EPACK Durable | BUY

JM FINANCIAL

Weak quarter; appliances and components to drive FY26 growth

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Epack's 1Q performance was impacted by unseasonal rains, which drove a 34% YoY decline in the RAC business. For FY26, growth in this vertical is expected to hover around 10-15%, with hopes pegged heavily on 2H. However, small and large domestic appliances are picking up well supported by new client additions, expansion of the product portfolio and increasing wallet share with existing customers. Incrementally, as the Sri City facility ramps up, the components business is also expected to contribute meaningfully. Hence, FY26 guidance remains unchanged at 30-35% revenue growth with 7.5% EBITDA margin, with the share of the AC business at 60-65%. We cut our FY26-28E EPS estimates by 3.3-4.8% and maintain BUY with a revised target price of INR 460 (INR 480 earlier) set at 40x Mar'27E EPS.

- **1QFY26 PAT in line with estimates:** EPACK's 1Q revenue registered a 14% YoY decline to INR 6.6bn. This was a 5% miss on our estimate. However, strong growth in the components business drove up gross margins 170bps higher YoY to 15.7%. This supported with lower-than-expected operating costs drove a 7% beat on EBITDA. Absolute EBITDA stood at INR 546mn, +6% YoY and margins stood at 8.2%, +150bps YoY and 90bps ahead of expectations. However, due to higher depreciation and finance costs, PAT at INR 228mn, -3% YoY was in-line with estimate of INR 231mn.

- **RAC business weak owing to seasonal trends; components and appliances doing well:** The revenue decline was primarily owing to a weak season for the RAC business which contracted 34% YoY impacted by suboptimal demand. Further, the SDA (small domestic appliances - induction cooktops, mixer grinders, air fryers, and water dispensers) segment recorded a 16% YoY growth driven by strong order intake across both established and newly launched products, with notable growth in demand for Air Fryers. EPACK's LDA (large-domestic appliances - washing machines and air coolers) segment grew 29% YoY, with customer base expansion being a key strategic growth driver.

- **Ramp up of Sri City facility aiding components business:** Incrementally, as the newly set up Sri City facility ramps up, the component business has also shown good growth, rising 556% YoY, albeit over a low base; supported by a robust order pipeline for PCBs, copper parts, and plastic moulding components. EPACK also diversified into the energy meter sector in its component vertical thereby expanding beyond its high reliance on the consumer durables business.

- **Revenue and margin guidance unchanged:** Management has maintained its FY26 guidance of 30-35% top-line growth despite weak 1Q. This will be driven by diversification into components, small domestic appliances, and large domestic appliances. Company is targeting EBITDA margin of 7.5% for FY26, with a medium-term ambition of touching 8%, which is a sustainable range. Margin improvement will largely be driven by increasing share of higher margin products, including components, and small and large appliances. With overall margin strategy is to diversify the air conditioner portfolio, meaningfully grow the appliances business, and expand into components.

Recommendation and Price Target	
Current Reco.	BUY
Previous Reco.	BUY
Current Price Target (12M)	460
Upside/(Downside)	20.7%
Previous Price Target	480
Change	-4.2%

Key Data – EPACK IN	
Current Market Price	INR381
Market cap (bn)	INR36.6/US$0.4
Free Float	42%
Shares in issue (mn)	95.8
Diluted share (mn)	96.0
3-mon avg daily val (mn)	INR243.7/US$2.8
52-week range	674/232
Sensex/Nifty	81,758/24,968
INR/US$	86.2

Price Performance

%	1M	6M	12M
Absolute	13.7	-27.8	46.5
Relative*	14.6	-33.0	44.4

* To the BSE Sensex

Financial Summary (INR mn)

Y/E March	FY24A	FY25A	FY26E	FY27E	FY28E
Net Sales	14,196	21,709	26,565	35,667	45,145
Sales Growth (%)	-7.7	52.9	22.4	34.3	26.6
EBITDA	1,162	1,577	1,998	2,755	3,491
EBITDA Margin (%)	8.2	7.3	7.5	7.7	7.7
Adjusted Net Profit	354	551	680	1,105	1,541
Diluted EPS (INR)	3.7	5.7	7.1	11.5	16.1
Diluted EPS Growth (%)	-39.8	55.6	23.2	62.6	39.4
ROIC (%)	5.9	7.0	8.0	10.1	11.7
ROE (%)	5.9	6.0	6.9	10.3	12.8
P/E (x)	103.2	66.3	53.8	33.1	23.7
P/B (x)	4.1	3.8	3.6	3.2	2.8
EV/EBITDA (x)	33.4	25.3	20.6	15.2	12.1
Dividend Yield (%)	0.0	0.0	0.0	0.0	0.0

