

20<sup>th</sup> January 2024

## EPACK Durable – SUBSCRIBE

### Investment Thesis

EPACK Durable Ltd. (EPACK Durable) is coming out with an initial public offering (IPO) on January 19, 2024. The issue comprises of fresh issue of 17,391,304 equity shares and offer for sale of 10,437,047 equity shares worth Rs.6,400mn at highest price band. Objective of the issue is to Funding capital expenditure for the expansion/setting up of manufacturing facilities and repayment and/or prepayment of certain outstanding loans.

EPACK Durable is 2<sup>nd</sup> largest RAC original design manufacturer in India in terms of number of units. Its RAC product portfolio comprised of window AC and indoor & outdoor unit for split ACs. Its RAC manufacturing process is backward integrated, with in-house manufacturing of key components like heat exchangers, cross flow fans, axial fans, sheet metal press parts, injection moulded components, etc. Leveraging its presence in the RAC market and backward integrated operations, EPACK Durable diversifying its product portfolio expanding beyond RAC to include semi-commercial air conditioners, air coolers, hair dryers, induction water heaters, Nutri blenders, tower fans, kitchen chimneys and dual ICTs. This will reduce EPACK Durable's reliance on seasonal RAC demand by tapping into the consistent demand for small domestic appliances (SDA). The new plant commencement and product portfolio expansion will provide opportunities to ODM/OEM due to lower penetration in RAC manufacturing in south India. It also increase its value added offerings and started manufacturing components such as sheet metal, injection moulded, cross-flow fans and PCBA components.

EPACK Durable is focused on backward integration, automation and in-house manufacturing which will lead to reduce dependency on third-party vendors and suppliers as well lead to time and cost efficiencies. It is reducing its import dependence also which will reduce its exposure to foreign currency. EPACK Durable is also improving inventory management to reduce manufacturing costs. It collaborated with Epavo Electricals for BLDC motor to improve efficiencies.

EPACK Durable has strategically developed its plants at Dehradun, Bhiwadi and Sri City, which helps it to minimize dependence on 3rd party suppliers. Its integrated manufacturing plants helps it to cater to all aspects of the RAC and SDA manufacturing value chain. The company is focused on investing in manufacturing infrastructure and intends to enhance its R&D facilities. EPACK Durable has recently commenced operations at the Sri City manufacturing facility and intends to set up another new facility in Bhiwadi and Sri City.

### Financials

- During the past 2 years, revenue of EPACK Durable grew at a CAGR of 44.6% while PAT grew at CAGR of 102.5% in same period.

Consol. (Rs.Mn.)	FY21	FY22	FY23	H1FY24
Revenue	7,363	9,242	15,388	6,148
EBITDA	420	688	1,025	385
EBITDA Margin(%)	5.7%	7.4%	6.7%	6.3%
PAT	78	174	320	27
EPS (Rs.) #	0.8	1.8	3.3	0.3
P/E (x) *#	282.5	126.4	68.9	
RoE (%) #	1.0%	2.1%	3.9%	

\* At highest price band # Post listing

### IPO Details

Issue Open Date	19 January 2024
Issue Close Date	23 January 2024
Price Band (Rs.)	Rs. 218 – Rs. 230
Issue Size*	Rs. 6,400 Mn
Issue Size (Shares)	27,828,351
Market Lot	65 Shares
Listing Exchanges	BSE and NSE
Face Value (Rs.)	Rs. 10/-

\* At highest price band

### Key Details

Fresh Issue*	Rs. 4,000 Mn
Issue Type	Book Building
Book Running Lead Manager	Axis Capital, DAM Capital Advisors and ICICI Securities
Issue structure	QIB: 20% Non Institutional: 15% Retail: 35% Anchor Investors: 30%
Credit of Shares to Demat Account	25 January 2024
Issue Listing Date	29 January 2024

\* At highest price band

## Key Business Highlights

- EPACK Durable engaged in designing and manufacturing of complete room air conditioners (RAC). It is the second largest RAC original design manufacturer (ODM) in terms of number of units in India.
- Over the year, EPACK Durable evolved into number of businesses such as ODM for RACs, manufacturing of window and split ACs, manufacturing of induction cooktops, mixer grinders, heat exchangers, cross flow fans, axial fans, copper fabricated products, induction coils etc.
- Currently, EPACK Durable has 3 manufacturing facilities in Dehradun (Uttarakhand), Bhiwadi (Rajasthan) and Sri City (Andhra Pradesh). It has installed capacity of 1.56mn for indoor units (IDU), 1.68mn units for outdoor units (ODU), 0.42mn units for window air conditioners (WAC), 1.85mn units for cooktops, 0.3mn units for mixer grinders and 0.11 mn units for water dispensers.

