

BUY**TP: Rs 385 | ▲ 15%****EPACK DURABLE**

Consumer Durables

05 November 2025

Estimate miss; client addition, diversification to aid growth

- Significant miss on estimates; demand hit by unseasonal rains and deferment of purchase due to GST rate cut implementation
- Industry sales volume declined 35% YoY in H1, demand recovery expected in H2, aided by pent-up demand and improving affordability
- Cut estimates, ascribe unchanged 30x multiple to arrive at Sept-26 TP of Rs 385; maintain BUY

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Weak performance; misses estimate on all fronts: Epack reported a weaker than-expected Q2 performance, with revenue /EBITDA significantly below ours and consensus estimates. Revenue declined 43% YoY to Rs 21.3bn (-68% QoQ). Gross margin expanded 110bps YoY to 15.7% while EBITDA margin contracted significantly by 230bps YoY to 0.3%. The company reported net loss of Rs 222mn vs. Rs 85mn in Q2FY25.

AC sales declined 76% YoY, partially offset by non-AC products business (+30% YoY): Revenue decline of 43% YoY was led by a steep decline in AC products business (-76% YoY), on account of unseasonal rains, excess inventories in the channel leading to lower primary sales and deferment of purchase due to GST rate cut implementation. During H1FY26, industry sales declined 35% YoY and FY26 will likely end with flattish growth (at best). While AC sales declined, non-AC products business, which is small and large domestic appliances and components business, saw a strong growth of 30% YoY, partially offsetting the AC sales decline. During the quarter, the company secured 4 new customers and will be supplied from the end of Q4FY26.

Strategic partnership and capex plans on track: Epack's strategic tie-up with Hisense to manufacture air conditioners, washing machines and other appliances, is on track. The company will commence supplying in December-end or January start. Management reaffirmed its capex plans of ~Rs 4.5 bn (with ~Rs 1.75 bn spent in H1) towards capacity expansion and component capability and reiterated its plan to double capacity by FY27.

Revise estimates, maintain BUY: We have significantly reduced our FY26-28% revenue estimates by 7-13% and PAT estimates by 22%/0% in FY27/28E, due to weakness in AC segment. We expect demand recovery in FY27, led by pent-up demand and improving affordability. We ascribe unchanged multiple of 30x to arrive at Sept26 TP of Rs 385. We maintain BUY.

Key changes

Target	Rating
▼	◀ ▶

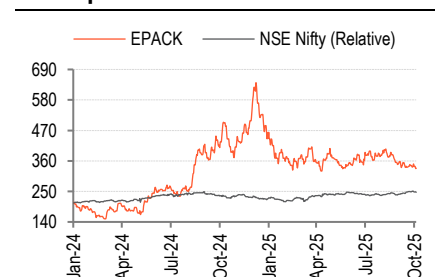
Ticker/Price	EPACK IN/Rs 334
Market cap	US\$ 361.2mn
Free float	39%
3M ADV	US\$ 3.4mn
52wk high/low	Rs 670/Rs 316
Promoter/FPI/DII	48%/2%/7%

Source: NSE | Price as of 4 Nov 2025

Key financials

Y/E 31 Mar	FY25A	FY26E	FY27E
Total revenue (Rs mn)	21,709	21,112	29,020
EBITDA (Rs mn)	1,577	1,241	2,247
Adj. net profit (Rs mn)	551	210	785
Adj. EPS (Rs)	5.7	2.2	8.2
Consensus EPS (Rs)	5.7	2.2	8.2
Adj. ROAE (%)	6.0	2.2	7.8
Adj. P/E (x)	58.1	152.7	40.8
EV/EBITDA (x)	18.6	22.9	12.7
Adj. EPS growth (%)	55.6	(62.0)	274.5

Source: Company, Bloomberg, BOBCAPS Research

Stock performance

Source: NSE



Fig 1 – Quarterly & H1FY26 performance

Particulars (Rs mn)	Q2FY26	Q2FY25	YoY (%)	Q1FY26	QoQ (%)	H1FY26	H1FY25	YoY (%)	Q2FY26E	Variance (%)
Revenue	2,133	3,771	(43)	6,624	(68)	8,757	11,508	(24)	3,513	(39)
EBITDA	5	96	(94)	546	(99)	552	613	(10)	110	(95)
EBITDA Margin (%)	0.3	2.5	(230bps)	8.2	(800bps)	6.3	5.3	100bps	3.1	(288bps)
Depreciation	135	116		127		262	229		145	(7)
Interest	202	137		159		361	278		170	19
Other Income	62	47		57		118	109		57	8
PBT	(270)	(110)	146	317	(185)	47	215	(78)	(133)	103
Tax	(64)	(32)		86		21	57		0	#DIV/0!
Adjusted PAT	(222)	(85)	162	229	(197)	6	149	(96)	(133)	67
Exceptional item	-	-		-		-	-		-	
Reported PAT	(222)	(85)	162	229	(197)	6	149	(96)	(133.1)	67
Adj. PAT Margin (%)	(10.4)	(2.3)	(820bps)	3.5	(1390bps)	0.1	1.3	(120bps)	(3.8)	(664bps)
EPS (Rs)	(2.3)	(0.9)	162	2.4	(197)	0.3	1.6	(84)	(1.4)	67

