



**SMC Ranking**  
 ★★☆☆☆ (2/5)

### Issue Highlights

Industry	Consumer durables
Offer for sale (Shares)	10,437,047
Fresh Issue (Shares)	17,391,304
<b>Net Offer to the Public</b>	<b>27,828,351</b>
Issue Size (Rs. Cr.)	606-640
Price Band (Rs.)	218-230
Offer Date	19-Jan-24
Close Date	23-Jan-24
Face Value	10
Lot Size	65

### Issue Composition

	In shares
Total Issue for Sale	27,828,351
QIB	13,914,176
NIB	4,174,253
Retail	9,739,923

### Shareholding Pattern (%)

Particulars	Pre-issue	Post-issue
Promoters & promoters group	65.36%	48.09%
QIB	34.64%	37.38%
NIB	0.00%	4.36%
Retail	0.00%	10.17%
<b>Total</b>	<b>100.00%</b>	<b>100.00%</b>

\*calculated on the upper price band

### Objects of the Issue

The company proposes to utilize the net Proceeds from the Fresh Issue towards funding the following objects:

Funding capital expenditure for the expansion/setting up of manufacturing facilities;

Repayment and/or prepayment, in part or in full, of certain outstanding loans of the company;

General corporate purposes.

#### Book Running Lead Manager

- Axis Capital Limited
- ICICI Securities Limited
- DAM Capital Advisors Limited

#### Name of the registrar

- KFin Technologies Limited

### About the company

Incorporated in 2019, EPACK Durable Limited is an Original Design Manufacturer (ODM) of room air conditioners (RAC). The company also manufactures components such as sheet metal parts, injection moulded parts, cross-flow fans, and PCBA components that are actively used in the production of RACs. The company has expanded its business into the Small Domestic Appliance (SDA) market, particularly given the seasonal demand for RACs, and is currently developing and producing induction hobs, blenders, and water dispensers. The company has four production facilities in Dehradun, namely Dehradun Unit I, Dehradun Unit II, Dehradun Unit III and Dehradun Unit IV, and one manufacturing facility at Bhiwadi, Rajasthan, with an annual production capacity as on March 31, 2023 for manufacturing (i) 0.90 million IDUs, 0.66 million ODUs, 0.36 million ODU kits and 0.42 million WACs and (ii) 0.11 million water dispensers, 1.2 million induction hobs and 0.30 million mixers and their components. As at March 31, 2023, the company had 734 full-time employees, including engineers, university graduates and diploma students.

### Strength

**Long-standing relationships with established customers, with potential to expand customer base:** EPACK Durable's success can be attributed in part to its long-standing relationships with renowned Indian and global customers. The company credits this network for its market share expansion and intends to leverage it for future growth. In the past two fiscal years and the first half of FY24, top five customers accounted for a significant portion of revenue (71.22% to 82.66%), highlighting the importance of these partnerships. Notably, EPACK caters to four of the top six RAC brands in India, demonstrating its strong presence in the domestic market. Its established customer base also presents exciting cross-selling opportunities.

**Among the key manufacturers in the fast-growing RAC and SDA manufacturing industries:** EPACK Durable secured the second-largest position in India's RAC ODM space (indoor and outdoor units combined) as per Fiscal 2023 figures. Recognizing the booming potential of the Indian SDA market, the company leveraged its existing production infrastructure to enter strategically, currently designing and manufacturing induction cooktops, mixer-grinders, and water dispensers.

