

BUY**TP: Rs 340 | ▲ 36%****EPACK DURABLE**

| Consumer Durables

| 21 January 2026

Diversification offsets AC weakness

- Topline miss was offset by stronger margins, resulting in EBITDA and PAT
- RAC demand stabilises after a weak H1, while the non-AC segments drive growth and mix improvement
- Revise estimates and valuation multiple to 25x (vs 30x); roll forward to Dec'26 TP of Rs 340 (vs Sept'26 TP of Rs 385). Maintain BUY

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Recovery-led performance; EBITDA improves; PAT beats estimates: Epack reported a sharp improvement in Q3FY26 performance, with revenue and EBITDA recovering meaningfully. Revenue increased 14% YoY to Rs 4.3bn, supported by stabilising demand and improved execution. EBITDA margin expanded by ~100bps YoY to 7.4%, driven by operating leverage and a favourable product mix. Adjusted PAT stood at Rs 26 mn (+3% YoY), beating our estimate of Rs 20 mn, though profitability remained impacted by higher depreciation and interest costs.

Strong non-AC growth offsets AC demand weakness: Revenue growth in Q3FY26 was supported by marginal decline in AC revenues by (-1% YoY), reflecting improving industry trends after a weak H1, marked by inventory correction and demand disruption. Moderation in de-growth was aided by better secondary sales and gradual normalisation of channel inventories. Non-AC segments delivered strong growth, with SDA revenues rising ~30%+ YoY, components growing 61% YoY on PCBs, copper and plastic parts, and LDA revenues rising ~74% YoY, led by ramp-up in washing machines.

Outlook remains constructive on diversification and margin trajectory: Management commentary indicates improving demand visibility into Q4FY26 and CY26, supported by inventory normalisation, BEE-led replacement demand and a favourable summer outlook. Continued focus on diversification, backward integration and ODM scale-up are driving a structurally improved business mix, with non-AC segments increasingly contributing to growth and margins.

Revise estimates; maintain BUY: We retain FY26E revenues while cutting FY27-28E by ~2-6% for a slower AC recovery. EBITDA estimates are raised by 6-19% on mix and leverage, driving 110-60bps margin expansion, while PAT is trimmed by ~4-9% due to higher depreciation and interest. We lower our multiple to 25x to arrive at a Dec'26 TP of Rs 340. Maintain BUY.

Key changes

	Target	Rating
Ticker/Price	EPACK IN/Rs 250	
Market cap	US\$ 262.1mn	
Free float	39%	
3M ADV	US\$ 8.1mn	
52wk high/low	Rs 497/Rs 246	
Promoter/FPI/DII	48%/2%/7%	

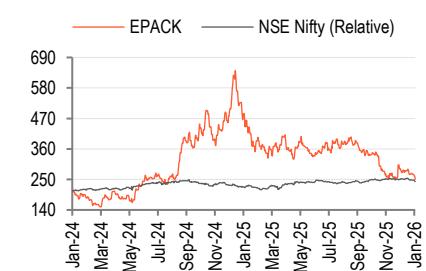
Source: NSE | Price as of 21 Jan 2026

Key financials

Y/E 31 Mar	FY25A	FY26E	FY27E
Total revenue (Rs mn)	21,709	21,155	28,529
EBITDA (Rs mn)	1,577	1,473	2,387
Adj. net profit (Rs mn)	551	202	725
Adj. EPS (Rs)	5.7	2.1	7.6
Consensus EPS (Rs)	5.7	2.1	7.6
Adj. ROAE (%)	6.0	2.1	7.2
Adj. P/E (x)	43.6	118.9	33.1
EV/EBITDA (x)	13.5	13.0	7.6
Adj. EPS growth (%)	55.6	(63.3)	258.6