Source: Company data, JM Financial. Note: Valuations as of 18/Jul/2025

Key highlights from conference call

Quarter subdued due to unseasonal rains and surplus inventory from Q4FY25, but an optimized product mix contributed to better margins. EPACK added 14 new customers through the quarter, predominantly within the appliances business, with supplies having started to 3 out of these 14.

Comments on demand scenario

- Q1 RAC demand was subdued due to unseasonal rains and surplus inventory, leading to the industry witnessing a degrowth of 30-35%. Despite a weak 1Q, the RAC market for FY26 is still expected to grow at 10-15% for the full year, with hopes for a revival pegged on 2H of the year.
- Recovery expected in Q3 and Q4 FY26, with brands ramping up production from end-September/October for new energy efficiency norms (BEE revision w.e.f. 01 Jan, 2026).
- Inventories now normalizing after June liquidation, inching closer to normal levels

Revenue guidance for FY26 intact

- The company remains on track for 30-35% top-line growth in FY26, driven by diversification into components, small domestic appliances (SDA), and large domestic appliances (LDA).
- Expects to outgrow the market in the core RAC business, with overall market growth projected at 5-15% for FY26 despite Q1 slowdown, and long-term AC industry growth of over 20% annually for the next 4-5 years.
- Consolidated revenue growth to come from expansions in washing machines, air coolers, other small appliances, and components.

Expect EBITDA margins of 7.5% in FY26 and a ramp up to 8% thereon

- Targeting EBITDA margin of 7.5%+ for FY26, with a medium-term ambition of hitting the 8% mark, which the management believes is a sustainable range.
- Margin improvement driven by product mix, with higher margins in diversified segments (components, LDA, SDA) compared to air conditioners.
- Sustainability of margins linked to ongoing diversification and growth in the non-RAC businesses.
- Overall strategy includes three levers: (1) diversifying air conditioner portfolio, (2) growing SDA/LDA businesses, and (3) expanding into components.

Capex primarily for Hisense and expansion of the Sri City facility

- Incurred approximately INR 500mn in Q1FY26, primarily for capacity expansion and equipment installation in washing machine lines and component segments.
- On-going strategic investments emphasized for capacity expansion, diversification, and supporting long-term growth roadmap (e.g., motors via Epavo JV (JV with Ram Ratna Wires) and Hisense facility).

Segment-wise commentary and guidance

- **Room Air Conditioners (RAC):** Declined 34% YoY due to suboptimal demand; expected to contribute 60-65% of FY26 revenue.
- **Small Domestic Appliances (SDA):** +16% YoY, driven by orders for existing and new products like air fryers. This vertical is expected to contribute 10-15% of FY26 revenue. Added 8 customers in the SDA vertical in 1Q.
- **Large Domestic Appliances (LDA):** +29% YoY, driven by washing machines and air coolers; added 3 customers for washing machines (capacity to reach 1 mn p.a. by CY26).
- **Components:** Grew 556% YoY; high growth expected over the next 3-4 years. Have forayed into energy meters (supplying enclosures), and looking to foray into washing machines, refrigerators, and like automobiles. Added 3 new customers.

Progress on manufacturing for Hisense

- Have set up a wholly owned subsidiary dedicated to Hisense; construction on-going. AC lines being set up with production expected to commence from end-Q3 and mass production expected to begin from Q4.
- Phase one capacity will be 0.5mn RACs and heat exchangers.
- Manufacturing for Hisense as an ODM already started from Mar'25; washing machine ramped-up in 1Q, with mass production expected to begin from end-Jul'25.
- Optimal capacity utilization targeted within next 3 years.