Source: Company, BOBCAPS Research

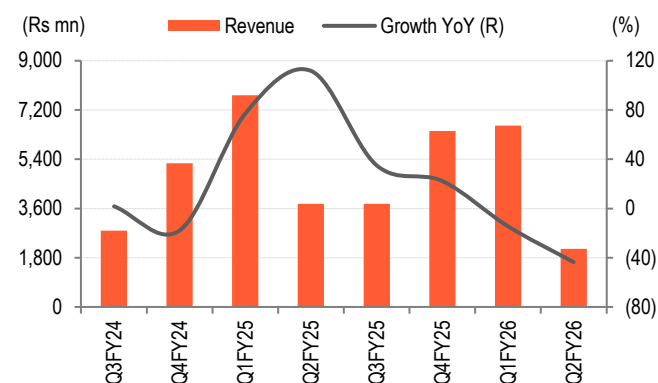
Fig 2 – Segmental performance

Particulars (Rs mn)	Q2FY26	Q2FY25	YoY (%)	Q1FY26	QoQ (%)	H1FY26	H1FY25	YoY (%)
Segment revenue								
RAC	617	2,604	(76)	4,306	(86)	4,923	8,871	(45)
SDA	881	701	26	662	33	1,543	2,171	(29)
Components	341	466	(27)	1126	(70)	1,467	466	215
Others	102	-	NA	397	(74)	499	-	NA
LDA	192	-	NA	132	45	324	-	NA