Source: Company, Bloomberg, BOBCAPS Research

Stock performance



Source: NSE



Fig 1 – Quarterly & 9MFY26 performance

Particulars (Rs mn)	Q3FY26	Q3FY25	YoY (%)	Q2FY26	QoQ (%)	9MFY26	9MFY25	YoY (%)	Q3FY26E	Var (%)
Revenue	4,278	3,768	14	2,133	101	13,034	15,276	(15)	4,646	(8)
EBITDA	317	241	31	5	5,800	869	854	2	247	28
EBITDA Margin (%)	7.4	6.4	100bps	0.3	720bps	6.7	5.6	110bps	5.3	209bps
Depreciation	136	121		135		398	350		140	(3)
Interest	135	124		202		496	402		150	(10)
Other Income	28	49		62		146	157		70	(60)
PBT	74	44	67	(270)	(127)	121	259	(53)	27	171
Tax	24	10		(64)		46	67		7	233
Adjusted PAT	26	25	3	(222)	(112)	32	174	(81)	20	30
Exceptional item	-	-		-		-	-		-	-
Reported PAT	26	25	3	(222)	(112)	32	174	(81)	20	30
Adj. PAT Margin (%)	0.6	0.7	(10bps)	(10.4)	1100bps	0.2	1.1	(90bps)	0.4	18bps
EPS (Rs)	0.3	0.3	3	(2.3)	(112)	0.8	2.0	(61)	0.2	30

Source: Company, BOBCAPS Research

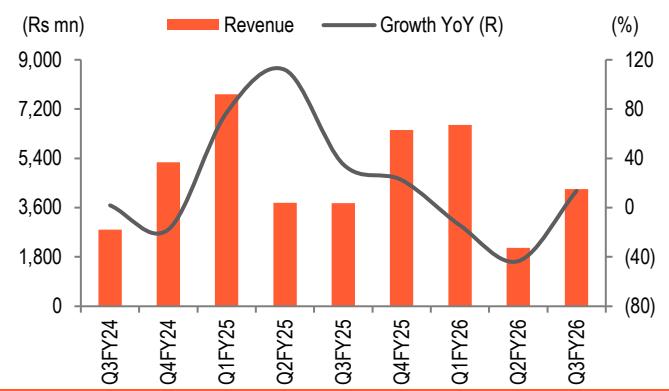
Fig 2 – Segmental performance

Particulars (Rs mn)	Q3FY26	Q3FY25	YoY (%)	Q2FY26	QoQ (%)	9MFY26	9MFY25	YoY (%)
Segment revenue								
RAC	2,436	2,459	(1)	617	295	7,359	11,571	(36)
SDA + LDA	792	641	24	1,073	(26)	2,660	2,570	3
Components	835	520	61	341	145	2,302	986	133
Others	215	149	45	102	111	714	149	380