Other takeaways

- **Diversification strategy:** Entered energy meter sector via components to reduce concentration risk and tap adjacent high-growth areas. Also exploring audio components and opportunities in exports.
- **Joint venture (Epavo Ram Ratna Wires Limited):** Greenfield facility in Bhiwadi complete and trial production has commenced from Jul'25. Further ramp-up is expected by end of 2Q. Initial capacities are for 3mn+ BLDC motors (which is ~10% of India demand). The focus is on captive use and the balance being sold in the external market. This is expected to be a margin accretive business.
- **New customer additions:** Added 14 new customers in Q1 (8 in SDA, 3 in washing machines, 3 in components), with supplies to 3 already commenced
- BIS-led localization boosting SDA opportunities, with focus on SKUs like air fryers, coffee makers, and vacuum cleaners from assembling semi-knocked down units to higher value addition.

Exhibit 1. EPACK - 1QFY26 results review

(INR mn)	Q1FY24	Q2FY24	Q3FY24	Q4FY24	FY24	Q1FY25	Q2FY25	Q3FY25	Q4FY25	FY25	Q1FY26	Q1FY26E
Total Revenue	4,367	1,781	2,791	5,257	14,196	7,737	3,771	3,768	6,432	21,709	6,624	6,963
YoY	nm	nm	1%	-18%	-8%	77%	112%	35%	22%	53%	-14%	-10%
Raw Material Costs	(3,770)	(1,505)	(2,312)	(4,312)	(11,899)	(6,656)	(3,220)	(3,096)	(5,205)	(18,177)	(5,587)	(5,849)
Gross Profit	596	276	478	945	2,296	1,081	551	673	1,227	3,531	1,037	1,114
Gross Profit margin %	13.7%	15.5%	17.1%	18.0%	16.2%	14.0%	14.6%	17.9%	19.1%	16.3%	15.7%	16.0%
Employee Cost	(106)	(104)	(120)	(152)	(482)	(177)	(168)	(169)	(179)	(692)	(199)	(208)
% of sales	2.4%	5.8%	4.3%	2.9%	3.4%	2.3%	4.4%	4.5%	2.8%	3.2%	3.0%	3.0%
Other expenses	(198)	(95)	(121)	(239)	(653)	(387)	(287)	(262)	(328)	(1,262)	(292)	(400)
% of sales	4.5%	5.3%	4.3%	4.5%	4.6%	5.0%	7.6%	7.0%	5.1%	5.8%	4.4%	5.7%
EBITDA	292	77	237	554	1,162	517	96	241	721	1,577	546	507
YoY	nm	nm	453%	-10%	13%	77%	24%	2%	30%	36%	6%	-2%
EBITDA margin%	6.7%	4.3%	8.5%	10.5%	8.2%	6.7%	2.5%	6.4%	11.2%	7.3%	8.2%	7.3%
Total D&A Expense	(77)	(83)	(89)	(106)	(355)	(113)	(116)	(121)	(124)	(474)	(127)	(120)
EBIT	215	(6)	149	449	807	404	(20)	120	597	1,103	419	387
YoY	nm	nm	-852%	-18%	6%	88%	243%	-19%	33%	37%	4%	-4%
EBIT margin%	4.9%	-0.3%	5.3%	8.5%	5.7%	5.2%	-0.5%	3.2%	9.3%	5.1%	6.3%	5.6%
Other Income	8	7	19	55	89	61	47	49	55	211	57	60
Finance Costs	(98)	(81)	(97)	(113)	(389)	(140)	(137)	(124)	(137)	(539)	(159)	(130)
PBT	125	(79)	70	391	507	325	(110)	44	515	774	317	317
YoY	nm	nm	-184%	-14%	9%	160%	38%	-37%	32%	53%	-3%	-3%
Income Tax Expense	(35)	22	(18)	(107)	(138)	(89)	32	(10)	(126)	(193)	(86)	(76)
Rate %	28.0%	27.5%	25.4%	27.4%	27.3%	27.4%	29.2%	22.3%	24.4%	24.9%	27.0%	24.0%
Share of JV & Associates	(3)	(3)	(3)	(6)	(15)	(2)	(7)	(9)	(12)	(30)	(3)	(10)
Net Profit	87	(61)	49	278	354	234	(85)	25	377	551	228	231
YoY	nm	nm	-177.6%	-10.8%	83.4%	168.6%	-130.4%	-92.9%	36%	83.4%	-3%	-2%
Net Margin%	2.0%	-3.4%	1.8%	5.3%	2.5%	3.0%	-2.2%	0.7%	5.9%	2.5%	3.4%	3.3%

