



## India's Consumer Durables Market

### Overview:

In the last five years, India's consumer durables market has surged, set for a continued **13.7% CAGR till FY28**, reaching **INR 2,478 billion**.

### Growth Drivers:

1. **Increasing Income:** Growing per capita PPP fuels home appliance purchases.
2. **Temperature Impact:** Rising temperatures boost room air conditioning market growth.
3. **Low-Cost Production:** Government initiatives and rising incomes make durables more affordable.
4. **Nuclear Households:** The shift to nuclear families (74% by 2025) drives higher per capita spending.

### Key Trends:

1. **Smart Appliances:** Growing adoption of smart home devices for convenience.
2. **Online Sales Surge:** Significant rise in online consumer durables sales.
3. **Service Focus:** Brands prioritize after-sales service and customer support.
4. **Wellness Appliances:** Increasing demand for health and wellness-oriented products.
5. **Financing Options:** Accessible financing and no-cost EMI schemes expand consumer reach.

### Introduction to ODM Model:

The Original Design Manufacturer (ODM) model involves designing products based on high-level specifications provided by brands. ODM companies handle component sourcing, fabrication, assembly, product testing, and, in some cases, logistics and after-sales services.

## Market Overview:

The Indian Consumer Durables ODM market stands at around **INR 300 billion in FY23**, projected to grow at a robust **21% CAGR**, reaching **INR 775 billion by FY28**. Television dominates with a 49% market share, followed by Room Air Conditioners (RAC) at 19%, Washing Machines at 9%, Refrigerators at 7%, and small Domestic Appliances (SDA) at 16%.

## RAC Market ( Window and Splits AC ) Insights:

- In FY23, the Indian RAC market saw domestic **sales volumes of 8.4 million units**.
- The Window AC market commands an **11% share**, with Split ACs dominating at **89%**.
- Anticipated growth at a **12.1% CAGR** could lead to **14.9 million unit volumes in FY28**.
- The RAC market is valued at **INR 252 billion** and is projected to reach **INR 524 billion by FY28** with a **15.7% CAGR**.

## RAC Penetration and Potential:

Despite being one-fifth of the global average, RAC penetration in India is at a mere 8%, indicating substantial growth potential in the market.

## Small Domestic Appliances ( Kitchen appliances ) Market:

- Valued at **INR 260 billion in 2023**, the Indian SDA market is poised for growth.
- Domestic sales reached **44.4 million units in 2023**.
- A **6.5% CAGR** could elevate volumes to **60.9 million units by FY28**.
- The market value is expected to grow at a **10.6% CAGR**, reaching **INR 430 billion by FY28**.

## EPACK Durable Limited IPO

### Introduction:

EPACK Durable Limited, originally an Original Equipment Manufacturer (OEM) for Room Air Conditioner (RAC) brands, has transformed into an innovative Original Design Manufacturer (ODM) since its inception in 2003. The company has diversified into manufacturing components and Small Domestic Appliances (SDAs), showcasing a remarkable evolution.

## **Objects of the IPO:**

1. Funding capital expenditure for the expansion / setting up of manufacturing facilities;
2. Repayment and / or prepayment, in part or in full, of certain outstanding loans of our Company;
3. General corporate purposes.

## **IPO Details:**

- **Open Date:** Jan 19, 2024
- **Close Date:** Jan 23, 2024
- **Total Shares:** 27,828,351
- **Issue Size:** ₹640.05 Cr.
- **Lot Size:** 65 Shares
- **Issue Price:** ₹218 - ₹230 Per Equity Share
- **Listing At:** NSE, BSE
- **Listing Date:** Jan 26, 2024

## **Promoters and Management:**

1. **Bajrang Bothra:** Chairman and Whole-time Director
2. **Laxmi Pat Bothra:** Non-Executive Director
3. **Sanjay Singhania:** Whole-time Director

## **Manufacturing Capabilities:**

With a focus on backward integration, EPACK manufactures components like sheet metal, injection-molded parts, cross-flow fans, and PCBAs. Venturing into SDAs, they design and manufacture induction cooktops, mixer-grinders, and water dispensers.

## **Product Portfolio:**

- **RACs:** EPACK designs and manufactures a comprehensive range of RACs, including window ACs, indoor units, outdoor units, and split inverter ACs.
- **SDAs:** The SDA portfolio includes induction cooktops, mixer-grinders, and water dispensers.
- **Components:** In-house production of various components, demonstrating a self-sufficient manufacturing model.

## Research and Development (R&D):

EPACK boasts robust R&D capabilities with centers in Greater Noida, Bhiwadi, and Dehradun. Their focus spans product development, manufacturing methods, process improvements, and energy efficiency.

## Manufacturing Facilities:

From a single unit in Dehradun in 2003, EPACK has expanded to multiple facilities across Dehradun, Bhiwadi, and Sri City, showcasing significant growth and scalability.

## Supply Chain Overview:

1. **Product Design and Development:** Tailoring products to client specifications.
2. **Components Manufacturing:** In-house production of cross flow fans, induction coils, plastic molding, sheet metal, copper tubing, universal motors, PCBA, and heat exchangers. Outsourcing of copper tubes, steel, aluminum, plastic granules, RAC motors, and wires from India, Vietnam, Thailand, and China.
3. **Manufacturing:** Operations in Dehradun, Uttarakhand, and Rajasthan.
4. **Logistics:** No direct involvement.
5. **After Sales Service:** No direct involvement.
6. **Customers:** Notable clients include Blue Star, Daikin, Carrier, Voltas, Havells, Haier, Godrej, Bajaj, Usha, and BSH.