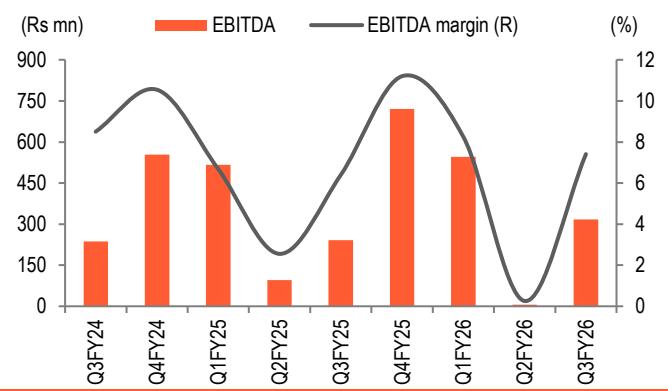
Source: Company, BOBCAPS Research

Earnings Call Highlights

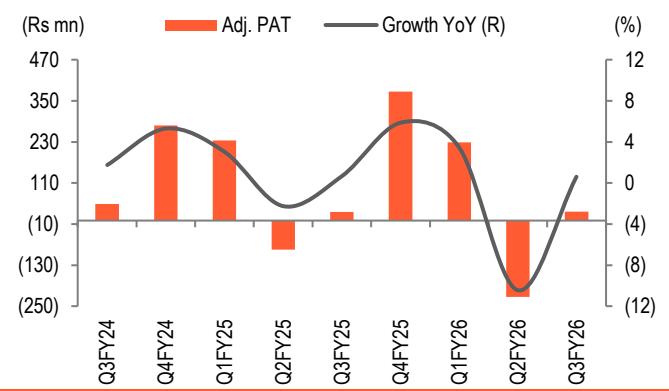
- Management highlighted that RAC industry's de-growth moderated in Q3, with secondary sales decline improving to ~10-12% from 25-30% in H1, aided by inventory correction and early signs of demand stabilisation. Management expects the industry to return to 15-20% growth in CY26, on inventory normalisation and a stronger summer season.
- Channel inventory levels remain manageable at ~4-4.5 mn units. Management noted that the older-rated products can continue being sold until June 2026. The transition to new BEE energy norms has led to a calibrated production strategy across OEMs, with ramp-up of new-rated models underway from mid-January. Management reiterated that the company holds no obsolete inventory and does not foresee any inventory obsolescence risk, given the available sell-through window.
- Management expects an industry-wide price increase, driven by commodity inflation and the transition to new BEE energy norms, with pricing likely to rise ~3-5% for 3-Star models and ~5-8% for 5-Star models. Production of 5-Star ACs continued during the transition, while 3-Star and new-norm units have begun ramping up from mid-January. EPACK reiterated its cost pass-through model, which is expected to protect margins as the scale improves.
- Management provided an update on EPAVO, the 50:50 JV focused on BLDC motors and HVAC components, noting that the greenfield Bhiwadi facility has commenced commercial production. Focus in Q4FY26 would be on reducing losses through ramp-up and customer validations, with Q1-Q2FY27 targeted at making the business profitable, as the scale improves and utilisation stabilises.
- Progress on diversification continued during the quarter, with strong growth in small domestic appliances led by air fryers and new product launches, alongside steady ramp-up in the washing machine segment, where top-load models are scaling up and front-load development is underway.
- The component business delivered robust growth, with 61% YoY expansion, owing to strong demand for PCBs, copper parts and plastic moulded components. Management highlighted continued strength from the non-AC segments, reinforcing the benefits of diversification.
- Customer base expansion remained healthy, with the addition of two new customers during Q3, taking the total customer base to 67. Management noted that the dependence on top customers continues to decline, improving revenue stability.
- Capex execution remained on track, with ~Rs 440 mn incurred during Q3 and ~Rs 2.18 bn spent in 9MFY26. Management reaffirmed the planned ~Rs 2.50 bn capex over the next 12-18 months, focused on washing machines, components and new manufacturing facilities.
- Management reiterated focus on diversification, deeper backward integration and scaling up ODM capabilities. The strategy targets 20-25%+ medium-term growth, alongside improved margin stability.