Source: Company, JM Financial

Exhibit 2. EPACK – EPS revision table

Year End Mar (Rs mn)	FY26E	FY27E	FY28E
Revenues			
Old	27,349	37,030	46,735
New	26,565	35,667	45,145
Change	-2.9%	-3.7%	-3.4%
EBITDA			
Old	2,062	2,828	3,620
New	1,998	2,755	3,491
Change	-3.1%	-2.6%	-3.6%
EBITDA margins			
Old	7.5%	7.6%	7.7%
New	7.5%	7.7%	7.7%
Change	-1	9	-1
Recurring PAT			
Old	714	1,142	1,602
New	680	1,105	1,541
Change	-4.8%	-3.3%	-3.8%
EPS			
Old	7.4	11.9	16.7
New	7.1	11.5	16.1
Change	-4.8%	-3.3%	-3.8%

Source: Company, JM Financial

Exhibit 3. EPACK – 1-yr forward P/E band chart (since listing)

Source: Bloomberg JM Financial

Financial Tables (Consolidated)

Income Statement					(INR mn)
Y/E March	FY24A	FY25A	FY26E	FY27E	FY28E
Net Sales	14,196	21,709	26,565	35,667	45,145
Sales Growth	-7.7%	52.9%	22.4%	34.3%	26.6%
Other Operating Income	0	0	0	0	0
Total Revenue	**14,196**	**21,709**	**26,565**	**35,667**	**45,145**
Cost of Goods Sold/Op. Exp	11,899	18,177	22,341	29,924	37,876
Personnel Cost	0	0	0	0	0
Other Expenses	1,135	1,955	2,225	2,988	3,778
EBITDA	**1,162**	**1,577**	**1,998**	**2,755**	**3,491**
EBITDA Margin	8.2%	7.3%	7.5%	7.7%	7.7%
EBITDA Growth	13.3%	35.8%	26.7%	37.8%	26.7%
Depn. & Amort.	355	474	542	661	781
EBIT	807	1,103	1,456	2,094	2,710
Other Income	89	211	93	85	112
Finance Cost	389	539	622	736	798
PBT before Excep. & Forex	507	774	928	1,443	2,024
Excep. & Forex Inc./Loss(-)	0	0	0	0	0
PBT	507	774	928	1,443	2,024
Taxes	138	193	233	362	508
Extraordinary Inc./Loss(-)	0	0	0	0	0
Assoc. Profit/Min. Int.(-)	-15	-30	-15	25	25
Reported Net Profit	354	551	680	1,105	1,541
Adjusted Net Profit	**354**	**551**	**680**	**1,105**	**1,541**
Net Margin	2.5%	2.5%	2.6%	3.1%	3.4%
Diluted Share Cap. (mn)	95.8	96.0	96.0	96.0	96.0
Diluted EPS (INR)	**3.7**	**5.7**	**7.1**	**11.5**	**16.1**
Diluted EPS Growth	-39.8%	55.6%	23.2%	62.6%	39.4%
Total Dividend + Tax	0	0	0	0	0
Dividend Per Share (INR)	0.0	0.0	0.0	0.0	0.0

Source: Company, JM Financial

Balance Sheet					(INR mn)
Y/E March	FY24A	FY25A	FY26E	FY27E	FY28E
Shareholders' Fund	8,922	9,518	10,198	11,303	12,844
Share Capital	958	960	960	960	960
Reserves & Surplus	7,964	8,559	9,238	10,344	11,884
Preference Share Capital	0	0	0	0	0
Minority Interest	0	0	0	0	0
Total Loans	3,314	3,697	4,947	5,447	5,897
Def. Tax Liab. / Assets (-)	0	0	0	0	0
Total - Equity & Liab.	**12,236**	**13,216**	**15,145**	**16,750**	**18,741**
Net Fixed Assets	7,043	7,487	9,448	10,231	10,980
Gross Fixed Assets	7,604	8,206	11,041	12,475	13,975
Intangible Assets	0	0	0	0	0
Less: Depn. & Amort.	827	1,301	1,813	2,444	3,194
Capital WIP	266	582	220	200	200
Investments	31	168	168	168	168
Current Assets	10,604	12,473	14,307	17,809	21,941
Inventories	3,782	5,807	7,249	9,927	12,816
Sundry Debtors	2,124	2,980	3,720	5,094	6,577
Cash & Bank Balances	1,071	442	295	194	405
Loans & Advances	0	0	0	0	0
Other Current Assets	3,628	3,243	3,043	2,593	2,143
Current Liab. & Prov.	5,442	6,913	8,778	11,458	14,349
Current Liabilities	4,769	5,944	7,802	10,482	13,373
Provisions & Others	673	968	975	975	975
Net Current Assets	5,163	5,561	5,529	6,351	7,592
Total – Assets	**12,236**	**13,216**	**15,145**	**16,750**	**18,741**

