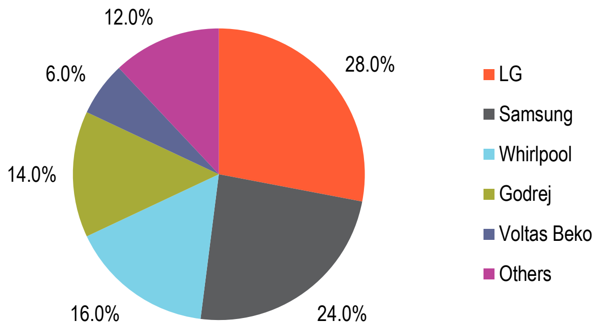
Leveraging localisation in a mature refrigeration category: Brand concentration in refrigerators is high: LG and Samsung account for over 50% share, followed by Whirlpool, Godrej and Voltas Beko. Yet, CMs like PGEL and EPACK Durable are progressively gaining application, aided by localisation push, cost arbitrage, and brand outsourcing of entry and mid-tier SKUs. As both firms scale plastic molding, insulation, and PCB assembly, this vertical stands out as a stable annuity stream complementing their exposure to faster-growing segments such as air-conditioners and washing machines.

Fig 40 – Refrigerator market size by product types



Source: PGEL QIP, BOBCAPS Research, data as on FY24

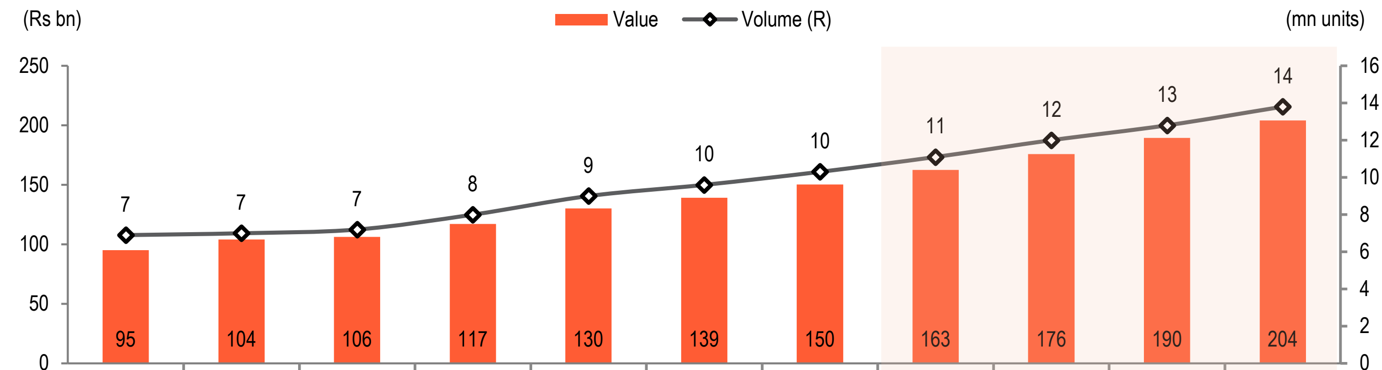
Fig 41 – Indian refrigerator market share across brands



Source: PGEL QIP, BOBCAPS Research, Others include Haier, IFB, Bosch, Panasonic, Videocon, Lloyd, Hitachi, among others, DATA is as on FY24

India's washing-machine market is projected to grow from Rs 130 bn in FY23 to Rs 204 bn by FY29, reflecting a ~8% value and volume CAGR. The modest value premium highlights the ongoing migration towards fully automatic and smart models, supporting average-selling-price (ASP) expansion even as penetration deepens into Tier-II/III markets.

Fig 42 – Penetration-led growth transitioning towards ASP accretion

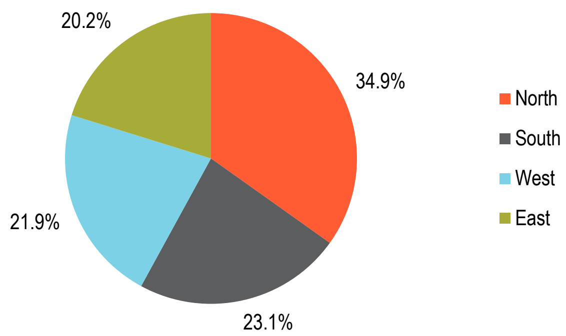


	2019	2020	2021	2022	2023	2024	2025	2026E	2027E	2028E	2029E
Value	95.0	104.0	106.2	117.2	130.3	139.1	150.4	162.5	175.8	189.5	204.2
Volume (R)	6.9	7.0	7.2	8.0	9.0	9.6	10.3	11.1	12.0	12.8	13.8

Source: Company, BOBCAPS Research

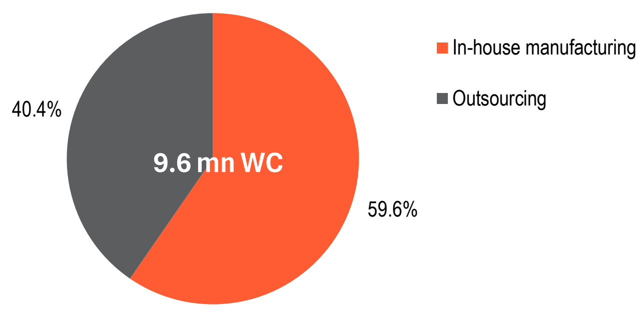
Widespread WM demand, expanding role for contract manufacturing: India's washing-machine market shows balanced regional consumption, led by the North (~35%), followed by the South (23%), West (22%), and East (20%), highlighting its nationwide, non-seasonal appeal. With nearly 40% of the 9.6 mn-unit market already outsourced, brands are increasingly partnering with integrated manufacturers like Epack and PGEL to enhance cost efficiency, localise production, and accelerate time-to-market, making washing machines a strategic, year-round growth driver within the White Goods ecosystem.

Fig 43 – North dominates washing machine market



Source: PGEL QIP, BOBCAPS Research, Data as on FY24

Fig 44 – In-house manufacturing vs outsourcing

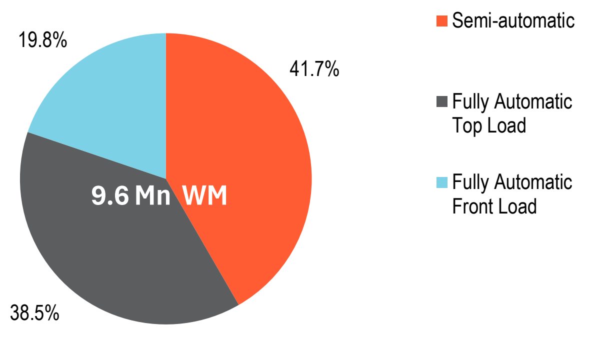


Source: PGEL QIP, BOBCAPS Research

Product mix: shift toward fully automatic products: Semi-automatic models still account for ~42% of India's 9.6 mn-unit washing-machine market, but the growing preference for fully automatic top-load (38%) and front-load (20%) variants reflects accelerating premiumisation and urban lifestyle adoption. The transition towards higher-value formats indicates rising consumer affordability and offers ASP-led growth potential for both brands and contract manufacturers expanding in this category.

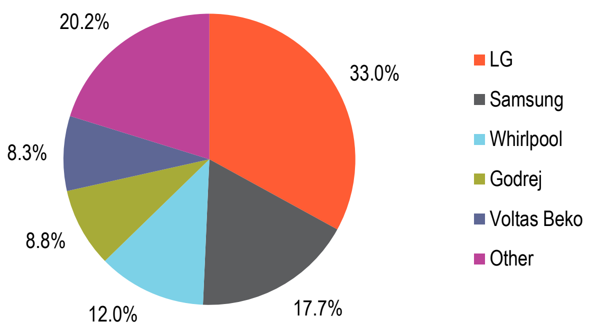
The segment is led by LG (33%) and Samsung (18%), together commanding over half the market, followed by Whirlpool, Godrej, and Voltas Beko. However, a sizeable "Others" segment (~20%) highlights a fragmented tail, suggesting scope for outsourced manufacturing partnerships as emerging brands scale operations and established players localise production.

Fig 45 – Market size by product types



Source: Company, BOBCAPS Research

Fig 46 – Indian washing machine market share across brands



Source: PGEL QIP, BOBCAPS Research, Others include Haier, IFB, Bosch, Panasonic, Videocon, Lloyd, Hitachi, among others, DATA is as on FY24

Companies

BOBCAPS
TRUST | INNOVATION | EXCELLENCE

BUY
TP: Rs 420 | ⮝ 25%

EPACK DURABLE | Consumer Durables | 15 October 2025

Diversification that compounds durability

- **Epack is steadily transitioning from an RAC-focused business (85% in FY21) to a diversified CD platform (SDA/ LDA and components)**
- **Set to outpace category growth led by client additions; exports provide optionality with its new Sri City plant**
- **Initiate coverage with BUY; ascribe 30x to Sept-27EPS to arrive at TP of Rs 420**

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Epack evolutionary journey hints at potential for becoming diversified consumer durables contract manufacturer: Started in 1999 as a packaging supplier to LG and Samsung, EPACK gained early exposure to the appliance ecosystem before becoming LG's exclusive OEM (2003–12), assembling ACs and microwaves. Post 2012, the company expanded beyond assembly, adding outdoor units and SDAs while backward integrating into sheet metal, plastics, coils, harnesses, and PCBA, raising in-house value addition to ~70%. Since 2020, the company has scaled its footprint with Bhiwadi (2022) and Sri City (2024) plants, improving reach and export readiness. EPACK is now transitioning from an RAC-heavy model (~72% of revenue in FY25) to a more balanced SDA/LDA/components mix, aiming to cut seasonality, enhance margins, and emerge as a full-stack design-led manufacturer.

Set to outpace RAC category growth by widening customer base supported by deeper integration with components: We expect Epack to grow its RAC products business at 20% CAGR over FY25-28E by widening its customer base (helped by new South India capacity). Overall, we expect revenue to grow 25% CAGR, as it moves from a cooling-centric to a more balanced SDA/LDA and components portfolio. Deeper localisation, especially via its BLDC motor JV (Epavo) under PLI adds high value intermediaries, improves purchasing efficiency through pooled volumes, and increases in-house value addition.

Strategic tie-ups sharpen visibility and mix: Epack's partnerships with Hisense, Panasonic, and Daikin improve order visibility and expedite plant ramp-up. They add exports and higher value work (ODM, components, PCBA), which helps keep lines full, lifts margins, and supports steadier long-term growth.