**Advanced vertically integrated manufacturing operations with product portfolio aimed at capturing the full spectrum of the RAC and SDA value chain:** EPACK Durable holds the record for the highest level of in-house RAC manufacturing at a single location in India, organically built within the company. By producing equipment and components on-site, it drastically reduces transportation costs associated with inter-facility part movement. As of March 31, 2023, the combined annual production capacity across its Dehradun and Bhiwadi plants stands at: 0.90 million indoor units (IDUs), 0.66 million outdoor units (ODUs), 0.36 million ODU kits, 0.42 million window ACs (WACs), 0.11 million water dispensers, 1.2 million induction cooktops, and 0.30 million mixer grinders, including parts. Additionally, the upcoming Sri City facility, opening December 15, 2023, will contribute another 0.66 million IDUs and ODUs, along with 0.65 million induction cooktops. EPACK caters to diverse client needs, offering flexible manufacturing solutions from pure assembly to near-complete integration, only externally sourcing compressors and RAC motors if desired. This approach aims to capture the entire product value chain while providing customized RAC equipment, either as complete units or separate IDUs and ODUs.

**Robust product development and design optimisation capabilities:** EPACK's success hinges on its integrated, location-specific manufacturing, combined with robust product development and design capabilities. Their relentless focus on quality and cost-

effective processes fosters customer satisfaction, loyalty, and repeat business. The evolution of their product portfolio and their knack for customized solutions stem directly from their design and development expertise. This expertise fuels their R&D efforts, which target: (1) new product development and existing product quality enhancements, (2) improved design and engineering capabilities, (3) optimized manufacturing processes, and (4) enhanced quality control through rigorous performance and reliability testing of various products and components. Notably, EPACK stands as one of the first Indian RAC ODMs to design and manufacture R32 refrigerant-based WACs (fixed speed and inverter models).

## Strategy

### **Expanding existing product portfolio, including RAC and SDA components product portfolio:**

It has, since its inception, sought to diversify portfolio of products. Accordingly, while it seeks to continue to strengthen its existing RAC product portfolio, it intends to further diversify its SDA product portfolio with products with a focus on increased growth and profitability. The company intends to leverage its components product offerings with these brands may offer component opportunities. Further, it intends to rely on its technological capabilities to provide customised and innovative components and solutions to these brands.

### **Continue to drive operational efficiencies through expansion of integrated manufacturing capabilities and continued investment in R&D infrastructure:**

The company intends to continue to invest in manufacturing infrastructure and to enable further innovation, improve its operational efficiencies, increase customer satisfaction and improve its sales and profitability. In addition, it will focus on optimizing and automating its manufacturing processes to improve returns, while ensuring that its strategies are aligned with its current environmental, social and governance objectives. It constantly endeavors to reduce the costs of its operations while ensuring the quality of products. It also intends to enhance its research and development capabilities which provide it with a competitive advantage with respect to quality, product development and cost, as well as to explore sustainable cost improvement initiatives for its operations. It aims to identify opportunities to implement manufacturing improvements and will dedicate R&D resources to enhance its manufacturing processes and improve its cost efficiencies. It intends to rely on investment in R&D and expansion of R&D team to enable it to capitalize on long-term growth opportunities, and help the company align itself with anticipated demand its product segments and market, and better position itself to meet the evolving requirements of its customers.

### **Increase wallet share with existing customers and continued focus to expand customer base:**

EPACK's strong market position and commitment to long-term customer relationships have been key to its success. These relationships, fostered by repeat orders and trust, are fundamental to the company's goal of becoming the preferred supplier for its clients. Through continuous innovation and strategic cross-selling initiatives, EPACK sees potential to expand its wallet share within its existing customer base. Continued R&D efforts and its established reputation for quality and innovation will play a crucial role in achieving this objective and enriching product offerings for its established clientele. Moving forward, EPACK plans to leverage its robust sales and marketing network, diverse product portfolio, and strong industry standing to forge new partnerships with multinational, regional, and local players, thereby expanding its customer base.

### **Further explore initiatives to strengthen control over supply chain:**

Considering the relatively long lead time involved in the import of raw materials / components, it is focused on various measures to reduce its dependency on third party vendors and suppliers, including increasing its backward integration. Pursuant to focus on backward integration, a number of components required for the manufacturing of its products, are now manufactured in-house. In addition, it has also entered into arrangements with Associate, Epavo Electricals Private Limited for the joint development of BLDC motors for captive consumption towards the manufacture of RACs and other appliances. It intends to continue exploring options to reduce its dependence on external suppliers. Its efforts to reduce its dependence on imports would also help the company to improve its inventory management and cost efficiencies, which would in turn reduce the manufacturing costs. In addition, reduced dependence on imports would also help reduce its exposure to foreign currency fluctuations.

