

Near term headwinds persist, long term outlook intact...

About the stock: EPACK Durable Limited (Epack) is a prominent Indian Original Design Manufacturer (ODM) and Original Equipment Manufacturer (OEM) specializing in room air conditioners (RACs), small domestic appliances (SDA) i.e. induction cooktops, mixer-grinders, water dispensers, large domestic appliances (LDA) i.e. washing machines & coolers and components like heat exchangers and cross-flow fans.

Q4FY26 performance: Epack durable reported weak set of results as RAC performance was impacted by high channel inventory, commodity inflation and PLI reversal. Revenue stood at ₹591 cr, down 8% YoY (up 38.2% QoQ). Segmentally, RAC segment de-grew by 24.7% YoY to ₹308 cr. On the positive side, SDA & LDA grew by healthy 32.1% YoY to ₹125 cr and Components by 50.1% YoY to ₹139 cr. EBITDA margins reported at 4.4% down 683 bps YoY and 304 bps QoQ, mainly impacted by PLI reversal of ₹32 cr accounted for 9MFY26. Besides, ~₹22 cr booked for RIPS incentive. PAT just break-evened against ₹37.7 cr in Q4FY25.

Investment Rationale

- Diversification beyond RAC to support long-term growth and operating leverage:** EPACK's RAC business remained impacted in FY26 due to weak summer demand, elevated inventory and revised BEE norms; however, non-RAC portfolio continued to scale up strongly. For FY26, SDA and LDA segments reported ~34% YoY growth while component business recorded strong ~103% YoY growth. Non-RAC contribution increased to 42% in FY26 vs. 28% for FY25. Also, management highlighted FY27 has started with strong RAC order inflows and improving industry demand trends, with normalized channel inventory levels supporting recovery in RAC demand. Capacity utilisation in RAC fell to ~40% in FY26 vs 45-50% in FY25. As demand normalises and in combination with non-RAC growth, operating leverage shall aid EBITDA margin of 7.7% by FY28. Price hikes are being taken to pass the rise in input cost and currency depreciation.
- Hisense partnership alongside new customer addition to aid growth:** Strategic partnership with Hisense has become operational with RAC manufacturing, while washing machine production is expected to contribute from Q2FY27. Alongside, Epack added 17 new customers in FY26, taking total customer base to 72. The company is in line with its capex guidance of ₹470 cr, of which ₹300 cr has been capitalised and the balance is planned over next 9-12 months. As these investments fructify, the business growth and margin shall be supported.

Rating and Target Price

- After weak Q4, Epack's performance is slated to improve with normalisation of channel inventory, intensifying summer in select regions, growth from non-RAC & Hisense partnership. All these factors in combination shall aid operating leverage and margin improvement, thereby aiding profit growth. We maintain BUY rating on the stock, valuing the stock at 30x PE on FY28E EPS with a target price of ₹ 285.



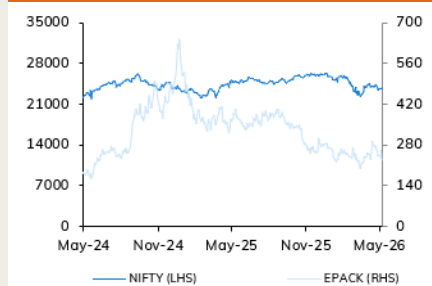
Particulars

Particular	Amount
Market Cap (₹ Crore)	2,198
Debt FY26 (₹ Crore)	707
Cash FY26 (₹ Crore)	15
EV (Rs Crore)	2,890
52 Week H/L (₹)	415/ 196
Equity Capital (₹ Crore)	96.0
Face Value	10

Shareholding pattern

	Jun-25	Sep-25	Dec-25	Mar-26
Promoter	48.0	47.9	47.2	47.2
FII	0.4	1.5	0.3	0.3
DII	5.6	5.9	7.1	6.6
Public	46.0	44.7	45.5	46.0

Price Chart



Key risks

- Intensifying competition
- Underwhelming demand uptick
- Execution risk in new ventures