Initiate BUY with a Sept-26TP of Rs 420: We estimate Epack's revenue/EBITDA/PAT CAGR to grow at 25%/31%/42% respectively. We expect margin improvement on the back of improving product mix (higher share of non-RAC and components business). We ascribe 30x 1YF PE to arrive at Sept 26TP of Rs 420. We initiate coverage with a BUY.

Ticker/Price	EPACK IN/Rs 337
Market cap	US$ 366.7mn
Free float	39%
3M ADV	US$ 3.9mn
52wk high/low	Rs 670/Rs 316
Promoter/FPI/DII	48%/2%/7%

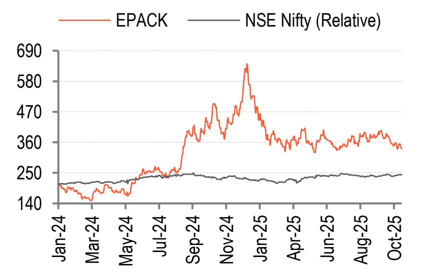
Source: NSE | Price as of 15 Oct 2025

Key financials

Y/E 31 Mar	FY25A	FY26E	FY27E
Total revenue (Rs mn)	21,709	24,228	32,225
EBITDA (Rs mn)	1,577	1,720	2,456
Adj. net profit (Rs mn)	551	541	1,008
Adj. EPS (Rs)	5.7	5.6	10.5
Consensus EPS (Rs)	5.7	5.6	10.5
Adj. ROAE (%)	6.0	5.5	9.5
Adj. P/E (x)	58.6	59.7	32.1
EV/EBITDA (x)	18.7	16.6	11.7
Adj. EPS growth (%)	55.6	(1.8)	86.2

Source: Company, Bloomberg, BOBCAPS Research

Stock performance



Source: NSE

From packaging roots to multi-product manufacturing

Foundation and early roots (1999-2003): Epack Durable traces its origins to 1999, when brothers Ajay and Sanjay Singhania, along with the Bothra family, established Epack Polymers in Delhi. Initially, the company focused on packaging and thermal insulation products, supplying local businesses and global brands such as LG and Samsung, which were then ramping up consumer appliance penetration in India. By 2001, EPACK was manufacturing packaging for LG for two years, gaining deep exposure to the appliance ecosystem. This positioned the company perfectly when LG began seeking regional assemblers for air-conditioners to complement its growing Indian operations.

Learning curve - exclusive OEM partnership with LG (2003-2012): In 2003, to capitalise on this opportunity, the promoters incorporated EPACK Durable Pvt. Ltd. and commissioned its first AC assembly plant in Dehradun. Over the next decade, the company operated as an exclusive OEM partner to LG, assembling air-conditioners, microwave ovens, and other appliances on contract. This period was crucial in building operational expertise, supply chain discipline, and product knowledge. By 2012, with a decade of cumulative experience, EPACK gained the confidence to branch out independently, aiming to create its own identity in the appliance space beyond LG.

Improving value addition, expanding manufacturing capabilities (2012-2020): Since 2012, the company has moved beyond pure contract assembly, starting with underserved outdoor AC units and scaling as India's RAC market grew from ~3 mn to ~9 mn units. To blunt seasonality, it added SDA lines (induction cooktops, water dispensers, mixer-grinders). In parallel, it invested in backward integration—sheet metal, plastics, coils, wiring harnesses, and PCB assembly—lifting in-house value addition to ~70% of the AC BOM, with compressors remaining the key externally sourced item.

Scaling footprint – widening reach and export readiness (2020-Present): Most recent growth phase centred on capacity expansion and network diversification. In 2022, Commissioned the Bhiwadi, Rajasthan facility to serve North and West India. Similarly, 2024: Operationalised a Sri City, Andhra Pradesh unit near port infrastructure to enhance export readiness and reduce logistics cost.

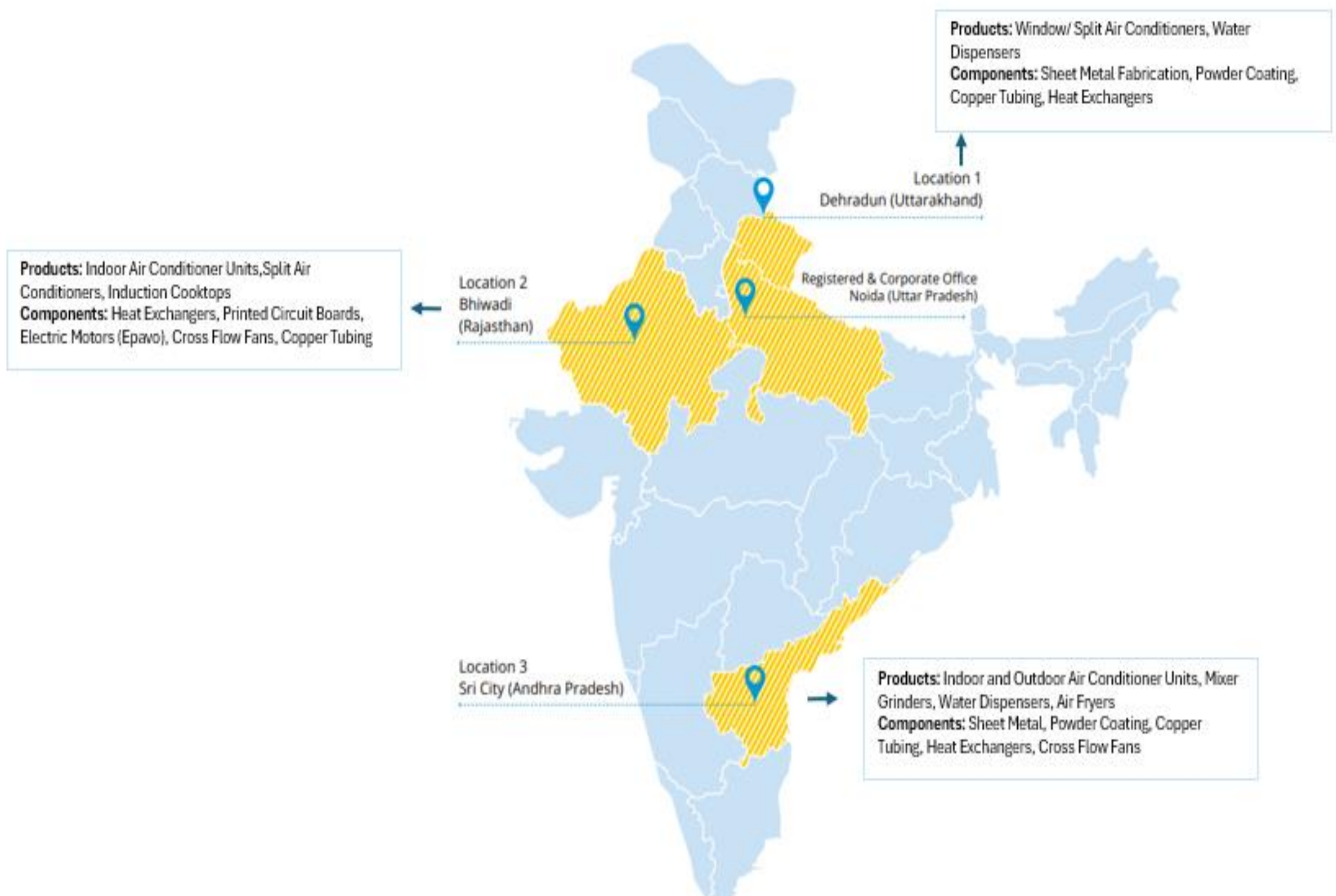
Diversifying from single season to all-season products (SDA & LDA): EPACK Durable is transitioning from an RAC-focused model to a balanced multi-product platform. While RACs still contribute ~72% of revenue, their share is steadily declining as SDAs, LDAs, and components scale up. Diversification reduces seasonality, enhances margins through higher in-house value addition and PLI-linked motor production, and strengthens OEM relationships across categories. Management aims to lower RAC dependence below 70% over the medium term, positioning EPACK as a full-stack, design-led appliance manufacturer.

Fig 1 – Revenue mix by business segments

Segment	Key Products	Revenue Share (FY25)	Highlights
Room ACs (RAC)	Complete units (IDU + ODU)	72%	Core business; ODM/OEM-led Hisense design program to strengthen margins
SDA	Mixer-grinders, Induction cooktops, Water dispensers	11%	Rapid growth; aids year-round utilization
Components	Plastic moulding, sheet metal press parts, Heat exchanger, copper tubing, etc	8%	Fastest growing among all categories
LDA & Others	Washing machines, coolers	9%	New vertical; scaling under Sri City expansion

Source: Company, BOBCAPS Research

Fig 2 – Manufacturing presence across key clusters



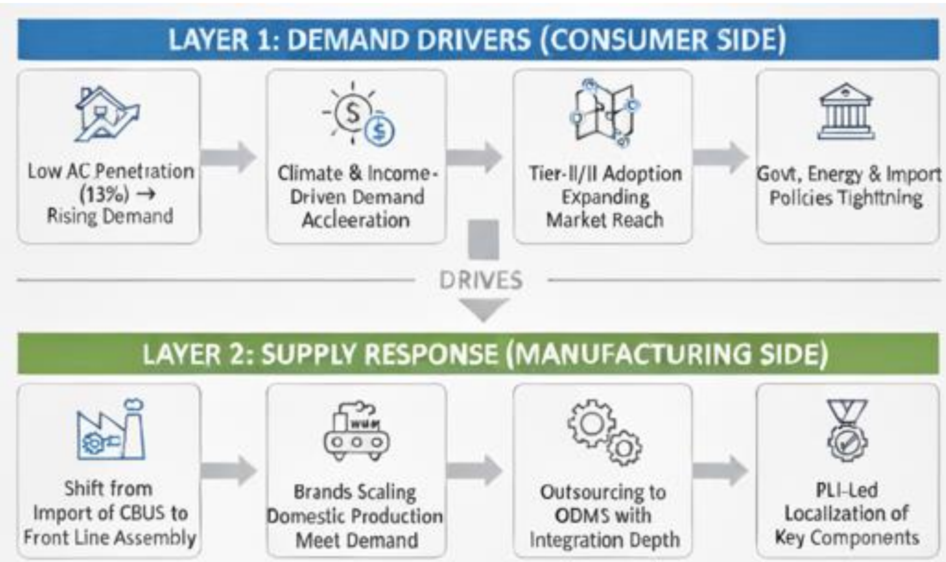
Source: Company, BOBCAPS Research

Broadening client base beyond legacy OEMs: EPACK's customer mix has evolved significantly over the past decade. From being an exclusive OEM assembler for LG during 2003–2012, the company has transitioned into a multi-brand manufacturing partner, catering to leading domestic and global appliance majors. Current customer rosters include Hisense, Blue Star, Voltas, Haier, Godrej, Lloyd, and Panasonic, among others, spanning both RAC and small domestic appliances (SDA). By FY24, the top three customers accounted for ~72% of revenue, down from about 80% in FY23, while the top five contributed around 80%. This diversification has reduced single-brand dependency and improved demand visibility across product cycles. The addition of Hisense under a dedicated OEM model and Blue Star/Voltas in the ODM format reflects EPACK's ability to offer both design-linked and volume-driven manufacturing solutions.