Fig 3 – Revenue growth trend

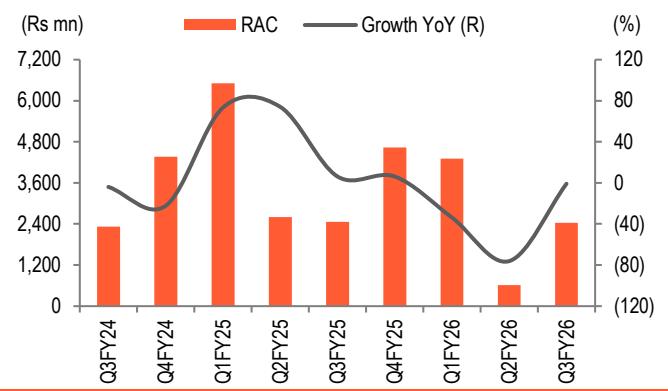
Source: Company, BOBCAPS Research

Fig 4 – EBITDA growth trend

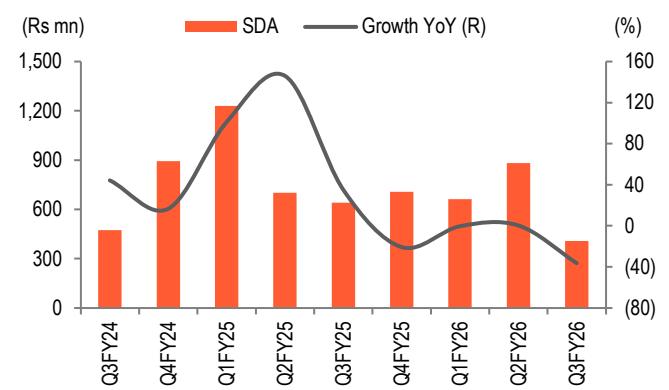
Source: Company, BOBCAPS Research

Fig 5 – Profit trend

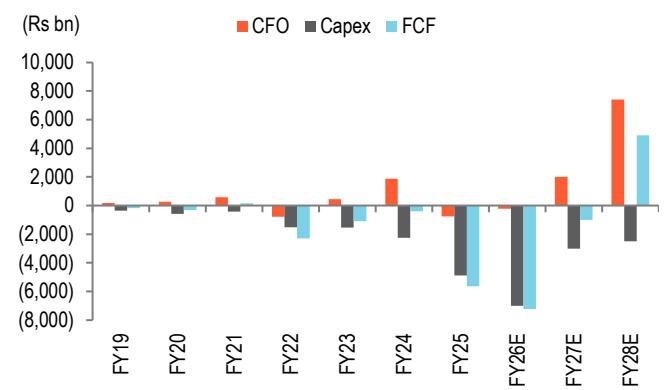
Source: Company, BOBCAPS Research

Fig 6 – RAC growth

Source: Company, BOBCAPS Research

Fig 7 – SDA growth

Source: Company, BOBCAPS Research

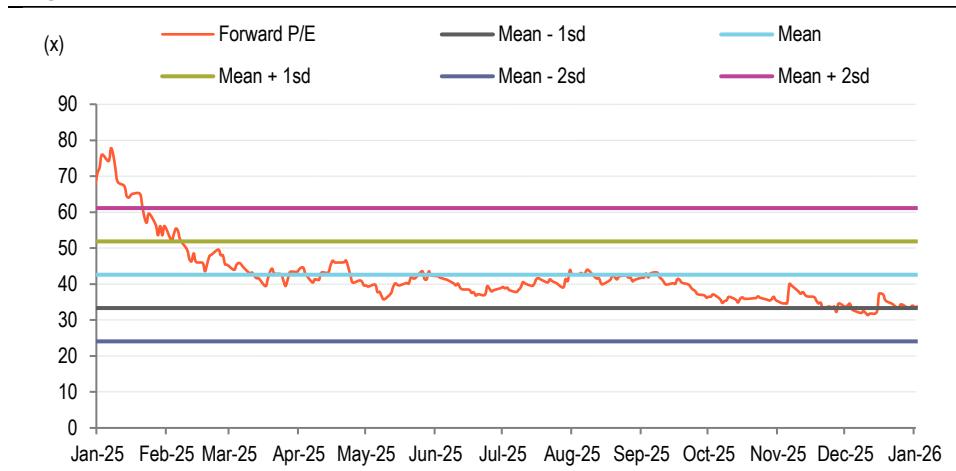
Fig 8 – Cashflow trend

Source: Company, BOBCAPS Research

Valuation Methodology

We have largely maintained our FY26E revenue estimates, while marginally trimming FY27–28E revenues by ~2-6%, to factor in a more measured recovery in the AC segment. EBITDA estimates for FY26-28E have been revised upwards by 6-19%, driven by a richer product mix and operating leverage, resulting in a 110-60bps improvement in margin assumptions. PAT estimates have been moderately reduced by ~4-9% over FY26-28E, reflecting higher depreciation and interest costs. We change our multiple to 25x (vs 30x previously) to arrive at a Dec'26 TP of Rs 340. 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	21,155	28,529	37,129	21,112	29,020	39,621	0.2	(1.7)	(6.3)
EBITDA	1,473	2,387	3,450	1,241	2,247	3,427	18.7	6.2	0.7
EBITDA margin (%)	7.0	8.4	9.3	5.9	7.7	8.6	110bps	60bps	60bps
PAT	202	725	1,517	210	785	1,659	(3.6)	(7.6)	(8.6)

