

## IPO NOTE

### Issue Details

<b>Price Band:</b> ₹ 218 to ₹ 230
<b>Issue Opens on:</b> January 19, 2024
<b>Issue Closes on:</b> January 23, 2024
<b>Lot Size:</b> 65 Shares & in Multiples thereafter

### Issue Highlights

<b>Issue Size:</b>	₹ 640.05 Cr.
<b>No of Shares:</b>	27,828,351
<b>Face Value:</b>	₹ 10

### Offer Structure

Issuance	₹ in Cr.
Fresh Issue	400.00
Offer for Sale	240.05
<b>Total</b>	<b>640.05</b>

### Issue Breakup

Reservation for	% of Issue	₹ in Cr. (at upper band)
QIB	50	320.03
HNI	15	96.01
Retail	35	224.02
<b>Total</b>	<b>100</b>	<b>640.05</b>

### Listing

**BSE & NSE**

### Lead Managers

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

### Registrar

**KFin Technologies Limited**

### ANALYST

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### SALES

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## COMPANY OVERVIEW

EPACK Durable the second largest room air conditioner (RAC) original design manufacturer (“ODM”) in India in terms of number of units (indoor units + outdoor units) manufactured in Fiscal 2023 through the ODM route. Their product portfolio currently comprises of (i) Room air conditioners (ii) Small domestic appliances and (iii) Components. EPACK also started manufacturing of various components such as sheet metal, injection moulded, cross flow fans and PCBA components which are actively used in the manufacturing of RACs.

EPACK has the highest amount of backward integration for RACs at a single location that has been grown within the same company organically in India. The company has vertically integrated manufacturing facilities at 3 locations at Dehradun- Uttarakhand, Bhiwadi-Rajasthan and Sri City- Andhra Pradesh. Further the company plans to set up two new manufacturing facilities at (i) Salarpur Industrial Area, Bhiwadi, Rajasthan and (ii) Sri City DTZ, Andhra Pradesh.

EPACK’s customers include 4 of the top 6 RAC brands in the Indian market (in terms of RAC sales in Fiscal 2023 in India). Further, the company has long-standing relationships with several well-known Indian and global customers. The average relationship with RAC customers is 8.7 years and with SDA Customers is 6.3 years.

## HIGHLIGHTS

1. Long-standing relationships with established customers
2. Among the key manufacturers in the fast-growing RAC and SDA manufacturing industries
3. Advanced vertically integrated manufacturing operations with product portfolio
4. Robust product development and design optimisation capabilities

## OBJECTS OF THE ISSUE

1. Funding capital expenditure for the expansion / setting up of manufacturing facilities (₹ 230 Cr.)
2. Repayment and / or prepayment, in part or in full, of certain outstanding loans of the Company (₹ 110.61 Cr.)
3. General corporate purposes.

Offer for sale up-to 10,437,047 equity shares. The Company will not receive any proceeds from the Offer.

## OUR VIEW

Incorporated in 2019, EPACK Durable Limited is an Original Design Manufacturer (ODM) of room air conditioners (RAC). It 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 at FY23. It is a customer-centric business driven by a focus on continuing innovation and operational efficiency.

The revenue CAGR for the period FY21-23 stood at about 44.57%. The company operated on an EBITDA margin of 6.66% and PAT margin of 2.08% for year ended FY23. The number was 6.01% and 0.43% respectively for H1FY 24. Generating ROCE and ROE of 11.85% and 14.68% respectively for FY23.

The company’s revenue is concentrated amongst its 5 top customers which has been increasing lately over the years. The products of the company are subject to stringent quality requirements. It has substantial working capital requirements as a result there has been some increase in the short term borrowings. Debt to Equity ratio has improved from 3.47 in FY21 to 1.58 in FY23, still one need to keep an eye on it going forward.

The issue is fully priced as it is asking for a PE multiple of 49.57x on the upper end of the price band and using diluted EPS for FY23 (₹ 4.64) and a PE of 338.24x annualizing diluted EPS for H1FY 24 (₹ 0.34). The industry average is 74.45 and the highest and lowest 139.96 and 24.28 respectively. The issue is priced at a P/BV of 3.77 based on its NAV of Rs. 61 as of September 30, 2023.

Looking at all the factors, risks, opportunities and valuation, we are neutral on the issue.

### Brief Financials

PARTICULARS	As at September 30, 2023	₹ in Million		
		FY '23	FY '22	FY '21
Total Income	6,163.22	15,402.53	9,273.41	7,396.58
Total Expenditure	6,117.84	14,938.44	9,010.39	7,287.81
EBITDA	369.77	1,025.25	688.03	420.33
Profit before Tax	39.70	440.47	263.02	108.77
Profit after Tax	26.54	319.72	174.34	78.03
E.P.S. (Diluted)	0.34*	4.64	3.47	1.62
P/E (x) (Diluted)	-	49.57	-	-
RONW (%)	0.67*	14.68	18.28	12.00

\* Not Annualized

### PRICE CHART (@ ₹ 230) (Retail Category)

LOT SIZE	Amount
65	14,950
130	29,900
195	44,850
260	59,800
325	74,750
390	89,700
455	104,650
520	119,600
585	134,550
650	149,500
715	164,450
780	179,400
845	194,350

### HNI Payment Chart

Category	No. of Shares	Minimum Bid Lot Amount (Rs.)
Small HNI	910	209,300
Big HNI	4,355	1,001,650

### Indicative Time Table

Tentative Events	Indicative Dates
Finalisation of Basis of Allotment with the Designated Stock Exchange	18/01/2024
Initiation of refunds/unblocking ASBA Fund	19/01/2024
Credit of Equity Shares to demat accounts of Allottees	19/01/2024
Commencement of trading of the Equity Shares on the Stock Exchanges	22/01/2024

For more details, Please refer RHP,

[https://www.sebi.gov.in/filings/public-issues/jan-2024/epack-durable-limited-rhp\\_80663.html](https://www.sebi.gov.in/filings/public-issues/jan-2024/epack-durable-limited-rhp_80663.html)

## **Disclaimer & Disclosure**

### **SEBI Registration No. INH000000867**

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