Investment Thesis

Epack's growth to outpace category demand on multiple factors: The RAC market is set to compound at 16–17% over the next five years, and we see the company well placed to outperform. Historically oriented to large anchor brands, it can now add newer, smaller brands as incremental South India capacity comes online, broadening its customer mix and improving line utilisation. Moreover, entry into components and small domestic appliances enables deeper cross-selling and a one-stop, full-suite offering (brands like Whirlpool, IFB, Haier) for existing and newer clients — supporting higher share of wallet, reduced seasonality, and stronger operating leverage.

Fig 3 – From consumption gap to localisation opportunity



Source: Company, BOBCAPS Research

Transitioning from cooling-centric to higher margin adjacencies to lift margins: EPACK's business was heavily RAC-skewed (~85% of FY21 revenue), leaving it exposed to Q4–Q1 seasonality. The company has since expanded into SDA/LDA—categories that are typically margin-accretive and exhibit more uniform, year-round demand. This shift improves line utilisation and fixed-cost absorption through off-season quarters. SDA+LDA now contribute ~19% of FY25 revenue (vs ~16% in FY22), reflecting steady traction outside cooling. With added capacity in induction cooktops, mixer-grinders, water dispensers and new launches in air coolers, washing machines, EPACK is evolving from a single-season assembler to a multi-category manufacturer, broadening profit pools and strengthening margin visibility.

Deepening integration with high value intermediaries (motors) to improve purchasing efficiency: EPACK is deepening localisation via EPAVO Electricals (50:50 JV with Ram Ratna Wires) to produce BLDC motors, a high-value, import-intensive node. The greenfield Bhiwadi plant (PLI-backed) is part of the Rs4.5–5.0 bn FY25–27 program, with ~Rs 0.5 bn PLI capex and ~Rs0.5 bn already deployed and is sized for ~3 mn AC motors + ~1 mn fan motors (~10% of domestic demand). The JV will serve EPACK's captive needs and external OEMs, boosting purchasing efficiency (pooled volumes, standardised specs) while lifting value-add and margins.

Fig 4 – BLDC Motor Market & Localisation Range

Segment	Estimated Annual Demand (mn units)	Local Production Estimate (%)	Import Dependence Estimate (%)
Room Air-Conditioners	~30	~45-50	~50-55
Ceiling Fans (BLDC type)	~10–12	~20-35	~65-80
Other Appliances (Pumps, HVAC, etc.)	~5–6	~25-40	~60-75
Total BLDC Market (Aggregate)	**~40–45**	**~25-40**	**~60-75**

Source: Company, BOBCAPS Research

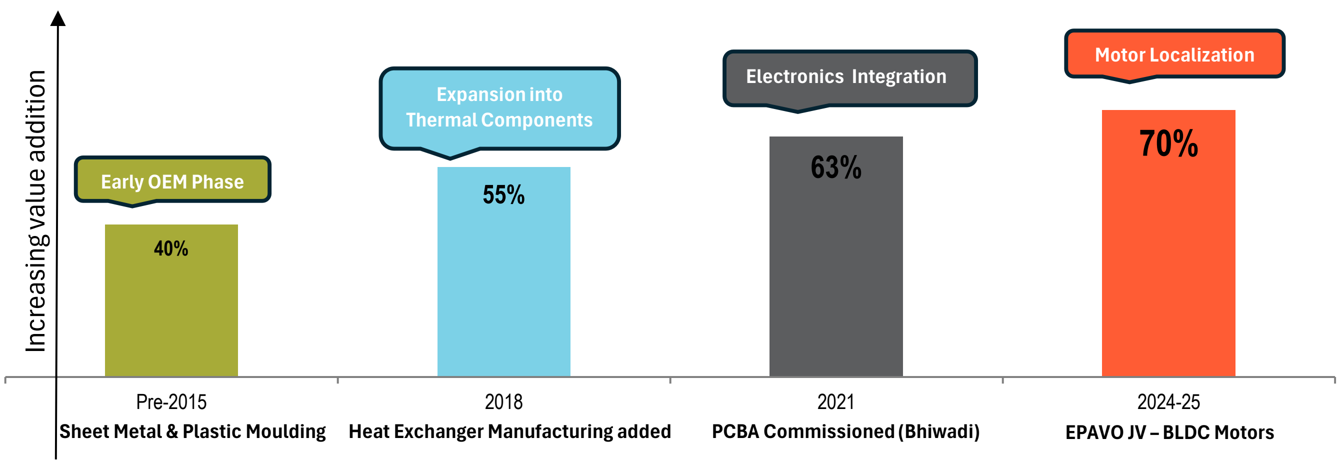
Fig 5 – Strategic subsidiary & JV network – driving vertical integration and margin leverage

Entity Name	Nature of Entity	EPACK Stake (%)	Primary Business	Products / Focus Area	Remarks / Strategic Role
EPACK Durable Limited	Parent Company	–	ODM / OEM Manufacturing	Room Air Conditioners (RAC), Small Domestic Appliances (SDA)	Core platform with in-house sheet metal, plastic moulding, and PCBA; anchors design, R&D, and client management for OEM and ODM operations.
EPACK Manufacturing Pvt Ltd	Wholly Owned Subsidiary	100	OEM Manufacturing (Dedicated for Hisense)	Air Conditioners, Washing Machines, Large Appliances	OEM for Hisense; Rs 2.4 bn greenfield investment at Sri City (Andhra Pradesh); exclusive facility to cater Hisense India and allied brands; integrates component supply from parent.
EPAVO Electricals Pvt Ltd	Joint Venture	50	Component Manufacturing (Motors)	BLDC Motors, Induction Motors, Universal Motors	JV with Ram Ratna Wires Ltd; greenfield facility at Bhiwadi with ~3 mn-unit capacity; PLI-eligible; supplies 40-50% of EPACK's internal motor requirements while selling to external OEMs.
Bumjin Audio Components Pvt Ltd	Wholly Owned Subsidiary	100	Audio Components & EMS	Audio Systems, Speaker Units, Electronic Modules	New diversification initiative; entry into audio electronics and speaker sub-assemblies; leverages EPACK's EMS capabilities to reduce RAC seasonality.

Source: Company, BOBCAPS Research

EPACK's competitive strength also lies in its backward integration in components: Over the past decade, the company has internalised the production of sheet metal, plastic moulding, heat exchangers, and PCBA, achieving nearly 70% in-house value addition (ex-compressor). The Bhiwadi plant anchors this integration, hosting PCBA and cross flow fan lines. Complementing its in-house capabilities, EPACK has cultivated a resilient supplier ecosystem for key sheet-metal and electronic components, ensuring continuity through the pandemic and supporting its positioning as a full-stack manufacturing partner.

Fig 6 – From assembly to localisation – deepening in-house manufacturing



Source: Company, BOBCAPS Research

Early presence in a key manufacturing cluster; exports provide optionality: EPACK's Sri City (AP) facility is a strategically advantaged location within India's deepest HVAC/appliance cluster (Daikin/Blue Star/LG co-location), offering tighter inbound lead times, lower logistics cost and faster new product introduction. Commissioned in FY24, the site adds ~1.2mn RAC units (~40% of installed base) with multi-product capability and direct access to Chennai/Krishnapatnam ports—positioning the company for export mix. Early utilisation (~10% in H1 FY25) provides clear operating leverage: as washers/coolers/SDA ramp, we see a path to 80–90% utilisation, implying Rs 6–10bn incremental revenue and margin lift via fixed-cost absorption and cluster-driven BOM/ freight efficiencies. Net-net, Sri City transitions EPACK from a north-heavy CM to a pan-India, export-ready unit, improving scale along with mix.

Strategic partnership (Hisense, Panasonic, Daikin) provides robust order visibility: EPACK's Hisense tie-up runs on two tracks: (i) a dedicated OEM program at Sri City producing Hisense-branded RACs for India and select exports, driving steadier order visibility and a faster utilisation ramp (ii) component/sub-assembly supply (heat exchangers, sheet metal, PCBA) to Hisense's upcoming AP plant, broadening the external components book. In parallel, collaborations with Panasonic Life Solutions and Daikin in electronic sub-assemblies (PCB controllers, inverter modules) push EPACK into higher-value, tech-intensive nodes. Collectively, these alliances tighten capacity absorption, upgrade mix (ODM + components + electronics), and strengthen export linkages, yielding incremental margin leverage and revenue visibility. They also embed EPACK deeper into global OEM sourcing networks, supporting operational stability and long-term growth visibility.