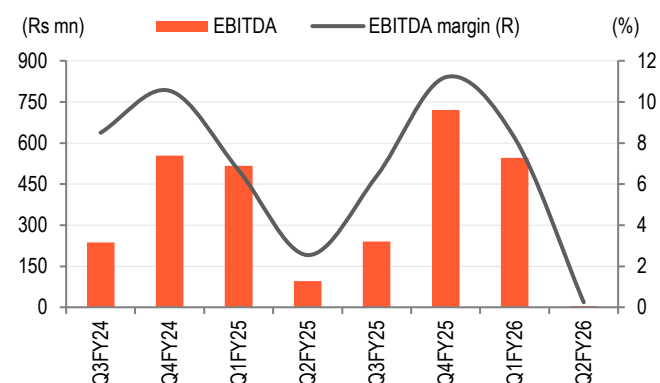
Source: Company, BOBCAPS Research

Earnings Call Highlights

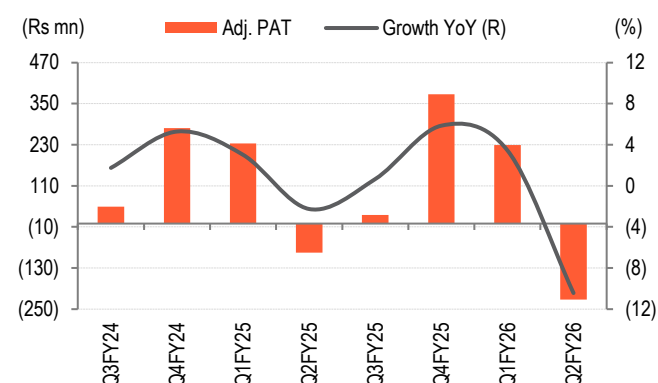
- Management highlighted that the RAC industry remained weak in H1 with ~35% YoY decline, driven by extended monsoons and muted festive sentiment. Near-term demand visibility remains limited, and the industry is expected to be flattish at best in FY25-26.
- Channel inventory, which had spiked post a weak summer, has normalised sharply with ~50% liquidation QoQ from ~5 mn units at end-Q1 to ~2.5 mn by Q2, aided by GST-related channel movement; ~1-1.5 mn units now lie with trade and ~1 mn with brands, with management expecting full normalisation by Q4 without distress discounting.
- Management commented that the upcoming energy-label change from January has driven a tactical production strategy across OEMs, with brands continuing to build 5-Star models and beginning production of new-norm units in late December. No inventory obsolescence risk exists as older-rated products can still be sold.
- A 5-7% price hike (across commodity inflation and new rating norms) is expected in the upcoming season, which will partly offset cost pressures and normalise margins as scale returns.
- The company highlighted continued progress on diversification, with ramp-up in small appliances (air-fryers, vacuums, coffee makers, blenders) and washing machines (top-load approved; front-load and semi-auto under development); five customers added in Q2 and four-five in pipeline, broadening the customer base.
- Component business strength continued, driven largely by non-AC segments such as energy-storage and EV-adjacent products, enabling growth despite AC softness. Management emphasised 65-70% in-house component value addition across motors, PCBs, plastics, and sheet metal, with compressors being the only major outsourced part.
- The Hisense-dedicated facility has been fully commissioned with trial production completed; management expects mass production of ACs to commence by end-December/early-January, followed by a phased ramp-up into washing machines and other appliances. The partnership is targeted to deliver ~Rs 80 bn in cumulative revenue over the next five years, supported by domestic demand and upcoming export opportunities to the Middle East and Africa.
- Management reaffirmed capex plans of ~Rs 4.5 bn (with ~Rs 1.75 bn spent in H1) towards capacity expansion and component capability and reiterated its plan to double capacity by FY27.
- The company acknowledged higher working capital from inventory build-up and lower payables but expects gradual improvement as production and offtake pick up. Net debt stood at ~Rs 5 bn at quarter-end.
- Management reiterated that the leading brands would continue to operate under hybrid manufacturing models, with >35% outsourcing by top RAC players likely to sustain.