### Risk factor

- The company operates in a market where customers do not commit to long-term contracts, creating inherent instability in sourcing requirements.
- The business heavily relies on three production facilities, exposing it to potential disruptions and vulnerabilities in the manufacturing process.
- The company operates within a framework of stringent technical specifications and quality demands, necessitating a high level of precision and control.
- The industry in which the company operates is characterized by intense competition. Failure to compete effectively could significantly impact its operations, financial performance, and cash flow.

### Peer comparison

Co_Name	Total Income	PAT	EPS	P/E	P/BV	BV	FV	Price	Mcap
Amber Enterprises Ltd	6979.98	164.14	46.55	82.72	6.63	580.55	10	3850.60	12974.11
PG Electroplast Ltd	2425.70	100.11	38.45	53.68	5.72	360.60	10	2064.05	5371.95
Dixon Technologies (India) Ltd	13684.85	313.05	51.61	122.88	26.15	242.51	2	6341.60	37931.14
Elin Electronics Ltd	998.14	13.88	2.79	57.44	1.60	100.19	5	160.25	795.79
EPACK Durable Ltd	1538.83	31.97	3.34	68.92	2.51	91.68	10	230.00	2203.37

\*Peer comparisons are based on TTM

### Valuation

Considering the P/BV Valuation, the P/B ratio at Rs.230, pre issue, book value of Rs. 61 of P/Bvx 3.77x. Post issue, book value of Rs. 91.68 of P/Bvx 2.51x.

Considering the P/BV Valuation, the P/B ratio at Rs.218, pre issue, book value of Rs. 61 of P/Bvx 3.57x. Post issue, book value of Rs. 91.68 of P/Bvx 2.38x.

### Industry Outlook

The Indian consumer durables market is on fire! It's been sizzling at a 10.1% growth rate from 2018 to 2023, and this heatwave isn't expected to cool down anytime soon. EPACK, a player in both the room air conditioner (RAC) and small domestic appliance (SDA) sectors, is perfectly positioned to ride this wave of growth. By 2028, the consumer durables market is expected to reach a whopping Rs. 1,303 billion, thanks to a projected 13.7% annual growth rate. EPACK, with its strong presence in both RAC and SDA, is in prime position to capture a healthy share of this growth.

### Outlook

While the company's innovative products and second-place rank in RAC and ODM positions it as a strong competitor, its capacity expansion spree in response to market revival raises concerns about its dependence on just three production facilities, potentially exposing it to disruption vulnerabilities. Considering recent financial performance, the IPO seems fairly priced.

An Indicative timetable in respect of the Issue is set out below:

EVENT	INDICATIVE DATE (On or about)
BID/ISSUE OPENS ON	19-January-24
BID/ISSUE CLOSES ON	23-January-24
Finalisation of Basis of Allotment with the Designated Stock Exchange	24-January-24
Initiation of refunds (if any, for Anchor Investors)/unblocking of funds from ASBA Account	25-January-24
Credit of Equity Shares to demat accounts of Allottees	25-January-24
Commencement of trading of the Equity Shares on the Stock Exchanges	29-January-24

## Annexure

### Consolidated Financials

#### Profit & Loss

Rs. in Cr.