Fig 7 – Hisense partnership - capacity & investment overview

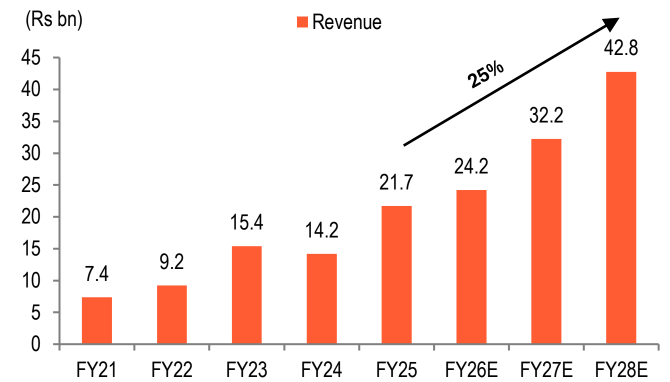
Particulars	Details
Facility Location	Andhra Pradesh (adjacent to Sri City)
Ownership Structure	100% EPACK-owned subsidiary dedicated to Hisense program
Phase 1 Product Lines	RAC assembly + heat-exchanger fabrication
Phase 1 Capacity	~0.5 mn RAC units p.a.
Planned Full Capacity (3 yrs)	~1.5 mn RAC units p.a.
Capex Outlay (FY25–27)	Rs 2.3–2.4 bn
Production Start	Q2FY26 (target)
Markets Served	India + exports (Middle East, Africa, Europe)

Source: Company, BOBCAPS Research

Financial Analysis

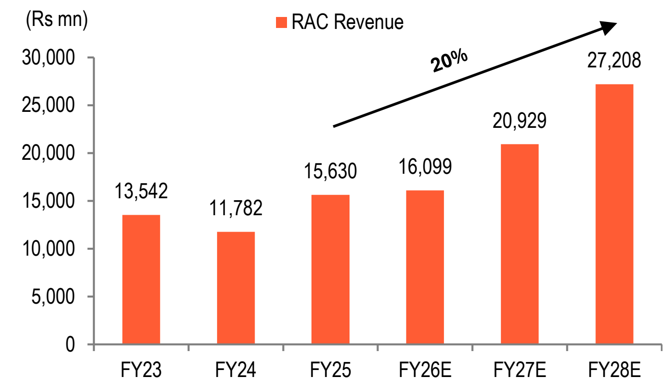
Strong historical revenue growth on demand + policy tailwinds; transitioning to steady growth trajectory: Epack Durable has scaled sharply over FY21-25, delivering ~31% revenue CAGR, driven by robust RAC demand recovery, favourable policy support (PLI, import restrictions on pre-charged units), and rapid capacity expansion across Bhiwadi and Sri City. Looking ahead, we forecast a ~25% revenue CAGR over FY25-28E as growth transitions from capacity-led to mix-led, supported by sustained RAC demand and localisation, component sales to third-party OEMs and Hisense's India JV, and scaling of new categories such as washing machines and large appliances.

Fig 8 – Revenue to grow at 25% CAGR (FY25-28E)



Source: Company, BOBCAPS Research

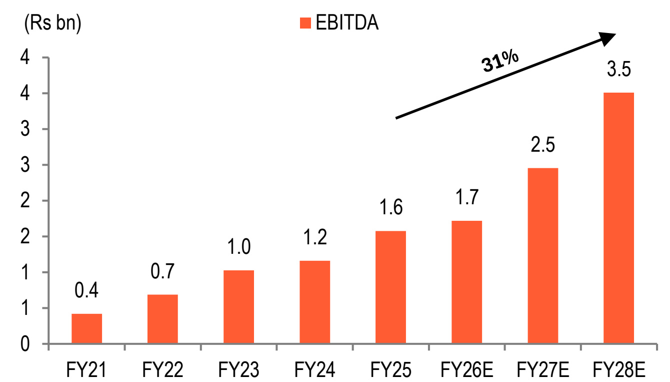
Fig 9 – RAC revenue to grow at 20% CAGR (FY25-28E)



Source: Company, BOBCAPS Research

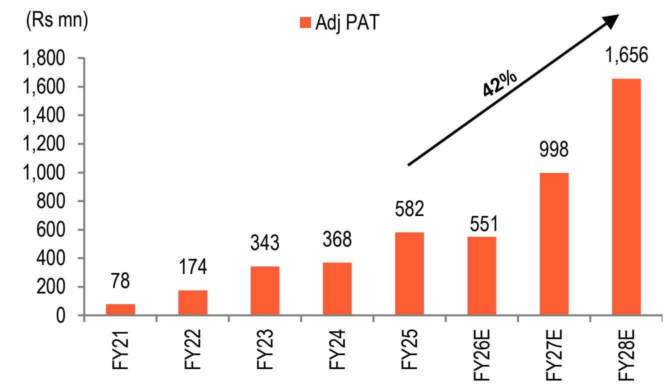
Margins to improve with changing product mix: Epack's EBITDA grew at a ~39% CAGR over FY21–25 as utilisation improved, higher in-house component share (PCBA, heat exchangers, fans), and PLI accruals enhanced profitability. We model margins in the 7.1-8.2% range through FY26-28E, with a brief dip in FY26 on account of unfavorable operating leverage due to lower AC volumes. We believe margin recovery to follow as volumes scale and product mix improve towards higher margin components and SDA business.

Fig 10 – EBITDA to grow at 31% CAGR



Source: Company, BOBCAPS Research

Fig 11 – PAT to grow at 42% CAGR

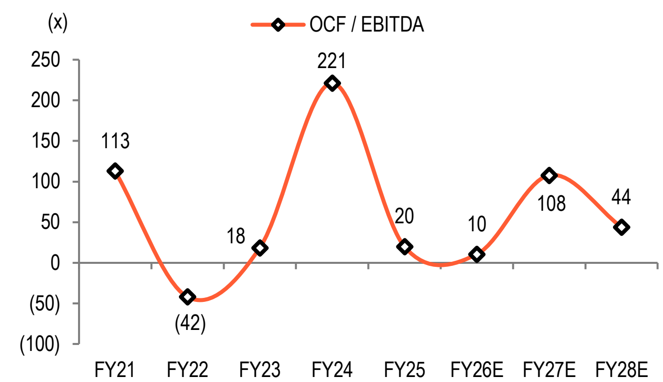


Source: Company, BOBCAPS Research

WC elevated but stable; cash generation supports expansion: EPACK's working capital (WC) cycle has improved significantly over the years. Net working capital moderated from ~110 days in FY21 to ~57 days in FY25E, reflecting improved cash discipline despite a broader client base. Operating cash flow generation remains healthy ~Rs 3.2 bn cumulatively over FY26–28E, adequate to fund growth while maintaining liquidity through peak seasonal swings. This shift towards greater BOM ownership increases WC needs but simultaneously enhances control, customer stickiness, and pricing flexibility.

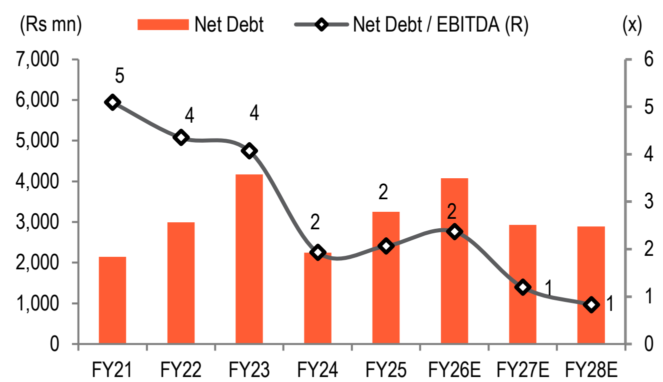
Capex-led growth phase to peak by FY27; balance sheet strength intact: EPACK is entering a multi-year investment phase (~Rs 4-5 bn over FY26-27E), driven by expansion in washing machines, large appliances, and component verticals (including the Hisense OEM facility and EPAVO motor JV). We expect this front-loaded capex cycle to be largely funded through internal accruals, rather than significant long-term borrowings. Balance sheet remains comfortable, supported by steady operating cash flows (~Rs 3.6 bn cumulatively in FY26-28E) and moderate leverage levels. As new capacities ramp up by FY28, free cash flow generation should turn positive, marking a transition from an investment-driven to a cash-generative growth phase.

Fig 12 – OCF/EBITDA



Source: Company, BOBCAPS Research

Fig 13 – Net debt to EBITDA



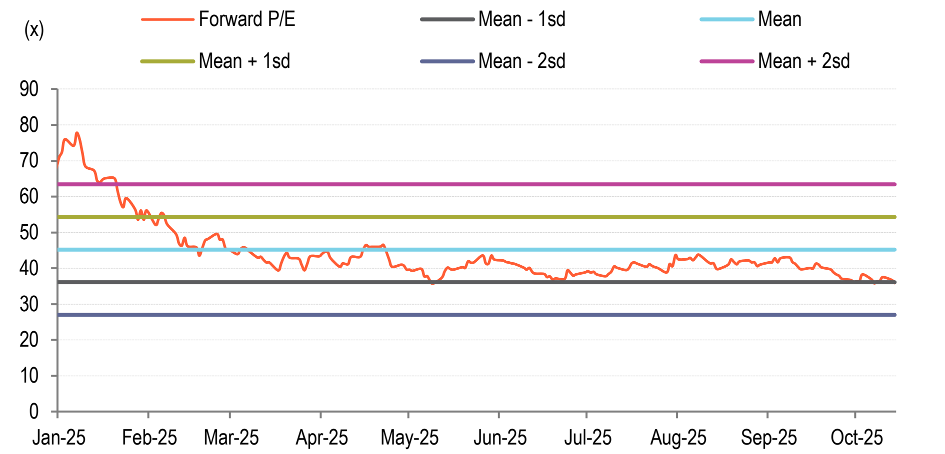
Source: Company, BOBCAPS Research

Valuation Methodology

We estimate EPACK will deliver a strong growth trajectory, with revenue/EBITDA/PAT CAGRs of ~25%/31%/42% over FY25–FY28E, led by growth in its newer margin accretive segments such as components, large domestic appliance and small domestic appliance.

At the current market price, the stock trades at ~24x Sep'27E EPS. We value EPACK on a relative basis, assigning 30x 1YF P/E to Sep'27E EPS to reflect the shift from an RAC-heavy profile to a more diversified consumer-durables mix, which we believe supports a re-rating. This implies a TP of Rs 420.

