EPACK DURABLE (EPADUR)

CMP: ₹155 | Target ₹ 200 (+29%) | Target Period: 12 months | BUY

November 2, 2026

Growth narrative picking pace, Seasonal H2 trend remains key...

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 crossflow fans.

Q2FY27 performance: Epack reported revenue growth of ~106% YoY to ₹439 crore (down 50.4% QoQ owing to seasonality). Segmentally, RAC segment grew 161% YoY to ₹161 crore, SDA & LDA grew by 57.1% YoY to ₹169 crore which was aided by washing machine and air fryers while components business grew by 45.5% YoY to ₹47.5 crore. Gross margins (adj. for PLI of ₹8 crore in Q2FY26) came in at 12.8% expanding to 86 bps YoY and contracting 122 bps QoQ. EBITDA for the quarter came in at ₹7.1 crore with EBITDA margins at 1.61% vs. -3.5% in Q2FY26. Margins remained impacted by the absence of PLI income, forex fluctuations (~₹10 crore in H1) and lag in commodity cost passthrough.

Investment Rationale:

- **Continued revenue growth momentum and Hisense ramp-up remains key:** EPACK delivered strong revenue growth of 106% YoY in Q2FY27, driven by robust growth of 161% in the RAC segment and 57% in the non-RAC segment. Non-RAC contributed 63% to quarterly revenue, with Q2 being off-season for RAC. SDA & LDA business grew 62% in H1FY27 and is gaining scale while it currently constitutes ~21% of annual revenue. The components business also registered healthy growth of 45% YoY. Going ahead, sustained revenue growth and the ramp-up of the Hisense partnership will remain key monitorable. Revenue from Hisense stood at ~₹90 crore in H1FY27, with pilot production of front-load washing machines scheduled to commence by end-Nov 2026, followed by commercial production, thereby expanding the partnership beyond room ACs. Additionally, new product launches and a diversified pipeline comprising oil-filled radiators and air purifiers should support growth while reducing business seasonality.
- **Profitability recovery should be aided by operating leverage:** EPACK's gross margin improved to 12.8% in Q2FY27 from 12.4% in Q2FY26 (adjusted for PLI income), while adjusted EBITDA margin improved to 1.6% from -3.5% on YoY basis. The improvement reflects a recovery in underlying operating performance. However, PAT remained subdued, primarily due to higher depreciation (+₹4.5 crore YoY), lower other income (-₹4.4 crore YoY) and increased losses from the EPAVO JV (+₹1.5 crore YoY). Additionally, no PLI incentive was recognised during the current quarter, compared with ~₹8 crore in Q2FY26. Going ahead, operating leverage from improving volumes, coupled with stability in commodity prices and calibrated price hikes, should support margin recovery. Further, the extension of PLI scheme remains key monitorable that remains crucial to provide an additional cushion to profitability.

Rating and Target Price:

Epack's profitability remains a key concern owing to lower asset utilization and high debt level. Strong volume growth is key which shall drive higher operating leverage. Hisense's production is ramping up for RAC & Washing machines. Significant client additions in pas 2-3 years shall also aid growth. However short-term jitters due to geopolitical uncertainty remain. Maintain BUY rating on the stock, valuing the stock at 30x PE on FY28E EPS with a target price of ₹ 200.

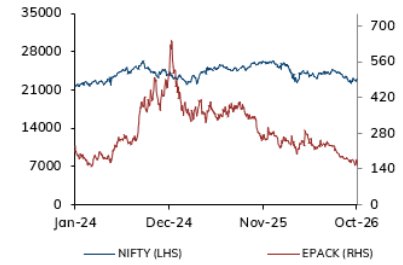
Particulars

Particular	Amount
Market Cap (₹ Crore)	1,490
H1FY27 Debt (₹ Crore)	775
H1FY27 Cash (₹ Crore)	1
EV (₹ Crore)	2,264
52 Week H/L (₹)	343/150
Equity Capital (₹ Crore)	96.3
Face Value	10

Shareholding pattern

	Dec-25	Mar-26	Jun-26	Sep-26
Promoter	47.2	47.2	46.5	46.5
FII	0.3	0.3	0.3	1.5
DII	7.1	6.6	5.2	5.1
Public	45.5	46.0	48.0	46.9

Price Chart



Key risks

(i) Intensifying competition
(ii) Underwhelming demand uptick
(iii) Execution risk in new ventures

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Result Update

ICICI Securities – Retail Equity Research

Key Financial Summary

(₹ crore)	FY23	FY24	FY25	FY26	3 Year CAGR	FY27E	FY28E	2 Year CAGR
Net Sales	1,532	1,419	2,171	1,895	7.3	2,718	3,586	37.6
EBITDA	96	116	158	114	5.9	157	251	48.4
EBITDA margin (%)	6.3	8.1	7.3	6.0		5.8	7.0	
Net Profit	26	35	55	3	NM	8	63	NM
Diluted/Adjusted EPS (₹)	2.7	3.6	5.7	0.3		0.8	6.6	
P/E(x)	81.5	42.8	27.0	451.5		193.4	23.5	
EV/EBITDA (x)	29.7	15.3	11.8	19.4		14.4	9.4	
RoCE (%)	9.8	8.9	9.9	4.4		4.8	8.5	
RoE (%)	8.1	3.9	5.8	0.3		0.8	6.1	