Particulars	Period ended 30-Sep-23 (6 Months)	Period ended 31-Mar-23 (12 Months)	Period ended 31-Mar-22 (12 Months)
Revenue from operations	614.80	1538.83	924.16
Total expenditure	577.83	1436.31	855.36
<b>Operating Profit</b>	<b>36.98</b>	<b>102.53</b>	<b>68.80</b>
OPM%	0.60	0.67	0.74
Other Income	1.52	1.42	3.18
<b>PBDIT</b>	<b>38.50</b>	<b>103.95</b>	<b>71.98</b>
Depreciation	16.07	26.08	16.30
<b>PBIT</b>	<b>22.43</b>	<b>77.87</b>	<b>55.69</b>
Interest	17.89	31.46	29.38
<b>Restated Profit before share of profit/(loss) of associate, exceptional items and tax</b>	<b>4.54</b>	<b>46.41</b>	<b>26.30</b>
Share of profit/(loss) of associate	-0.57	-0.81	0.00
<b>Restated profit before exceptional items and tax</b>	<b>3.97</b>	<b>45.60</b>	<b>26.30</b>
Exceptional items	0.00	-1.55	0.00
<b>Profit before tax</b>	<b>3.97</b>	<b>44.05</b>	<b>26.30</b>
Tax	1.32	12.08	8.87
<b>PAT</b>	<b>2.65</b>	<b>31.97</b>	<b>17.43</b>

Balance sheet is on next page

## Balance Sheet

Rs. in Cr.

Particulars	As on 30-Sep-23	As on 31-Mar-23	As on 31-Mar-22
<b>Non-current assets</b>			
Property, plant and equipment	336.15	323.55	237.93
Capital work-in-progress	144.14	91.52	8.49
Goodwill	0.46	0.46	0.46
Other intangible assets	0.17	0.20	0.17
Right of use assets	139.38	95.05	88.24
Investments accounted for using equity method	1.19	1.76	0.00
<b>Financial Assets</b>			
Investments	3.06	3.06	3.06
Loans	4.61	4.61	0.00
Other financials assets	2.25	1.98	2.32
Income tax assets (net)	9.32	4.18	1.44
Other non-current assets	52.40	67.14	7.66
<b>Total non-current assets</b>	<b>693.13</b>	<b>593.50</b>	<b>349.77</b>
<b>Current assets</b>			
Inventories	189.11	293.67	277.30
<b>Financial Assets</b>			
Investments			
Trade Receivables	137.77	479.09	356.20
Cash and Cash Equivalents	10.47	60.02	24.15
Bank balances other than (iii) above	0.13	15.44	34.82
Other financials assets	8.14	1.28	2.59
Income tax assets (net)	1.28	0.00	0.64
Other current assets	31.42	21.17	31.23
<b>Total current assets</b>	<b>378.32</b>	<b>870.66</b>	<b>726.91</b>
<b>Total Assets</b>	<b>1071.45</b>	<b>1464.16</b>	<b>1076.68</b>
<b>Non-current liabilities</b>			
Financial liabilities			
Borrowings	137.31	113.58	59.62
Lease liabilities	43.87	25.98	25.82
Provisions	3.37	2.82	1.97
Deferred tax liabilities (net)	14.28	13.91	12.43
<b>Total non-current liabilities</b>	<b>198.83</b>	<b>156.28</b>	<b>99.85</b>
<b>Current liabilities</b>			
<b>Financial Liabilities</b>			
Borrowings	232.26	378.87	324.36
Lease liabilities	16.22	6.46	5.62
Trade Payables			
Trades Payable - MSME	4.22	19.22	18.14
Trade Payables - other than MSME	117.12	369.85	315.80
Other financial liabilities	17.74	191.74	174.58
Other current liabilities	5.40	27.49	15.31
Provision	1.33	0.63	1.07
Current tax liabilities (net)	0.00	0.00	0.10
<b>Total current liabilities</b>	<b>394.30</b>	<b>994.25</b>	<b>854.97</b>
<b>Total</b>	<b>593.14</b>	<b>1150.54</b>	<b>954.81</b>
Net worth represented by:			
Equity Share Capital	52.09	52.09	52.09
Instruments entirely equity in nature	29.86	18.82	0.00
Other equity	396.36	242.71	69.78
<b>Net Worth</b>	<b>478.31</b>	<b>313.62</b>	<b>121.87</b>

## RANKING METHODOLOGY

WEAK	★
NEUTRAL	★★
FAIR	★★★
GOOD	★★★★★
EXCELLENT	★★★★★

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