Source: BOBCAPS Research

Financials

Income Statement

Y/E 31 Mar (Rs mn)	FY24A	FY25A	FY26E	FY27E	FY28E
Total revenue	14,196	21,709	21,155	28,529	37,129
EBITDA	1,162	1,577	1,473	2,387	3,450
Depreciation	355	474	611	844	964
EBIT	807	1,103	862	1,543	2,486
Net interest inc./exp.)	(300)	(329)	(552)	(542)	(462)
Other inc./exp.)	89	211	160	250	250
Exceptional items	0	0	0	0	0
EBT	507	774	310	1,002	2,025
Income taxes	138	193	78	251	508
Extraordinary items	0	0	0	0	0
Min. int./Inc. from assoc.	(15)	(30)	(30)	(25)	0
Reported net profit	354	551	202	725	1,517
Adjustments	0	0	0	0	0
Adjusted net profit	354	551	202	725	1,517

Balance Sheet

Y/E 31 Mar (Rs mn)	FY24A	FY25A	FY26E	FY27E	FY28E
Accounts payables	4,156	5,389	5,506	7,425	9,155
Other current liabilities	673	968	944	1,272	1,656
Provisions	0	0	0	0	0
Debt funds	3,314	3,697	5,197	4,697	4,197
Other liabilities	613	556	556	556	556
Equity capital	958	960	960	960	960
Reserves & surplus	7,964	8,559	8,761	9,486	11,003
Shareholders' fund	8,922	9,518	9,721	10,446	11,962
Total liab. and equities	17,678	20,128	21,923	24,396	27,526
Cash and cash eq.	1,071	442	(1,217)	(489)	(694)
Accounts receivables	2,124	2,980	3,478	3,908	5,086
Inventories	3,782	5,807	6,376	7,035	9,155
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	7,421	8,577	8,614
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	4,008	4,008	4,008
Total assets	17,678	20,128	21,923	24,396	27,526

Cash Flows

Y/E 31 Mar (Rs mn)	FY24A	FY25A	FY26E	FY27E	FY28E
Cash flow from operations	2,570	313	340	2,728	1,295
Capital expenditures	(1,501)	(1,117)	(2,500)	(1,500)	(1,000)
Change in investments	(52)	(144)	(1,000)	0	0
Other investing cash flows	(2,213)	315	0	0	0
Cash flow from investing	(3,766)	(946)	(3,500)	(1,500)	(1,000)
Equities issued/Others	4,000	26	0	0	0
Debt raised/repaid	(1,773)	167	1,500	(500)	(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	(500)	(500)
Chg in cash & cash eq.	469	(927)	(1,660)	728	(205)
Closing cash & cash eq.	1,071	442	(1,217)	(489)	(694)

Per Share

Y/E 31 Mar (Rs)	FY24A	FY25A	FY26E	FY27E	FY28E
Reported EPS	3.7	5.7	2.1	7.6	15.8
Adjusted EPS	3.7	5.7	2.1	7.6	15.8
Dividend per share	0.0	0.0	0.0	0.0	0.0
Book value per share	93.1	99.2	101.3	108.8	124.6

Valuations Ratios

Y/E 31 Mar (x)	FY24A	FY25A	FY26E	FY27E	FY28E
EV/Sales	1.5	1.0	0.9	0.6	0.5
EV/EBITDA	17.9	13.5	13.0	7.6	5.5
Adjusted P/E	67.8	43.6	118.9	33.1	15.8
P/BV	2.7	2.5	2.5	2.3	2.0