## Business Strategies Overview:

### 1. Expanding Product Portfolio:

1. **Strengthening RAC Portfolio:** Continue enhancing the existing RAC product portfolio.

2. **Diversifying SDA Portfolio:** Expand the SDA product line with a focus on growth and profitability.
3. **New Product Categories:** Introduce semi-commercial air conditioners, domestic air coolers, hair dryers, induction water heaters, tower fans, kitchen chimneys, and dual ICTs.
4. **Seasonal Demand Mitigation:** Diversify into SDAs to reduce dependence on seasonal RAC demand.

## 2. Operational Efficiency and R&D Investment:

1. **Continuous Manufacturing Investment:** Focus on expanding integrated manufacturing capabilities.
2. **R&D Infrastructure:** Invest in research and development to drive innovation, operational efficiency, and cost-effectiveness.
3. **Environmental, Social, Governance (ESG):** Align strategies with ESG objectives while optimizing and automating manufacturing processes.

## 3. Capacity Expansion:

1. **Phased Capacity Addition:** Add manufacturing capacity in phases to ensure optimal utilization.
2. **New Facilities:** Commence operations in new facilities at strategic locations, such as Bhiwadi, Rajasthan, and Sri City, Andhra Pradesh.
3. **Funding Through IPO:** Utilize IPO proceeds to support expansion plans and meet increasing product demand.

## 4. Customer Base Growth:

1. **Customer Relationship Focus:** Strengthen relationships with existing customers.
2. **Increase Wallet Share:** Innovate and cross-sell additional products to existing customers.

## 5. Supply Chain Control:

1. **Reduce Dependency:** Implement measures to reduce dependence on third-party vendors and suppliers.

2. **Backward Integration:** Focus on backward integration for manufacturing components in-house.
3. **Strategic Partnerships:** Collaborate with associates for joint development projects to strengthen the supply chain.

#### **6. Inventory Management and Cost Efficiency:**

1. **In-House Manufacturing:** Continue manufacturing critical components in-house for better inventory management.
2. **Cost Reduction:** Explore initiatives to reduce manufacturing costs through reduced dependence on imports.
3. **Foreign Currency Risk Mitigation:** Decrease dependence on imports to reduce exposure to foreign currency fluctuations.

#### **Business Risk Factors:**

1. **Customer Concentration:** A significant portion of revenue is concentrated with a few key customers. Loss or deterioration of key customer relationships could adversely affect financial condition, results of operations, and cash flows.
2. **Customer Commitments:** Customers do not make long-term commitments, allowing for cancellations or changes in sourcing requirements. Sudden cancellations or changes may negatively impact financial condition, cash flows, and results of operations.
3. **Dependence on Manufacturing Facilities:** Business heavily relies on three manufacturing facilities, exposing the company to manufacturing process risks. Any slowdown or shutdown in manufacturing operations could adversely affect business, financial condition, and results of operations.
4. **Inability to Introduce New Products:** Inability to introduce new products and adapt to changing customer requirements may lead to declining demand.
5. **Competitive Industry:** Intense competition in the industry. Inability to compete effectively may negatively affect business, results of operations, financial condition, and cash flows.

## Revenue Breakup ( RACs + SDAs )

(₹ million)

Revenue	FY24 H1	Breakup	FY 2023	Breakup	FY 2022	Breakup	FY 2021	Breakup
<b>RACs</b>	2972.14	91.46%	5360.97	89.46%	3046.86	85.57%	1859.4	83.14%
<b>SDAs</b>	277.56	8.54%	631.69	10.54%	513.98	14.43%	377.08	16.86%
<b>Total</b>	3249.7	100.00%	5992.66	100.00%	3560.84	100.00%	2236.48	100.00%

## Financials of EPACK Durable Limited IPO:

### Income Statement:

Particular (In Million)	Mar-21	Mar-22	Mar-23
Sales	7,362	9,242	15,388
Raw Material Cost	6,550	7,985	12,988
Purchases of Stock In Trade	0	0	296
Change in Inventory	-59	-41	-44
Employee Cost	170	233	334
Other Expenses	281	378	788
Other Income	34	32	14
Depreciation	90	163	261
EBITDA	454	720	1,039
EBITDA Margin	6.17%	7.79%	6.75%
Interest	256	294	315
Profit before tax	109	263	440
Tax	31	89	121
Net profit	78	174	320
NPM (%)	1.05%	1.88%	2.08%

### Peers Analysis:

Name of the Company	Revenue (In Crore)	PAT (In Crore)	EPS ( in Rs)	P/E	CMP	Mcap (In Crore)
EPACK Durable Limited	1539	32	3.33	68.9	230	2,203
Amber Enterprises India Ltd	6927	164	46.66	80.5	3776	12,724
PG Electroplast Limited	2,160	77	34.08	54.0	2,076	5,403
Dixon Technologies (India) Ltd	12,192	255	42.90	124.0	6,367	38,082
Elin Electronics Ltd	1,075	27	5.40	58.6	164	814

\* All the data is as per FY23.