## Valuation

- Over the years, EPACK Durable has established long-standing relationships with a number of well-known Indian and global customers with averaging 8.7 years for RAC products and 6.3 years for SDA products. The customer includes four of the top six RAC brands in India. Some of its key RAC clients are Blue Star, Daikin Airconditioning, Carrier Midea, Voltas, Havells India, Haier Appliances (India), etc. whereas its SDA clientele includes names like Bajaj Electricals, BSH Household Appliances, Usha International, etc. The customer stickiness of brands due to switching costs as the ODM manufactures the products & controls the designs. EPACK Durable strives to innovate and offer value-added and technologically advanced products and solutions to its customers. It also focused on increasing wallet share and cross-selling additional products to existing customers and expanding its customer base going forward.
- EPACK Durable has participated in the government's PLI scheme for white goods (specifically for the manufacturing of the airconditioner components). Based on the components manufactured, it has recognized an incentive of Rs.15Crs for FY23 and Rs.7.5Crs for H1 FY24.
- With 2nd largest RAC original design manufacturer in India in terms of number of units, diversification beyond RAC to include semi-commercial air conditioners, air coolers, hair dryers, induction water heaters, etc., focus on backward integration, automation and in-house manufacturing, plans to set up another new facility in Bhiwadi and Sri City and established long-standing relationships with a number of customers, we are recommending **SUBSCRIBE** rating to the IPO of EPACK Durable Ltd. (EPACK Durable) for medium to long term perspective.

## Risk & Concern

- EPACK Durable growth majorly depend on introduce new products and respond to changing customer requirements. If it unable to respond on a timely and effective manner, the demand for its products may decline, which may adverse its future growth potential.
- Demand for EPACK Durable is subject to precise technical specifications and quality requirements. Any failure to comply with the quality standards and technical specifications prescribed by customers may lead to loss of business from customers.
- EPACK Durable service its customer's requirement from its three manufacturing facilities, any slowdown or shutdown in its manufacturing operations may adverse impact business of the company.

## Graphs & Charts

Figure 1: Net Sales Trend

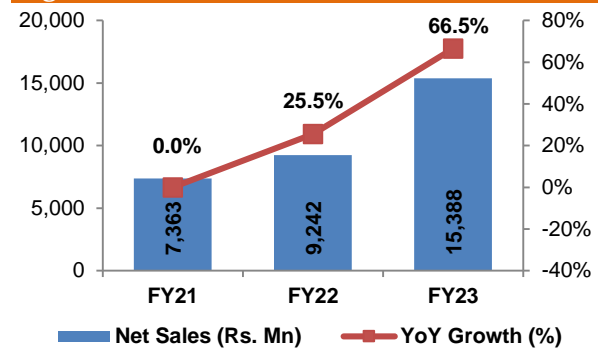


Figure 2: EBITDA & EBITDA Margin Trend

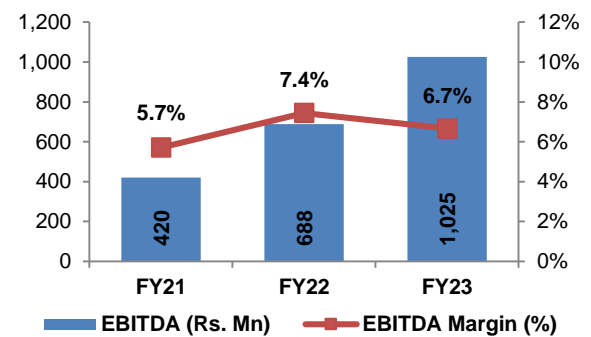


Figure 3: PAT & PAT Margins

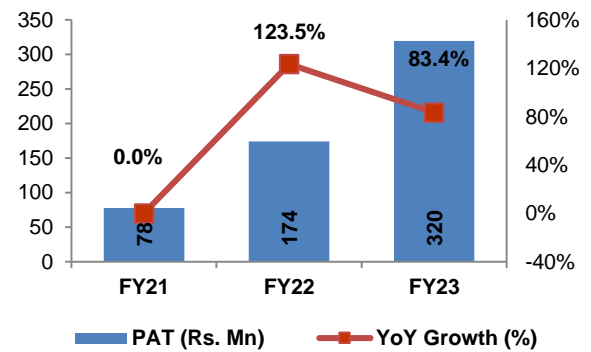
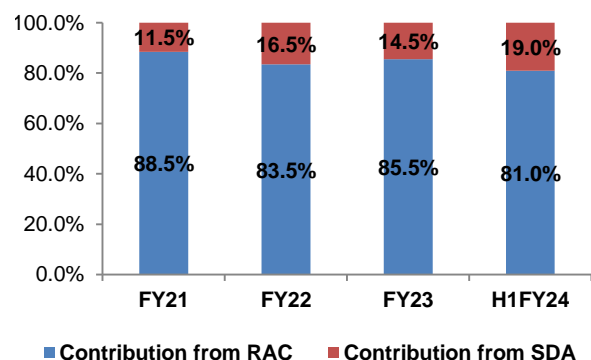


Figure 4: Revenue Contribution Trend



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