DuPont Analysis

Y/E 31 Mar (%)	FY24A	FY25A	FY26E	FY27E	FY28E
Tax burden (Net profit/PBT)	69.8	71.2	65.2	72.4	74.9
Interest burden (PBT/EBIT)	62.8	70.2	36.0	64.9	81.4
EBIT margin (EBIT/Revenue)	5.7	5.1	4.1	5.4	6.7
Asset turnover (Rev./Avg TA)	264.7	398.3	285.1	332.6	431.1
Leverage (Avg TA/Avg Equity)	0.9	0.6	0.8	0.9	0.8
Adjusted ROAE	5.9	6.0	2.1	7.2	13.5

Ratio Analysis

Y/E 31 Mar	FY24A	FY25A	FY26E	FY27E	FY28E
YoY growth (%)					
Revenue	(7.8)	52.9	(2.5)	34.9	30.1
EBITDA	13.3	35.8	(6.6)	62.1	44.5
Adjusted EPS	(39.8)	55.6	(63.3)	258.6	109.1
Profitability & Return ratios (%)					
EBITDA margin	8.2	7.3	7.0	8.4	9.3
EBIT margin	5.7	5.1	4.1	5.4	6.7
Adjusted profit margin	2.5	2.5	1.0	2.5	4.1
Adjusted ROAE	5.9	6.0	2.1	7.2	13.5
ROCE	6.9	8.0	5.3	8.8	13.1
Working capital days (days)					
Receivables	55	50	60	50	50
Inventory	97	98	110	90	90
Payables	107	91	95	95	90
Ratios (x)					
Gross asset turnover	2.7	3.2	2.6	2.7	3.1
Current ratio	1.3	1.0	1.0	1.0	1.1
Net interest coverage ratio	2.1	2.0	1.2	1.9	3.5
Adjusted debt/equity	0.4	0.4	0.5	0.4	0.4

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

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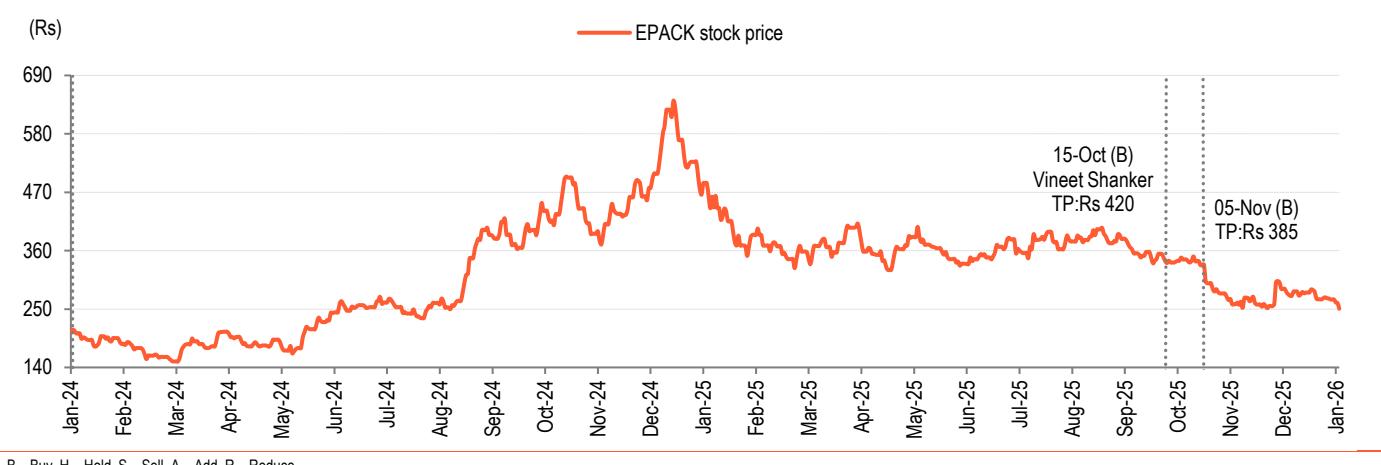
HOLD – Expected return from -6% to +15%

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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