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Key Financial Summary

(₹ crore)	FY23	FY24	FY25	FY26	3 Year CAGR (FY23-26)	FY27E	FY28E	2 Year CAGR (FY26-28E)
Net Sales	1,532	1,419	2,171	1,895	7.3	2,580	3,198	29.9
EBITDA	96	116	158	114	5.9	178	250	48.2
EBITDA margin (%)	6.3	8.1	7.3	6.0		6.9	7.8	
Net Profit	26	35	55	3	(49.4)	43	91	425.4
Diluted/Adjusted EPS (₹)	2.7	3.6	5.7	0.3		4.5	9.5	
P/E(x)	81.5	63.0	39.7	664.2		50.7	24.1	
EV/EBITDA (x)	29.7	21.4	16.3	25.6		16.0	11.3	
RoCE (%)	9.8	8.9	9.9	4.4		6.8	9.8	
RoE (%)	8.1	3.9	5.8	0.3		4.3	8.3	

Concall highlights and outlook

- FY26 remained challenging for the RAC industry due to unseasonal weather, elevated channel inventory, commodity inflation and revised BEE norms, leading to lower utilization and higher discounting pressure.
- RAC segment declined ~25% YoY in Q4 due to weak seasonal demand and inventory overhang, while SDA/LDA business grew ~32% YoY and component business grew ~50% YoY, reflecting continued diversification.
- Company added 17 new customers during FY26, taking total active customer base to 72 customers, aiding reduction in customer concentration risk. Out of 17 new customers added, 5 of them are large multinational and established customers for cooling appliances.
- Management indicated industry inventory levels have now largely normalized, with strong demand recovery seen from mid-April onwards. Industry is expecting ~15% growth in Q1FY27 and EPACK expects to outperform industry growth.
- Company reversed previously recognized PLI income of INR 32.4 cr due to uncertainty regarding achievement of incremental revenue growth criteria under the scheme. Management clarified investment-related conditions have been fully met, while discussions with authorities are ongoing.
- Rajasthan Investment Promotion Scheme (RIPS) incentive income of INR 21.8 cr was recognized in Q4, including prior-period benefits. Management highlighted this incentive stream to continue over the next 10 years.
- Gross margins excluding PLI adjustments are expected to normalize at ~13-14%, while normalized EBITDA margin guidance remains around ~7% over the medium term.
- Working capital increased mainly due to higher compressor inventory build-up ahead of BIS transition deadlines and anticipated strong summer demand. Management expects inventory levels to normalize by end-Q1FY27.
- Hisense-dedicated manufacturing facility became operational at fag end of March 2026. AC production has commenced, while washing machine production is expected to begin by mid-Q2FY27. Management remains optimistic on scale-up opportunities through this strategic partnership.
- Company incurred ~INR 300 cr capex till FY26-end out of planned INR 470 cr expansion plan, with balance INR 170-200 cr expected over next 9-12 months towards washing machines, components and new product categories.
- Management reiterated medium-term aspiration of achieving ~INR 5,000 cr revenue over next 3 years, driven by customer additions, category diversification and capacity expansion.

Exhibit 1: Variance Analysis

	Q4FY26	Q4FY25	YoY (%)	Q3FY26	QoQ (%)	Comments
Revenue	591	643	-8.1	428	38.2	RAC segment declined by 25% YoY owing to inconsistent summer and high channel inventory while other segments reported strong growth i.e. SDA & LDA up 32% YoY & Components up 50.1%.
Other Income	3	5	-48.2	3	2.7	
Raw Material Exp	513	521	-1.5	356	43.8	Commodity inflation is expected to stay, while price hikes are being taken to mitigate the same.
Employee cost	20	18	9.8	17	17.1	
Other Expenditure	33	33	0.7	23	44.5	
Total Expenditure	565	571	-1.0	396	42.7	
EBITDA	25.85	72	-64.1	32	-18.5	Reported EBITDA declined owing to inflated raw material cost & PLI reversal of ~₹32 crore
EBITDA Margin (%)	4.4	11.2	-683 bps	7.4	-304 bps	
Depreciation	14	12	14.4	14	3.9	
Interest	11	14	-17.2	13	-15.7	
PBT	3	51	-93.8	7	-56.9	
Share of JV	-2	-1	NM	-2	NM	
Total Tax	1	13	NM	2	NM	
PAT	0.02	37.71	NM	2.59		Nm PAT came lower owing to PLI reversal and subdued revenue growth