Fig 14 – EPACK 1YF PE band chart



Source: Company, BOBCAPS Research

Financials

Income Statement

Y/E 31 Mar (Rs mn)	FY24A	FY25A	FY26E	FY27E	FY28E
Total revenue	**14,196**	**21,709**	**24,228**	**32,225**	**42,776**
EBITDA	1,162	1,577	1,720	2,456	3,510
Depreciation	355	474	605	716	847
EBIT	807	1,103	1,115	1,740	2,662
Net interest inc./(exp.)	(300)	(329)	(379)	(408)	(451)
Other inc./(exp.)	89	211	221	250	220
Exceptional items	0	0	0	0	0
EBT	507	774	736	1,332	2,211
Income taxes	138	193	185	334	555
Extraordinary items	0	0	0	0	0
Min. int./Inc. from assoc.	(15)	(30)	(10)	10	10
Reported net profit	**354**	**551**	**541**	**1,008**	**1,666**
Adjustments	0	0	0	0	0
Adjusted net profit	**354**	**551**	**541**	**1,008**	**1,666**

Balance Sheet

Y/E 31 Mar (Rs mn)	FY24A	FY25A	FY26E	FY27E	FY28E
Accounts payables	4,156	5,389	6,306	7,946	10,547
Other current liabilities	673	968	1,081	1,437	1,908
Provisions	0	0	0	0	0
Debt funds	3,314	3,697	5,197	4,197	3,697
Other liabilities	613	556	556	556	556
Equity capital	958	960	960	960	960
Reserves & surplus	7,964	8,559	9,100	10,108	11,774
Shareholders' fund	8,922	9,518	10,060	11,067	12,734
Total liab. and equities	**17,678**	**20,128**	**23,199**	**25,203**	**29,442**
Cash and cash eq.	1,071	442	1,122	1,266	805
Accounts receivables	2,124	2,980	3,983	4,414	5,860
Inventories	3,782	5,807	7,302	7,946	10,547
Other current assets	3,028	845	345	345	345
Investments	0	0	1,000	1,000	1,000
Net fixed assets	5,362	5,450	6,427	7,711	8,364
CWIP	266	582	500	0	0
Intangible assets	6	12	12	12	12
Deferred tax assets, net	0	0	0	0	0
Other assets	2,039	4,008	2,508	2,508	2,508
Total assets	**17,678**	**20,128**	**23,199**	**25,203**	**29,442**

Cash Flows

Y/E 31 Mar (Rs mn)	FY24A	FY25A	FY26E	FY27E	FY28E
Cash flow from operations	**2,570**	**313**	**179**	**2,645**	**1,539**
Capital expenditures	(1,501)	(1,117)	(1,500)	(1,500)	(1,500)
Change in investments	(52)	(144)	(1,000)	0	0
Other investing cash flows	(2,213)	315	1,500	0	0
Cash flow from investing	**(3,766)**	**(946)**	**(1,000)**	**(1,500)**	**(1,500)**
Equities issued/Others	4,000	26	0	0	0
Debt raised/repaid	(1,773)	167	1,500	(1,000)	(500)
Interest expenses	0	0	0	0	0
Dividends paid	0	0	0	0	0
Other financing cash flows	(561)	(486)	0	0	0
Cash flow from financing	**1,666**	**(294)**	**1,500**	**(1,000)**	**(500)**
Chg in cash & cash eq.	**469**	**(927)**	**679**	**145**	**(461)**
Closing cash & cash eq.	**1,071**	**442**	**1,122**	**1,266**	**805**

Per Share

Y/E 31 Mar (Rs)	FY24A	FY25A	FY26E	FY27E	FY28E
Reported EPS	3.7	5.7	5.6	10.5	17.4
Adjusted EPS	3.7	5.7	5.6	10.5	17.4
Dividend per share	0.0	0.0	0.0	0.0	0.0
Book value per share	93.1	99.2	104.8	115.3	132.7

Valuations Ratios

Y/E 31 Mar (x)	FY24A	FY25A	FY26E	FY27E	FY28E
EV/Sales	2.0	1.4	1.2	0.9	0.7
EV/EBITDA	25.0	18.7	16.6	11.7	8.4
Adjusted P/E	91.2	58.6	59.7	32.1	19.4
P/BV	3.6	3.4	3.2	2.9	2.5

DuPont Analysis

Y/E 31 Mar (%)	FY24A	FY25A	FY26E	FY27E	FY28E
Tax burden (Net profit/PBT)	69.8	71.2	73.5	75.7	75.4
Interest burden (PBT/EBIT)	62.8	70.2	66.0	76.6	83.1
EBIT margin (EBIT/Revenue)	5.7	5.1	4.6	5.4	6.2
Asset turnover (Rev./Avg TA)	264.7	398.3	377.0	417.9	511.4
Leverage (Avg TA/Avg Equity)	0.9	0.6	0.7	0.7	0.7
Adjusted ROAE	5.9	6.0	5.5	9.5	14.0

Ratio Analysis

Y/E 31 Mar	FY24A	FY25A	FY26E	FY27E	FY28E
YoY growth (%)					
Revenue	(7.8)	52.9	11.6	33.0	32.7
EBITDA	13.3	35.8	9.1	42.7	42.9
Adjusted EPS	(39.8)	55.6	(1.8)	86.2	65.4
Profitability & Return ratios (%)					
EBITDA margin	8.2	7.3	7.1	7.6	8.2
EBIT margin	5.7	5.1	4.6	5.4	6.2
Adjusted profit margin	2.5	2.5	2.2	3.1	3.9
Adjusted ROAE	5.9	6.0	5.5	9.5	14.0
ROCE	6.9	8.0	7.1	9.8	13.7
Working capital days (days)					
Receivables	55	50	60	50	50
Inventory	97	98	110	90	90
Payables	107	91	95	90	90
Ratios (x)					
Gross asset turnover	2.7	3.2	3.1	3.4	3.8
Current ratio	1.3	1.0	1.2	1.2	1.2
Net interest coverage ratio	2.1	2.0	1.9	2.6	4.0
Adjusted debt/equity	0.4	0.4	0.5	0.4	0.3

Source: Company, BOBCAPS Research | Note: TA = Total Assets

HOLD
TP: Rs 600 | ⮝ 5%

PG ELECTROPLAST | Consumer Durables | 15 October 2025

Cool off before the next lap

- **PG Electroplast (PGEL) offers AC-led growth visibility, well supported by government-led policies and strong execution capabilities**
- **PGEL scaled 10x revenue and 16x EBITDA over the last 6 years (FY19-25) on demand and policy tailwinds**
- **Initiate coverage on PGEL, ascribe ~40x to Sept-27EPS to arrive at TP of Rs 600. Recommend HOLD**

Vineet Shanker
Research Analyst
Amey Tupe
Research Associate
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Significant growth underpinned by robust demand and disciplined execution: Over FY19-25, PG Electroplast delivered ~10x revenue and 16x EBITDA, driven by a) demand tailwinds in a low penetration category, b) policy support (CBU import curb, PLI), c) cost leadership via backward integration (coils, PCBA, sheet metal) and product leadership through in house design d) strong execution, capacity scale up and expansion to ~35 logos. Looking ahead, we expect a measured trajectory with a higher base, already broad client list, risk of higher insourcing by brands along with rising CM competition (PLI led capacity addition), we see growth normalizing (FY25-28E revenue/EBITDA CAGR of 19%/20%).

Seasonal swings are speed bumps on a long growth road: The RAC industry insource–outsource mix is ~65:35 (FY24). Leading brands use CMs primarily as a seasonal partner they pre-build for summer and push excess demand to contract partners. This improves the flexibility of brands but raises volume volatility for CMs. At the same time, many tail brands are seasonal participants (30 logos account for ~40% of sales). Consequently, any seasonal softness tends to hurt CMs more than brands, as brands can throttle primary billings and absorb demand in captive lines while CMs face order deferrals and under-utilisation risk. The summer of 2025 (Q4FY25 & Q1FY26) was disrupted due to weakness in demand that led to inventory overhang in the channel (brands + trade). However, we believe these seasonal swings are short-term challenges for a category with structural growth of 15-17% over the next 5 years. The company's plan to diversify into other large appliances, refrigerators and washing machines, which is Q3 hedges against seasonal swings in RAC during Q4 & Q1**.**

We initiate coverage with HOLD: We estimate PGEL to deliver revenue/EBITDA/PAT CAGR of 19%/20%/18% over FY25-28E and ascribe ~40x 1YF PE to arrive at Sept'26TP of Rs 600. Given the limited upside, we recommend HOLD rating on the stock.

Ticker/Price	PGEL IN/Rs 571
Market cap	US$ 1.8bn
Free float	39%
3M ADV	US$ 34.8mn
52wk high/low	Rs 1,054/Rs 465
Promoter/FPI/DII	49%/10%/16%

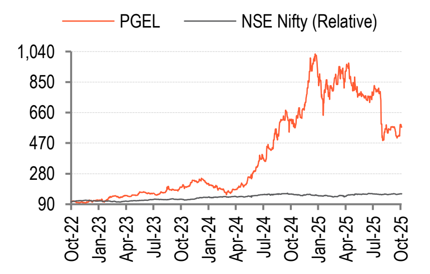
Source: NSE | Price as of 15 Oct 2025

Key financials

Y/E 31 Mar	FY25A	FY26E	FY27E
Total revenue (Rs mn)	48,695	55,905	68,446
EBITDA (Rs mn)	4,841	5,335	6,707
Adj. net profit (Rs mn)	2,878	2,642	3,563
Adj. EPS (Rs)	10.2	9.3	12.6
Consensus EPS (Rs)	10.2	9.3	12.6
Adj. ROAE (%)	14.9	8.9	10.9
Adj. P/E (x)	56.2	61.2	45.4
EV/EBITDA (x)	33.9	30.9	24.0
Adj. EPS growth (%)	96.1	(8.2)	34.9

Source: Company, Bloomberg, BOBCAPS Research

Stock performance

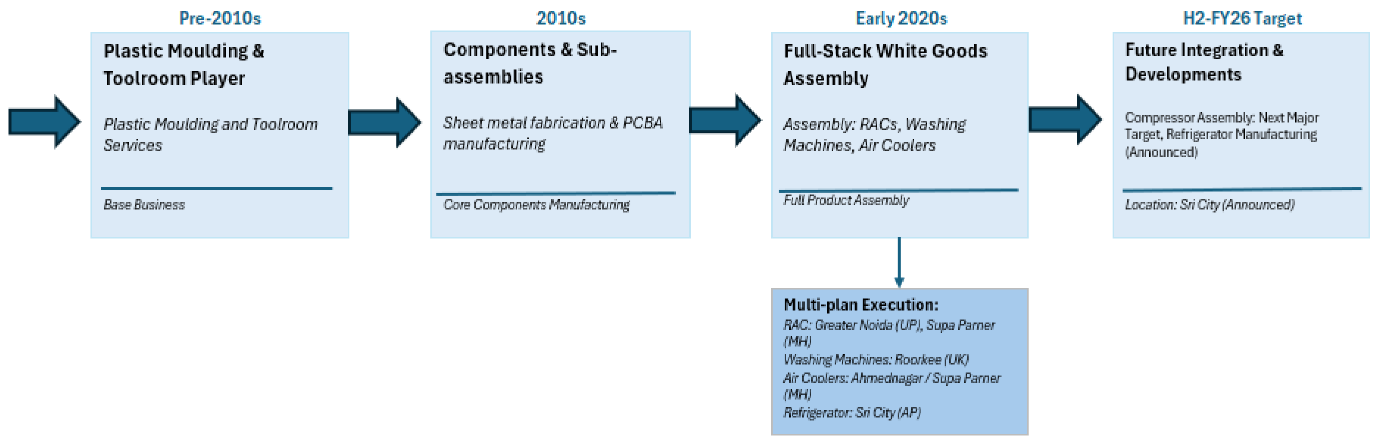


Source: NSE

A transformational journey

From plastic moulding to being a leading name in white goods contract manufacturing: Starting as a plastic and toolroom player, PG Electroplast has scaled into becoming a full-stack white-goods CM with RAC final assembly and backward integration into specialised AC components (excluding motors and compressors), sheet metal and PCBAs. It now manufactures RACs, washing machines and air coolers from Greater Noida (UP), Roorkee (UK) and Ahmednagar (MH), and has announced a refrigerator plant at Sri City (AP). Next, it targets compressor backward integration, slated for H2FY26.