Fig 3 – Revenue growth trend

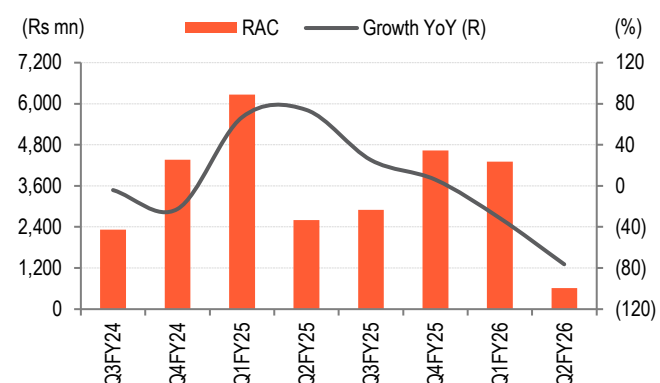
Source: Company, BOBCAPS Research

Fig 4 – EBITDA growth trend

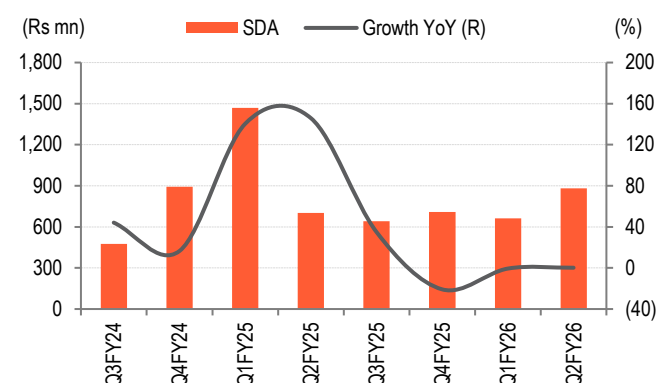
Source: Company, BOBCAPS Research

Fig 5 – Profit trend

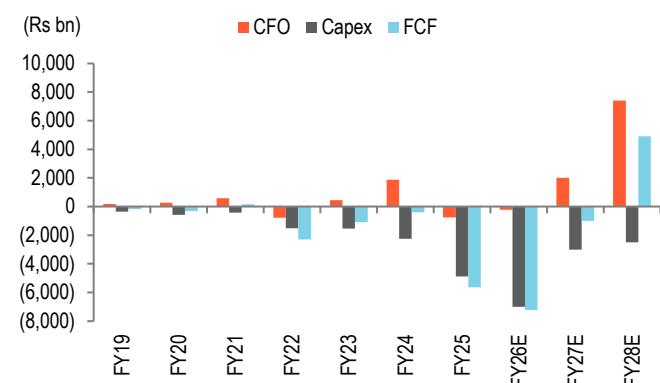
Source: Company, BOBCAPS Research

Fig 6 – RAC growth

Source: Company, BOBCAPS Research

Fig 7 – SDA growth

Source: Company, BOBCAPS Research

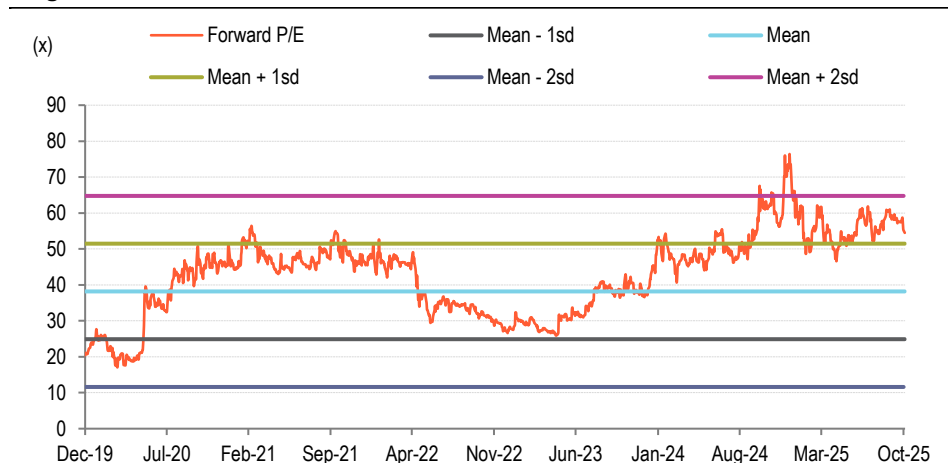
Fig 8 – Cash flow trend

Source: Company, BOBCAPS Research

Valuation Methodology

We have significantly reduced our FY26-28% revenue estimates by 7-13% and PAT estimates by 22%/0% in FY27/28E, due to weakness in the AC segment. We expect demand recovery in FY27, led by the pent-up demand and improving affordability. We ascribe unchanged multiple of 30x to arrive at Sept'26 TP of Rs 385. We maintain BUY.

Fig 9 – EPACK 1YF P/E



Source: Company, BOBCAPS Research

Fig 10 – Revised estimates

(Rs mn)	New			Old			Change (%)		
	FY26E	FY27E	FY28E	FY26E	FY27E	FY28E	FY26E	FY27E	FY28E
Revenue	21,112	29,020	39,621	24228	32225	42776	(13)	(10)	(7)
EBITDA	1,241	2,247	3,427	1720	2456	3510	(28)	(9)	(2)
PAT	210	785	1,659	541	1008	1666	(61)	(22)	0

Source: BOBCAPS Research

Financials

Income Statement

Y/E 31 Mar (Rs mn)	FY24A	FY25A	FY26E	FY27E	FY28E
Total revenue	14,196	21,709	21,112	29,020	39,621
EBITDA	1,162	1,577	1,241	2,247	3,427
Depreciation	355	474	590	764	904
EBIT	807	1,103	652	1,483	2,523
Net interest inc./(exp.)	(300)	(329)	(358)	(455)	(342)
Other inc./(exp.)	89	211	242	250	250
Exceptional items	0	0	0	0	0
EBT	507	774	293	1,028	2,181
Income taxes	138	193	74	258	547
Extraordinary items	0	0	0	0	0
Min. int./Inc. from assoc.	(15)	(30)	(10)	15	25
Reported net profit	354	551	210	785	1,659
Adjustments	0	0	0	0	0
Adjusted net profit	354	551	210	785	1,659

Balance Sheet

Y/E 31 Mar (Rs mn)	FY24A	FY25A	FY26E	FY27E	FY28E
Accounts payables	4,156	5,389	5,495	7,156	9,770
Other current liabilities	673	968	942	1,294	1,767
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	8,768	9,554	11,212
Shareholders' fund	8,922	9,518	9,728	10,513	12,172
Total liab. and equities	17,678	20,128	21,917	23,716	27,961
Cash and cash eq.	1,071	442	1,276	1,040	624
Accounts receivables	2,124	2,980	3,470	3,975	5,428
Inventories	3,782	5,807	6,362	7,156	9,770
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	6,443	7,679	8,275
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	21,917	23,716	27,961

Cash Flows

Y/E 31 Mar (Rs mn)	FY24A	FY25A	FY26E	FY27E	FY28E
Cash flow from operations	2,570	313	333	2,265	1,583
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)	833	(235)	(417)
Closing cash & cash eq.	1,071	442	1,276	1,040	624

Per Share

Y/E 31 Mar (Rs)	FY24A	FY25A	FY26E	FY27E	FY28E
Reported EPS	3.7	5.7	2.2	8.2	17.3
Adjusted EPS	3.7	5.7	2.2	8.2	17.3
Dividend per share	0.0	0.0	0.0	0.0	0.0
Book value per share	93.1	99.2	101.4	109.5	126.8