Source: Company, ICICI Direct Research

Q2FY27 & H1FY27 Earnings call highlights

- Epack Durable reported a strong quarterly performance, with revenue from operations of ~₹439 crore (+106% YoY). H1FY27 revenue stood at ~₹1,325 crore, registering 51.3% YoY growth. Growth was broad-based, supported by strong traction across RAC, washing machines and small domestic appliances.
- Margins remained impacted by the absence of PLI income, forex fluctuations and lag in commodity cost passthrough. Q2FY27 EBITDA stood at ₹7.1 crore with a 1.61% margin, compared to ₹0.5 crore in Q2FY26. However, after excluding ₹8 crore PLI income in the base quarter, EBITDA improved by ~₹14.6 crore YoY from a loss of ₹7.5 crore. H1 like-for-like EBITDA grew 77%.
- **RAC business** grew 161% YoY in Q2FY27, aided by a favorable lower base as the previous year was impacted by unseasonal rains and destocking around the GST transition. The company implemented price hikes of ~15-20% across models to pass on higher commodity and forex costs, with most of the cost escalation largely passed on to customers.
- **Margins and cost pass-through:** Gross margins improved to 12.8% in H1FY27 from 12.4% in H1FY26, excluding PLI income. Management indicated that most commodity cost increases have been passed on to customers, although some quarterly lag remains. Forex fluctuations, particularly rupee depreciation against the USD, continue to remain an area of concern.
- **SDA & LDA segment** continued to witness strong traction, growing 62% in H1FY27, while components business grew 45% YoY in Q2FY27. Non-RAC business contributed 63% of Q2 revenue, registering 57% growth, highlighting improving business diversification.
- **Customer and product diversification:** The company now serves 72 customers across 19 product categories, with top two customer concentration declining to 32% from 72% in FY23. During the year, the company launched vacuum cleaners and tower fans, while its pipeline includes oil-filled radiators, crushing machines, air purifiers and other products.
- **Hisense partnership progressing well**: The company generated ~₹90 crore revenue from the Hisense partnership during H1FY27. The next milestone is front-load washing machine manufacturing at the Sri City facility, with pilot production scheduled for end-November 2026, followed by commercial production. This will expand the partnership beyond room ACs into multiple product categories.
- **Capacity utilization:** The older Dehradun and Bhiwadi facilities continue to deliver better utilization, while Sri City utilization is expected to improve with the ramp-up of Hisense production, washing machines and multi-product manufacturing. Management expects better utilization of newly created capacities as customer volumes scale up.

- **Capex** remains on track, with ~₹370 crore already actualized by September 2026, while the balance ~₹100 crore is expected to be staggered over the next 6-12 months. The incremental investment will primarily support capacity expansion in washing machines and newer product categories, with no significant medium-term investment plans.
- **Margins improvement initiatives:** Management expects profitability to improve through a phased rollback of PLI-related discounts previously passed on to customers, increasing contribution from higher-margin categories, deeper localization and better fixed-cost absorption as new facilities ramp up.
- **PLI income and potential extension:** No PLI income was accrued in Q2FY27. Management indicated that discussions are ongoing with the government regarding a possible extension of the AC PLI scheme, considering the largely unutilized allocation.
- **Strategic restructuring:** The company has decided to transfer its 50% stake in Epack Electrical JV to its partner for a consideration of ₹15 crore. Management aims to sharpen its focus on the core Epack Durable business and improve capital allocation by withdrawing from certain joint ventures. The company is also building up two subsidiaries namely Gunjan India Auto Products and EPACK Electronic Components Private Limited.

Exhibit 1: Variance Analysis

	Q2FY27	Q2FY26	YoY (%)	Q1FY27	QoQ (%)	Comments
Revenue	**439**	**213**	**106%**	**886**	**-50%**	Revenue growth remained strong across segments; RAC segment up 161% YoY, SDA & LDA up 57.1% YoY and component and others grew 45.5% YoY
Other Income	2	6	-72%	2	2%	
Raw Material Exp	383	180	113%	761	-50%	Gross margins excluding PLI expanded YoY from 12.4% to 12.8%
Employee Exp	19	14	40%	24	-18%	
Other Exp	30	19	56%	46	-35%	
Total Exp	432	213	103%	831	-48%	
EBITDA	**7**	**1**	**1214%**	**55**	**-87%**	Excluding PLI in Q2FY26, EBITDA improved ~₹14 crore YoY.
EBITDA Margin (%)	**1.6**	**0.3**	**135 bps**	**6.2**	**-460 bps**	EBITDA margins improved owing to operating leverage and low base impact in the corresponding year.
Depreciation	18	14	33%	17	8%	
Interest	20	20	0%	20	0%	
PBT	-29	-27	9%	20	-248%	
Share of JV	-3	-2	93%	-2	38%	
Total Tax	-8	-6	17%	6	-230%	
PAT	**-25**	**-22**	**13%**	**11.82**	**-312%**	