Fig 1 – PGEL value chain integration throughout the years



Source: Company, BOBCAPS Research

Well supported by policy tailwinds; import ban and PLI played a pivotal role in the journey: Over last 6 years (FY19-25), the company has delivered a revenue/EBITDA CAGR of 46%/58% respectively. The robust historical growth has been on account of demand as well as policy tailwinds. PGEL gained market share by capturing domestic demand, which was fulfilled earlier by imports. Furthermore, the company's strong relation with existing clients led to increase in wallet share, besides adding new customers to their list.

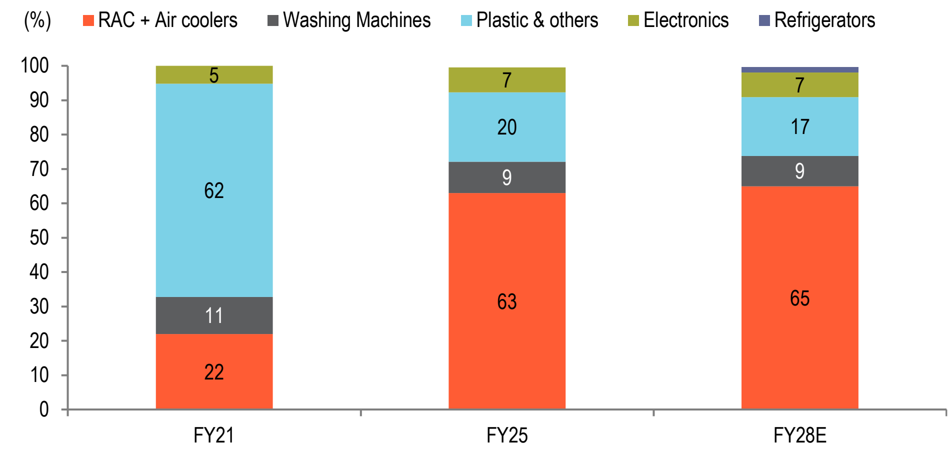
Fig 2 – Policy impact timeline

Year	Policy / Event	Impact on PGEL
2019	PLI scheme announced for White Goods	Strategic opportunity in RAC components
Oct-20	Import ban on pre-charged ACs	Boosted domestic assembly demand
FY21	PLI approval for PGEL	Triggered capex in sheet metal, heat exchangers & PCBAs
FY23	ODM shift for RAC & WM clients	Margin expansion & higher stickiness
FY25E	Sri City refrigerator project	Category diversification
H2FY26E	Compressor integration	Full backward integration

Source: Company, BOBCAPS Research

Diversification into other large appliances to de-risk RAC concentration: PGEL operates in 4 business segments – 1) products business — a consumer durables contract manufacturing business contributing 72% to the overall sales. Products business has a large concentration of RAC products (85% of products and 62% of overall sales). 2) Plastic moulding business (the company's legacy business) 3) electronics business where company does PCBA for consumer durable products 4) tool manufacturing. Given the large concentration of a highly seasonal product – RAC — the company is increasingly improving revenue salience of other categories such as washing machines, LED TVs, digital devices (PoS machines), etc.

Fig 3 – Product wise revenue-mix over the years and our estimates



Source: Company, BOBCAPS Research

Deepening the stack with compressors: PG Electroplast is in the expansion-and-integration phase of its business cycle. The foundational years, which were pre-Covid and before the import ban (on refrigerant-filled AC CBUs), were followed by a broad expansion phase focused on scaling capacity (under PLI scheme) and adding clients. During this period, the company backward-integrated into high-value AC components such as heat exchangers and PCBAs, lifting value addition and becoming one of the most backward-integrated contract manufacturers in India. The expansion continues across categories (notably refrigerators) while pushing further upstream into compressors, the largest single component in the AC BOM.

Fig 4 – Compressor unit economics and payback analysis

Parameter	Unit / Description	Estimate (Rs bn)
Installed Capacity	Rotary compressors p.a.	1.0–1.2 mn units
Project Capex	Total investment	2.8–3.0
Start-up Timeline	Commissioning	H2 FY26E
Steady-State Revenue	At ~70% utilization	3.2–3.5 p.a.
EBITDA Margin (Assumption) (%)	-	14–16
Steady-State EBITDA	-	0.45–0.50 p.a.
Free Cash Flow (steady)	Post-tax / post-maintenance	0.35–0.40 p.a.
Payback Period	EBITDA basis	~6 years
Post-tax IRR (%)	-	18-20

Source: Company, BOBCAPS Research

Many logos, but revenue concentration remains with top clients: PGEL's RAC business has steadily onboarded most active brands in India—client count rose from ~20–25 in FY24 to ~35 in FY25, covering the bulk of the market. Despite this breadth, volumes remain anchored to large accounts: mirroring industry structure (where 4–5 players hold ~60% share), PGEL's top five customers contributed ~60% of FY25 volumes (down from ~80% in FY24), indicating improving diversification.

Investment Thesis

PGEL poised to grow in line with category growth; potential to outperform: We believe PGEL should grow at least in line with the RAC category demand and can outperform via customer addition, deeper wallet share at anchor brands, new program wins and a broader product portfolio (premium variants). As per the industry estimates, RAC volume growth is expected to be in the 16-17% range over next 5-6 years. With brands leaning on to optimise the sourcing, any increase in outsourcing share from the existing levels can lead to growth higher than industry growth.

Sustained cost leadership, product launches to widen wallet share and grow ahead of category: Winning in contract manufacturing hinges on beating in-house economics at the SKU level. In recent years, PGEL has secured volume by offering lower landed-cost SKUs, lifting wallet share at anchor accounts and adding new logos. While BOM is typically pass-through, a cheaper BOM comes from purchasing efficiency (scale aggregation, localization, long term agreements). PGEL's backward integration into coils, PCBA and sheet metal strengthen its cost position vs brands. The four ODM platforms (as of FY24) attract customers by compressing new product introduction timelines.

High installed capacity base positions PGEL to service seasonal ramps and tail brands: A larger, modular assembly base (~3.0-3.4 mn units p.a.) the second largest among Indian AC contract manufacturers gives PGEL surge capacity for peak summer production. The company can quickly add shifts and ramp parallel lines, while preserving headroom to onboard new logos. With easier access to CKD/SKD and private-label sourcing, a cohort of local/seasonal brands—some spun out of large dealers/distributors—has entered the market; these players are active mainly in-season. PGEL's scale and quick-change capability position as a preferred supplier for such seasonal runs without crowding out anchor-brand volumes.

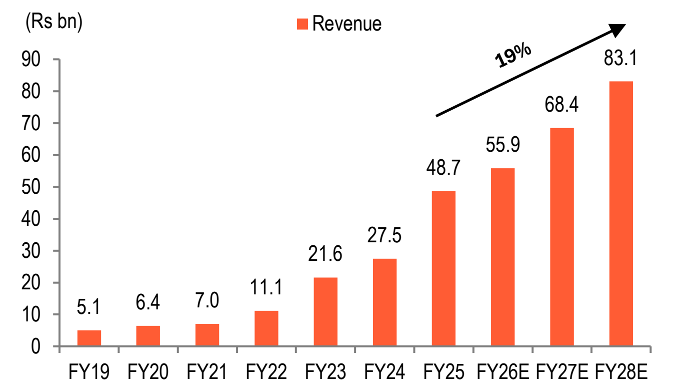
Expanding beyond RAC lessens reliance on single season peaks; leveraging existing asset base: The company's 65% revenue comes from AC products business. Besides, this plastic moulding and Electronics business is also linked to AC sales, as they largely go for AC manufacturing and they have the similar demand cycle. Hence ~ 75% of the business is linked to AC sales. PGEL's push into refrigerators and washing machines smoothens revenue through non-summer months, raises baseline utilisation, and spreads fixed costs - reducing reliance on a single peak. Also, the company's existing asset base – plastic moulding, sheet metal, PCBA, etc., will improve companies purchasing efficiency in the newer categories. The broader product offering also creates new logo entry points, providing demand visibility and margin stability.

Backward integration into compressors strengthens PG Electroplast's position in ACs: Compressors are the biggest BOM item; building them in-house (assembly first, then machining/motor integration; H2FY26) lets PGEL bundle compressor + RAC, win larger/longer contracts (incl. minimum offtake), and cut customers landed cost. Co-developed platforms deepen stickiness (qualification/warranty) and lift margins by shifting mix to high-value components. The move also strengthens peak-season supply assurance, eases working capital (shorter inbound, index-linked metals), and enables ODM reference platforms (compressor + coils + PCBA) for faster launches.

Financial Analysis

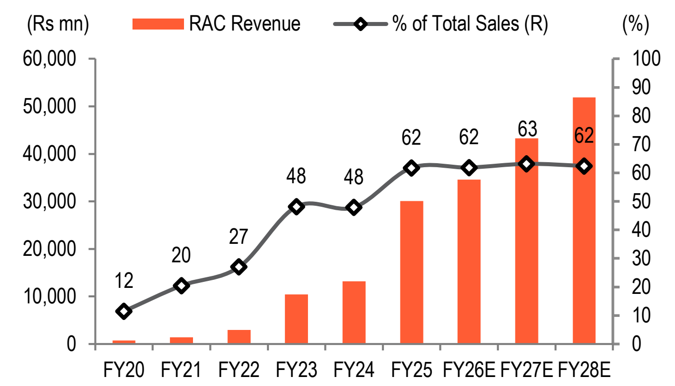
Robust historic growth on strong demand and policy tailwinds; growth to moderate on high base: Over FY19–25, PGEL's revenue grew at ~46% CAGR (~10x), propelled by a broader product stack (IDU + ODU), higher BOM capture via backward integration (coils, PCBA, sheet metal), and capacity-led volume scale. Volumes inflected as CBU import share fell in FY22 and brands pivoted to domestic CMs for peak coverage. Having added capacity under PLI, PGEL was positioned to supply. Growth has come from both deeper wallet share at anchor clients and new logo wins (~35 in FY25). Looking ahead, we model an FY25–28E revenue CAGR of ~19%, led by ~20% CAGR in the AC business. With RAC industry growth at ~16–17%, we expect PGEL to outperform the category growth as it will continue to add newer clients and increase wallet share.