Financial Summary

Exhibit 2: Profit and loss statement				
	₹ crore			
(Year-end March)	FY25	FY26	FY27E	FY28E
Revenue	2,171	1,895	2,580	3,198
% Growth	53.0	-12.7	36.2	24.0
Other income	21	16	10	12
Total Revenue	2,192	1,911	2,589	3,211
Employee Expenses	69	70	85	106
Other expenses	1,944	1,710	2,316	2,843
Total Operating Expenditure	2,013	1,781	2,401	2,948
Operating Profit (EBITDA)	158	114	178	250
% Growth	36.3	-27.7	56.4	40.4
Interest	54	61	62	59
PBDT	104	53	116	191
Depreciation	47	54	70	83
PBT before Exceptional Items	56	-1	47	108
Total Tax	19	6	14	30
PAT before MI	55	3	43	91
Adjusted PAT	55	3	43	91
% Growth	58.7	-94.0	1209.7	110.8
EPS	5.7	0.3	4.5	9.5

Source: Company, ICICI Direct Research

Exhibit 3: Cash flow statement				
	₹ crore			
(Year-end March)	FY25	FY26	FY27E	FY28E
Profit after Tax	55	3	43	91
Depreciation	47	54	70	83
Interest	54	61	62	59
Cash Flow before WC changes	156	118	175	234
(Inc)/dec in Current Assets	-70	-366	97	-216
Changes in creditors	123	175	50	117
Other current liabilities	32	-14	13	24
Inc/(dec) in CL and Provisions	155	161	63	141
Net CF from Operating activities	242	-86	336	158
(Purchase)/Sale of Fixed Assets	-92	-303	-221	-70
Others	-11	4	-1	-4
Net CF from Investing activities	-103	-299	-223	-74
Dividend	-	-	-	-
Others	-24	262	-85	-79
Net CF from Financing Activities	-24	262	-85	-79
Net Cash flow	115	-123	28	5
Opening Cash/Cash Equivalent	107	44	16	49
Closing Cash/ Cash Equivalent	44	16	49	50

Source: Company, ICICI Direct Research

Exhibit 4: Balance sheet				
	₹ crore			
(Year-end March)	FY25	FY26	FY27E	FY28E
Equity Capital	96	96	96	96
Reserve and Surplus	856	864	907	999
Total Shareholders funds	952	960	1,004	1,095
Total Debt	416	739	716	696
Other liabilities	5	20	8	10
Total Liabilities	1,373	1,719	1,727	1,801
Gross Block	779	1,106	1,346	1,446
Acc: Depreciation	144	198	267	350
Net Block	635	909	1,079	1,096
Capital WIP	58	89	70	40
Total Fixed Assets	694	997	1,149	1,136
Non Current Assets	252	154	154	160
Inventory	581	837	741	856
Debtors	298	352	387	464
Other Current Assets	85	140	103	128
Cash	44	16	49	50
Total Current Assets	1,008	1,345	1,280	1,498
Current Liabilities	634	777	855	993
Net Current Assets (Ex Cash)	417	583	473	555
Total Assets	1,318	1,719	1,727	1,801

Source: Company, ICICI Direct Research

Exhibit 5: Key ratios				
(Year-end March)	FY25	FY26	FY27E	FY28E
Per Share Data (₹)				
EPS	5.7	0.3	4.5	9.5
Cash per Share	4.6	1.6	5.1	5.2
BV	99.2	99.8	104.3	113.8
Dividend per share	-	-	-	-
Operating Ratios (%)				
EBITDA Margin	7.3	6.0	6.9	7.8
PAT Margin	2.5	0.2	1.7	2.9
Return Ratios (%)				
RoE	5.8	0.3	4.3	8.3
RoCE	9.9	4.4	6.8	9.8
Valuation Ratios (x)				
EV / EBITDA	16.3	25.6	16.0	11.3
P/E	39.7	664.2	50.7	24.1
Market Cap / Sales	1.0	1.1	0.8	0.7
Price to Book Value	2.3	2.3	2.2	2.0
Working Capital Management Ratios				
Inventory Days	96.7	159.8	104.5	97.3
Debtors Days	49.6	67.3	54.5	52.7
Creditors Days	89.7	136.4	107.7	100.2
Asset turnover	2.8	1.7	1.9	2.2
Solvency Ratios				
Debt / Equity	0.4	0.8	0.7	0.6
Current Ratio	1.6	1.8	1.5	1.5
Quick Ratio	0.6	0.6	0.6	0.6

Source: Company, ICICI Direct Research

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