Source: Company, ICICI Direct Research

Financial summary

Exhibit 2: Profit and loss statement ₹ crore

(Year-end March)	FY25	FY26	FY27E	FY28E
Revenue	**2,171**	**1,895**	**2,718**	**3,586**
% Growth	53.0	-12.7	43.5	31.9
Other income	21	16	7	12
Total Revenue	**2,192**	**1,911**	**2,725**	**3,598**
Employee Expenses	69	70	88	111
Other expenses	1,944	1,710	2,473	3,224
Total Operating Expenditure	2,013	1,781	2,562	3,335
Operating Profit (EBITDA)	**158**	**114**	**157**	**251**
% Growth	36.3	-27.7	37.3	60.3
Interest	54	61	77	85
PBDT	104	53	80	165
Depreciation	47	54	76	93
PBT before Exceptional Items	56	-1	4	72
Total Tax	19	6	3	21
PAT before MI	55	3	8	63
Adjusted PAT	**55**	**3**	**8**	**63**
% Growth	58.7	-94.0	133.4	722.3
EPS	**5.7**	**0.3**	**0.8**	**6.6**

Source: Company, ICICI Direct Research

Exhibit 3: Cash flow statement ₹ crore

(Year-end March)	FY25	FY26	FY27E	FY28E
Profit after Tax	55	3	8	63
Depreciation	47	54	76	93
Interest	54	61	77	85
Cash Flow before WC changes	**156**	**118**	**161**	**242**
(Inc)/dec in Current Assets	-70	-366	-194	-402
Inc/(dec) in CL and Provisions	155	161	233	244
Others	-236	29	-74	-105
Net CF from Operating activities	**6**	**-57**	**126**	**-20**
(Purchase)/Sale of Fixed Assets	-92	-303	-181	-70
Others	-11	4	13	-2
Net CF from Investing activities	**-103**	**-299**	**-168**	**-72**
Dividend	-	-	-	-
Others	35	328	59	113
Net CF from Financing Activities	**35**	**328**	**59**	**113**
Net Cash flow	-63	-28	16	21
Opening Cash/Cash Equivalent	107	44	16	32
Closing Cash/ Cash Equivalent	**44**	**16**	**32**	**53**

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	872	935
Total Shareholders funds	**952**	**960**	**968**	**1,031**
Minority Interest	-	-	-	-
Total Debt	416	739	798	911
Other liabilities	5	20	22	25
Total Liabilities	**1,373**	**1,719**	**1,788**	**1,967**
Gross Block	779	1,106	1,306	1,406
Acc: Depreciation	144	198	274	367
Net Block	**690**	**909**	**1,033**	**1,039**
Capital WIP	58	89	70	40
Total Fixed Assets	**749**	**997**	**1,103**	**1,079**
Non Current Assets	252	154	141	160
Inventory	581	837	979	1,226
Debtors	298	352	462	574
Other Current Assets	85	140	82	126
Cash	44	16	32	53
Total Current Assets	**1,008**	**1,345**	**1,555**	**1,978**
Current Liabilities	634	777	1,011	1,250
Net Current Assets (Ex Cash)	417	583	576	781
Total Assets	**1,373**	**1,719**	**1,788**	**1,967**

Source: Company, ICICI Direct Research

Exhibit 5: Key ratios

(Year-end March)	FY25	FY26	FY27E	FY28E
Per Share Data (₹)				
EPS	5.7	0.3	0.8	6.6
Cash per Share	4.6	1.6	3.3	5.5
BV	99.2	99.8	100.6	107.2
Dividend per share	-	-	-	-
Operating Ratios (%)				
EBITDA Margin	7.3	6.0	5.8	7.0
PAT Margin	2.5	0.2	0.3	1.8
Return Ratios (%)				
RoE	5.8	0.3	0.8	6.1
RoCE	9.9	4.4	4.8	8.5
Valuation Ratios (x)				
EV / EBITDA	11.8	19.4	14.4	9.4
P/E	27.0	451.5	193.4	23.5
Market Cap / Sales	0.7	0.8	0.5	0.4
Price to Book Value	1.6	1.6	1.5	1.4
Working Capital Management Ratios				
Inventory Days	96.7	159.8	131.2	124.3
Debtors Days	49.6	67.3	61.9	58.2
Creditors Days	89.7	136.4	122.6	114.5
Asset turnover	2.8	1.7	2.1	2.6
Solvency Ratios				
Debt / Equity	0.4	0.8	0.8	0.9
Current Ratio	1.6	1.8	1.6	1.6
Quick Ratio	0.6	0.6	0.6	0.6

Source: Company, ICICI Direct Research

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