Fig 5 – Revenue to grow at 19% CAGR (FY25-28E)



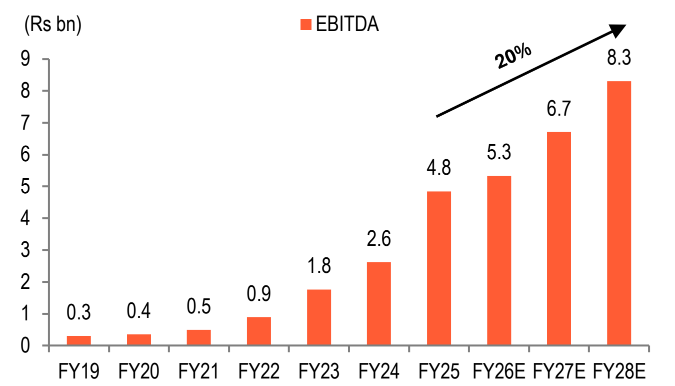
Source: Company, BOBCAPS Research

Fig 6 – RAC segment emerging as core growth driver



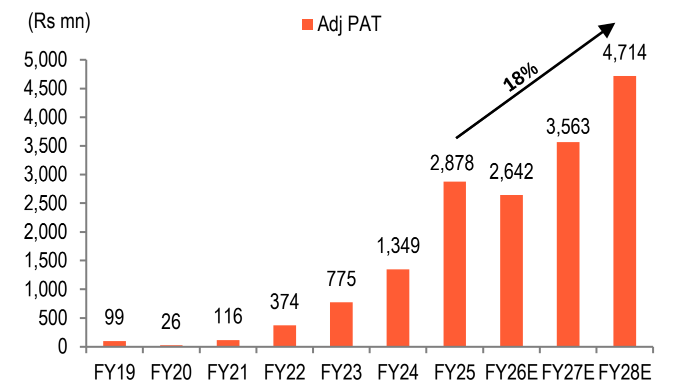
Source: Company, BOBCAPS Research

Fig 7 – EBITDA to grow at 20% over FY25-28E



Source: Company, BOBCAPS Research

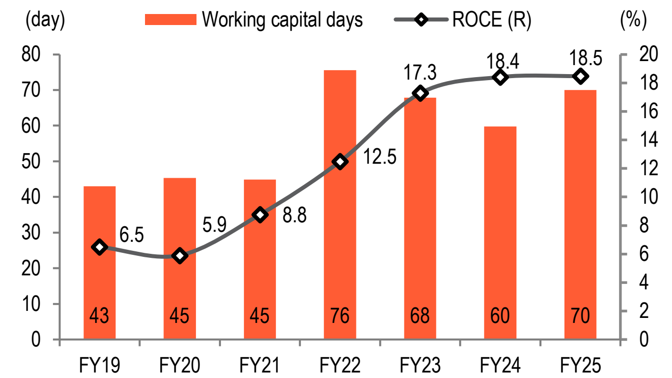
Fig 8 – PAT to grow at 18% CAGR (FY25-28E)



Source: Company, BOBCAPS Research

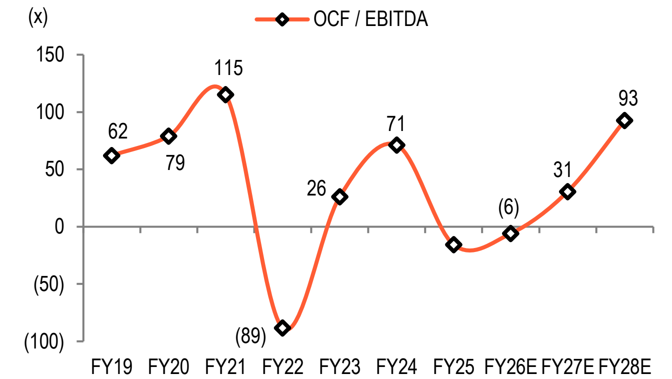
Significant improvement in EBITDA margin on improving utilisation and incentives; margin to stay stable: PGEL revenue base grew 10x during FY19-25E, while EBITDA grew 16x on the back of significant margin improvement. This margin improvement was largely on the back of higher volume, improving utilisation levels, quick ramp up of its new added lines and PLI incentives received during FY24 and FY25. EBITDA margin during FY19 was ~6.1% improved to 9.9% in FY25. However, we don't model significant margin expansion as easy levers are largely exhausted, PLI tailwinds will normalise and pricing pass-through is constrained as customers face intensifying competition from local/ newer brands. We assume margins to remain broadly stable, with mix and utilisation the key swing factors.

Fig 9 – WC days rises to 70 from 43 days in FY19



Source: Company, BOBCAPS Research

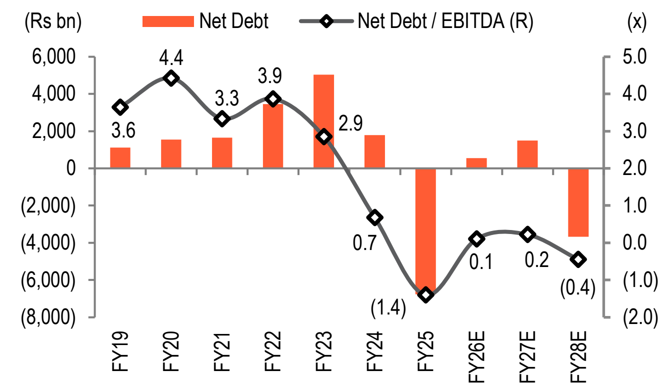
Fig 10 – Cash conversion volatile amid expansion cycle



Source: Company, BOBCAPS Research

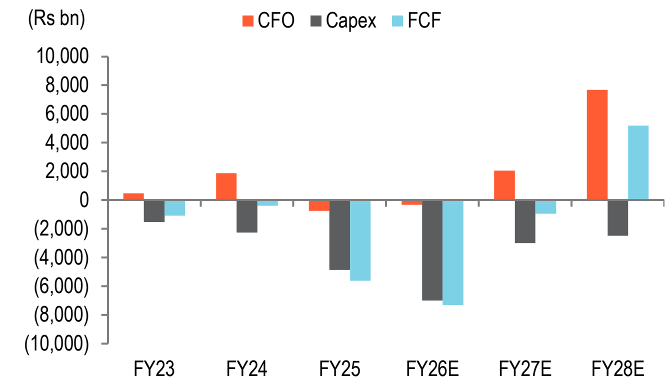
WC days stretched from 40 to 45 days during FY19-21 to ~70 days in FY25: Net working-capital (WC) days have expanded from ~40–45 days (FY19–21) when import-led supply capped volumes and BOM ownership was lower to ~70 days by FY25 as volumes scaled and PGEL assumed a larger share of the BOM under turnkey programs (higher inventory and receivables). With competitive intensity elevated in a seasonally weak year, we do not model a meaningful near-term reduction. Ongoing expansion into washing machines and refrigerators will further stretch inventory cycles. Accordingly, for FY26–28, we forecast cumulative operating cashflow of ~Rs 10bn, driven by earnings growth, but partly offset by sustained WC investment.

Fig 11 – Sharp deleveraging with EBITDA scale-up



Source: Company, BOBCAPS Research

Fig 12 – FCF recovery post expansion phase



Source: Company, BOBCAPS Research

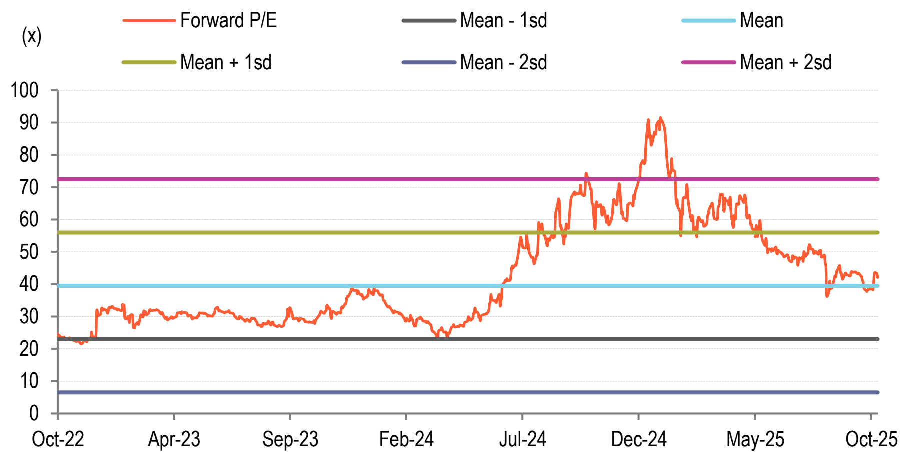
Targets to 2x the existing gross block over next 4-5 years: PGEL plans to roughly 2x its gross block by adding a refrigerator plant in Sri City (AP), a washing-machine unit in Greater Noida (UP), a compressor unit and a plastics/air-cooler facility in Rajasthan, while also widening its electronics portfolio. The program entails >Rs 12bn of capex. With ~Rs 10bn net cash (FY25) and an estimated ~Rs 10bn cumulative operating cash flow over FY26–28, we believe the expansion is comfortably funded through internal accruals and existing cash, implying limited reliance on external long-term debt.

Valuation Methodology

We estimate PGEL to deliver revenue/EBITDA/PAT CAGR of 19%/20%/18% over FY25-28E. We expect revenue growth to be higher than category growth as the company's cost and product leadership will likely deepen client relationships and widen wallet share. Near term, we expect margin to remain stable as margin levers remain low. PGEL is expanding into refrigerators and other electronics, which can subdue margin gains in the AC business.

We ascribe as 41x 1Yf PE multiple, which arrived after giving 15% premium to the implied PE of 36x from our DCF based Sept-26 FV of Rs 530/share to factor option value (compressor, IT hardware, consumer electronics) and arrive at Sept-26TP of Rs 600. Given the limited upside, we recommend HOLD rating on the stock.