Valuations Ratios

Y/E 31 Mar (x)	FY24A	FY25A	FY26E	FY27E	FY28E
EV/Sales	2.0	1.3	1.3	1.0	0.7
EV/EBITDA	24.8	18.6	22.9	12.7	8.4
Adjusted P/E	90.4	58.1	152.7	40.8	19.3
P/BV	3.6	3.4	3.3	3.0	2.6

DuPont Analysis

Y/E 31 Mar (%)	FY24A	FY25A	FY26E	FY27E	FY28E
Tax burden (Net profit/PBT)	69.8	71.2	71.5	76.4	76.0
Interest burden (PBT/EBIT)	62.8	70.2	45.0	69.3	86.4
EBIT margin (EBIT/Revenue)	5.7	5.1	3.1	5.1	6.4
Asset turnover (Rev./Avg TA)	264.7	398.3	327.7	377.9	478.8
Leverage (Avg TA/Avg Equity)	0.9	0.6	0.7	0.8	0.7
Adjusted ROAE	5.9	6.0	2.2	7.8	14.6

Ratio Analysis

Y/E 31 Mar	FY24A	FY25A	FY26E	FY27E	FY28E
YoY growth (%)					
Revenue	(7.8)	52.9	(2.8)	37.5	36.5
EBITDA	13.3	35.8	(21.3)	81.0	52.5
Adjusted EPS	(39.8)	55.6	(62.0)	274.5	111.2

Profitability & Return ratios (%)

EBITDA margin	8.2	7.3	5.9	7.7	8.6
EBIT margin	5.7	5.1	3.1	5.1	6.4
Adjusted profit margin	2.5	2.5	1.0	2.7	4.2
Adjusted ROAE	5.9	6.0	2.2	7.8	14.6
ROCE	6.9	8.0	4.8	8.9	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	2.7	3.0	3.5
Current ratio	1.3	1.0	1.2	1.2	1.2
Net interest coverage ratio	2.1	2.0	1.1	2.1	4.3
Adjusted debt/equity	0.4	0.4	0.5	0.4	0.3

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

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BUY – Expected return >+15%

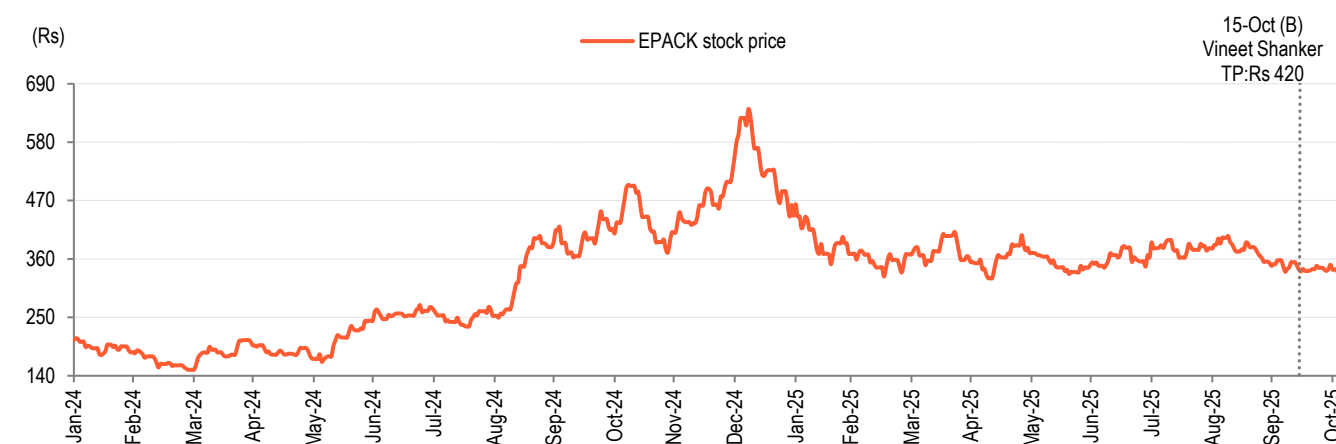
HOLD – Expected return from -6% to +15%

SELL – Expected return <-6%

Note: Recommendation structure changed with effect from 21 June 2021

Our recommendation scale does not factor in short-term stock price volatility related to market fluctuations. Thus, our recommendations may not always be strictly in line with the recommendation scale as shown above.

Ratings and Target Price (3-year history): EPACK DURABLE (EPACK IN)



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

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