Source: Company, JM Financial

Cash Flow Statement					(INR mn)
Y/E March	FY24A	FY25A	FY26E	FY27E	FY28E
Profit before Tax	492	744	913	1,468	2,049
Depn. & Amort.	355	474	542	661	781
Net Interest Exp. / Inc. (-)	0	0	0	0	0
Inc (-) / Dec in WCap.	-777	810	-316	-1,123	-1,231
Others	49	37	0	0	0
Taxes Paid	-138	-193	-233	-362	-508
Operating Cash Flow	**-19**	**1,872**	**906**	**643**	**1,091**
Capex	-2,294	-918	-2,503	-1,444	-1,530
Free Cash Flow	-2,314	954	-1,597	-801	-439
Inc (-) / Dec in Investments	0	-138	0	0	0
Others	201	-1,791	200	200	200
Investing Cash Flow	**-2,093**	**-2,846**	**-2,303**	**-1,244**	**-1,330**
Inc / Dec (-) in Capital	-1,178	2	0	0	0
Dividend + Tax thereon	4,995	43	0	0	0
Inc / Dec (-) in Loans	-1,388	301	1,250	500	450
Others	0	0	0	0	0
Financing Cash Flow	**2,429**	**346**	**1,250**	**500**	**450**
Inc / Dec (-) in Cash	**316**	**-628**	**-147**	**-101**	**211**
Opening Cash Balance	754	1,071	442	295	194
Closing Cash Balance	1,071	442	295	194	405

Source: Company, JM Financial

Dupont Analysis					
Y/E March	FY24A	FY25A	FY26E	FY27E	FY28E
Net Margin	2.5%	2.5%	2.6%	3.1%	3.4%
Asset Turnover (x)	1.2	1.6	1.8	2.2	2.5
Leverage Factor (x)	1.9	1.4	1.5	1.5	1.5
RoE	5.9%	6.0%	6.9%	10.3%	12.8%

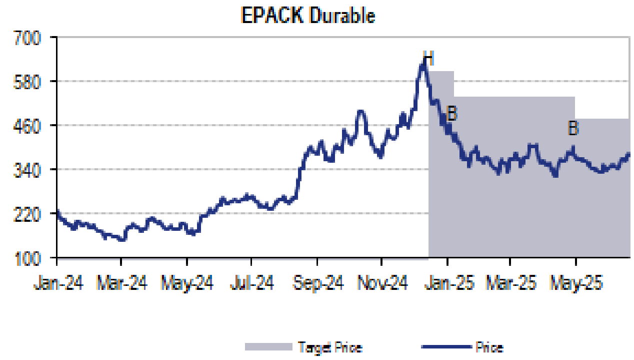
Key Ratios					
Y/E March	FY24A	FY25A	FY26E	FY27E	FY28E
BV/Share (INR)	93.1	99.2	106.3	117.8	133.8
ROIC	5.9%	7.0%	8.0%	10.1%	11.7%
ROE	5.9%	6.0%	6.9%	10.3%	12.8%
Net Debt/Equity (x)	0.3	0.3	0.5	0.5	0.4
P/E (x)	103.2	66.3	53.8	33.1	23.7
P/B (x)	4.1	3.8	3.6	3.2	2.8
EV/EBITDA (x)	33.4	25.3	20.6	15.2	12.1
EV/Sales (x)	2.7	1.8	1.6	1.2	0.9
Debtor days	55	50	51	52	53
Inventory days	97	98	100	102	104
Creditor days	116	98	108	110	112

Source: Company, JM Financial

History of Recommendation and Target Price

Date	Recommendation	Target Price	% Chg.
11-Jan-25	Hold	610	
3-Feb-25	Buy	540	-11.5
28-May-25	Buy	480	-11.1

Recommendation History



APPENDIX I

JM Financial Institutional Securities Limited

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

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