Fig 13 – PGEL 1YF PE band chart



Source: Company, BOBCAPS Research

Financials

Income Statement

Y/E 31 Mar (Rs mn)	FY24A	FY25A	FY26E	FY27E	FY28E
Total revenue	**27,465**	**48,695**	**55,905**	**68,446**	**83,090**
EBITDA	2,618	4,841	5,335	6,707	8,300
Depreciation	466	656	1,130	1,469	1,895
EBIT	2,152	4,184	4,206	5,238	6,405
Net interest inc./(exp.)	(387)	(537)	(933)	(819)	(551)
Other inc./(exp.)	130	351	386	425	467
Exceptional items	0	0	0	0	0
EBT	1,765	3,647	3,272	4,419	5,854
Income taxes	395	738	671	906	1,200
Extraordinary items	0	0	0	0	0
Min. int./Inc. from assoc.	(21)	(31)	40	50	60
Reported net profit	**1,349**	**2,878**	**2,642**	**3,563**	**4,714**
Adjustments	0	0	0	0	0
Adjusted net profit	**1,349**	**2,878**	**2,642**	**3,563**	**4,714**

Balance Sheet

Y/E 31 Mar (Rs mn)	FY24A	FY25A	FY26E	FY27E	FY28E
Accounts payables	6,464	13,744	15,779	19,318	23,452
Other current liabilities	1,435	4,802	5,513	6,749	8,193
Provisions	0	0	0	0	0
Debt funds	3,606	3,019	4,519	3,769	3,019
Other liabilities	1,194	1,361	1,361	1,361	1,361
Equity capital	260	283	283	283	283
Reserves & surplus	10,121	27,999	30,641	34,204	38,918
Shareholders' fund	10,381	28,282	30,924	34,487	39,201
Total liab. and equities	**23,080**	**51,208**	**58,096**	**65,685**	**75,226**
Cash and cash eq.	1,824	9,797	3,971	2,272	6,702
Accounts receivables	5,530	9,804	12,253	15,002	18,212
Inventories	5,434	13,162	16,848	20,628	20,488
Other current assets	1,269	4,775	5,481	6,711	8,147
Investments	0	0	0	0	0
Net fixed assets	7,813	11,343	11,950	19,481	20,086
CWIP	632	736	6,000	0	0
Intangible assets	34	42	42	42	42
Deferred tax assets, net	0	0	0	0	0
Other assets	543	1,549	1,549	1,549	1,549
Total assets	**23,080**	**51,208**	**58,096**	**65,685**	**75,226**

Cash Flows

Y/E 31 Mar (Rs mn)	FY24A	FY25A	FY26E	FY27E	FY28E
Cash flow from operations	**1,863**	**(766)**	**(325)**	**2,051**	**7,680**
Capital expenditures	(2,258)	(4,872)	(7,000)	(3,000)	(2,500)
Change in investments	(88)	1	0	0	0
Other investing cash flows	(1,646)	(7,142)	0	0	0
Cash flow from investing	**(3,992)**	**(12,014)**	**(7,000)**	**(3,000)**	**(2,500)**
Equities issued/Others	0	14,899	0	0	0
Debt raised/repaid	(2,091)	(728)	1,500	(750)	(750)
Interest expenses	0	0	0	0	0
Dividends paid	0	0	0	0	0
Other financing cash flows	4,434	(881)	0	0	0
Cash flow from financing	**2,344**	**13,290**	**1,500**	**(750)**	**(750)**
Chg in cash & cash eq.	**215**	**510**	**(5,825)**	**(1,699)**	**4,430**
Closing cash & cash eq.	**1,824**	**9,797**	**3,971**	**2,272**	**6,702**

Per Share

Y/E 31 Mar (Rs)	FY24A	FY25A	FY26E	FY27E	FY28E
Reported EPS	51.8	10.2	9.3	12.6	16.7
Adjusted EPS	51.8	10.2	9.3	12.6	16.7
Dividend per share	0.0	0.0	0.0	0.0	0.0
Book value per share	398.9	99.9	109.2	121.8	138.5

Valuations Ratios

Y/E 31 Mar (x)	FY24A	FY25A	FY26E	FY27E	FY28E
EV/Sales	5.8	3.4	2.9	2.3	2.0
EV/EBITDA	60.5	33.9	30.9	24.0	19.6
Adjusted P/E	11.0	56.2	61.2	45.4	34.3
P/BV	1.4	5.7	5.2	4.7	4.1

DuPont Analysis

Y/E 31 Mar (%)	FY24A	FY25A	FY26E	FY27E	FY28E
Tax burden (Net profit/PBT)	76.4	78.9	80.7	80.6	80.5
Interest burden (PBT/EBIT)	82.0	87.2	77.8	84.4	91.4
EBIT margin (EBIT/Revenue)	7.8	8.6	7.5	7.7	7.7
Asset turnover (Rev./Avg TA)	351.5	429.3	467.8	351.4	413.7
Leverage (Avg TA/Avg Equity)	1.1	0.6	0.4	0.6	0.5
Adjusted ROAE	18.8	14.9	8.9	10.9	12.8

Ratio Analysis

Y/E 31 Mar	FY24A	FY25A	FY26E	FY27E	FY28E
YoY growth (%)					
Revenue	27.2	77.3	14.8	22.4	20.0
EBITDA	48.6	84.9	10.2	25.7	23.7
Adjusted EPS	52.2	96.1	(8.2)	34.9	32.3
Profitability & Return ratios (%)					
EBITDA margin	9.5	9.9	9.5	9.8	10.0
EBIT margin	7.8	8.6	7.5	7.7	7.7
Adjusted profit margin	2.8	2.8	5.1	3.9	4.3
Adjusted ROAE	18.8	14.9	8.9	10.9	12.8
ROCE	16.6	21.3	13.0	12.4	13.7
Working capital days (days)					
Receivables	73	73	80	80	80
Inventory	72	99	110	110	90
Payables	86	103	103	103	103
Ratios (x)					
Gross asset turnover	3.4	4.2	3.9	3.4	3.2
Current ratio	1.5	1.9	1.6	1.6	1.6
Net interest coverage ratio	4.2	4.7	3.2	4.2	6.3
Adjusted debt/equity	0.3	0.1	0.1	0.1	0.1

Source: Company, BOBCAPS Research | Note: TA = Total Assets

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BUY – Expected return >+15%

HOLD – Expected return from -6% to +15%

SELL – Expected return <-6%

Note: Recommendation structure changed with effect from 21 June 2021

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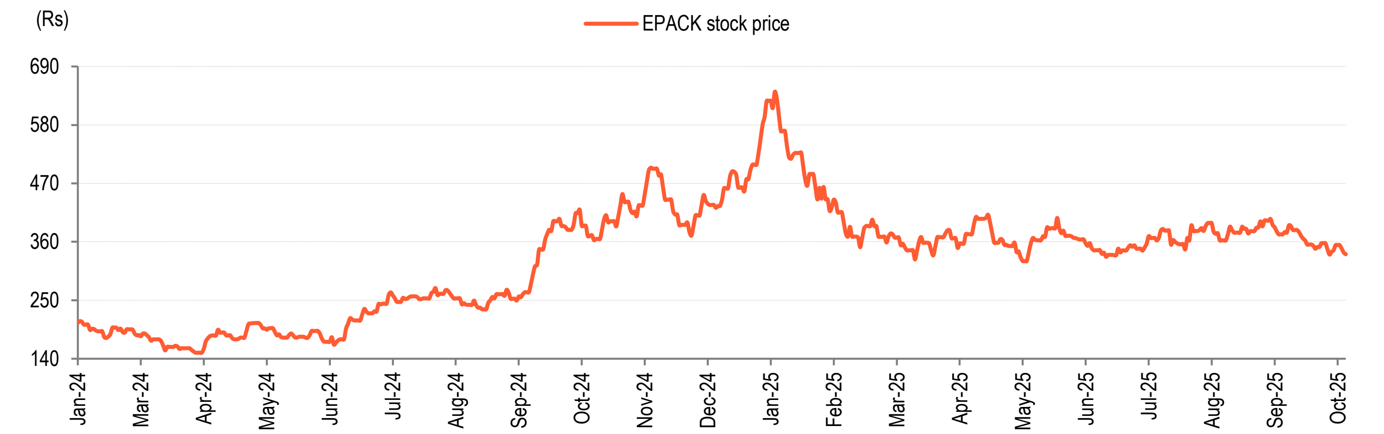
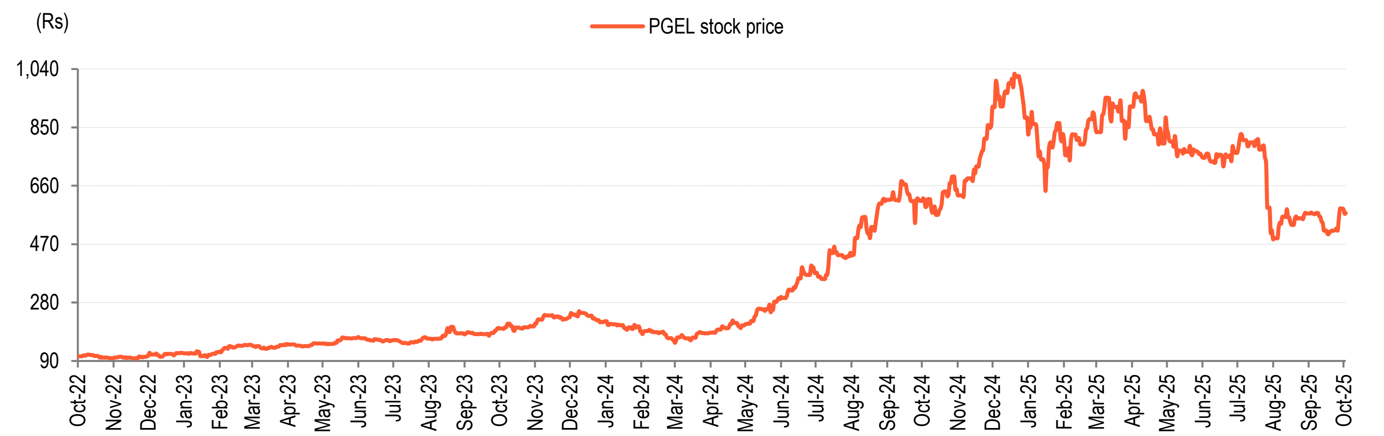


B – Buy, H – Hold, S – Sell, A – Add, R – Reduce

Ratings and Target Price (3-year history): PG ELECTROPLAST (PGEL IN)



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