

## India

## IPO Details

Issue Opens	19-Jan-24
Issue Closes	23-Jan-24
Total Issue Size (m shares)	27.8
OFS (m shares)	10.4
Price Band (Rs)	218-230
Face value (Rs)	10
Implied market capitalization (Rs bn)	22.0

## Epack Durable

## IPO - Avoid

- Epack Durable is the second-largest ODM in RACs with a market share of 29%, posting the highest volume growth compared to its peers in FY20-23.
- Over the past few quarters, key AC brands are raising their insourcing capacity, which is a big negative for outsourcing companies like Epack Durable.
- Despite assuming FY24F PAT at Rs320m (Rs27m in 1H), the stock trades at 70x FY24F EPS which, we feel, is stretched vs. PGEL's 45x FY24F EPS.

## Company background

Epack Durable is an original design manufacturer (ODM) of room air-conditioners (RACs) for various brands, posting the highest volume growth as a RAC ODM compared to its peers during FY20-23. Moreover, the company is the second-largest ODM in the Indian RAC manufacturing market, with a share of ~29%, in volume terms, in FY23. It initially started as an OEM for RAC brands and gradually focused on increased value addition and manufacturing various components. The company is coming up with an IPO comprising a fresh issue of 17.4m shares and an offer for sale or OFS of 10.4m shares, aggregating to an issue size of Rs6.4bn. The price band is fixed at Rs218-230 per share and market capitalization at the higher end of the band is seen at Rs22bn.

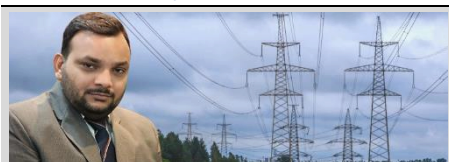
## Major player in RAC manufacturing

To get the production-linked incentive or PLI benefit, over the past few quarters, various key AC brands including Voltas, Blue Star and Lloyd are increasing their insourcing capacity, which is a key negative for outsourcing companies like Epack Durable. The company's product portfolio is primarily divided into three categories: **1) RAC:** It designs and manufactures complete RACs, inverter ACs, indoor units (IDUs) and outdoor units (ODUs), which combined with IDUs form a split AC with specifications ranging from 0.75t to 2t. It also manufactures split inverter ACs. **2) Small domestic appliances (SDAs):** It designs and manufactures induction cooktops, mixer-grinders, and water dispensers. **3) Components:** It manufactures heat exchangers, cross-flow fans, axial fans, sheet metal, injection-moulded components, copper-fabricated products, PCBAs and induction coils.

## Outlook

The Indian RAC industry is likely to post ~12% CAGR in volume terms & ~15% CAGR in value terms over FY23-FY28F. Moreover, the Indian government has banned the import of completely built units of ACs with refrigerants since FY21. The revenue contribution from the company's top five clients increased from 71% to FY21 to 77% in FY22 and to 83% in FY23. Epack Durable's customers include four of the top six RAC brands in the Indian market. Some of its customers for RAC products. The domestic mixer-grinder market is estimated at ~Rs48bn in FY23 (volume at 14.7m units) and may clock ~7% CAGR to touch Rs67bn by FY28F. The company posted revenue/EBITDA/PAT CAGR of 44.6%/56.2%/102.4%, respectively, over FY21-23, but in 1HFY24 it reported dismal financials vs. its peers. It reported revenue/EBITDA and PAT of Rs6.1bn/Rs370m and Rs27m, respectively. Despite assuming strong growth in 2HFY24F and a PAT of Rs320m (Rs27m in 1H) we feel the stock's valuation is expensive compared to PG Electroplast or PGEL's 45x FY24F EPS.

## Research Analyst(s)



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## Financial Summary

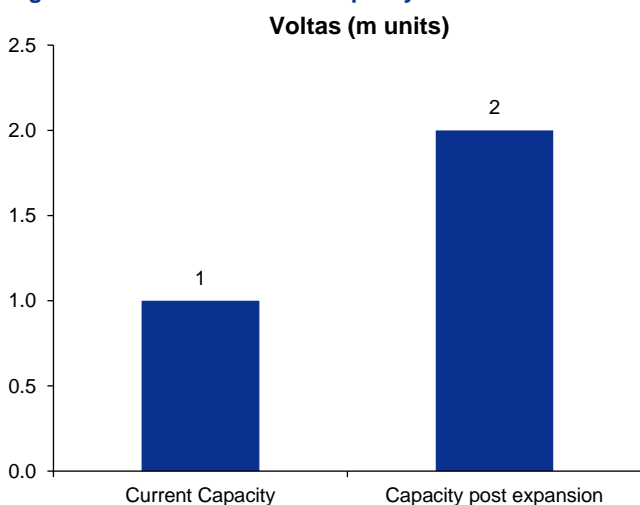
	FY21A	FY22A	FY23A	1HFY24
Revenue (Rsm)	7,362	9,242	15,388	6,148
EBITDA (Rsm)	420	688	1,025	370
EBITDA margin	5.7%	7.4%	6.7%	6.0%
Net Profit (Rsm)	78	174	320	27
Core EPS (Rs)	0.8	1.8	3.3	0.3
Core EPS growth	0.0%	123.4%	83.4%	
P/E (x)	282.4	126.4	68.9	830.2
ROE (%)	11.3%	14.3%	10.2%	1.1%

SOURCE: INCRED RESEARCH, COMPANY REPORTS

## Investment Summary

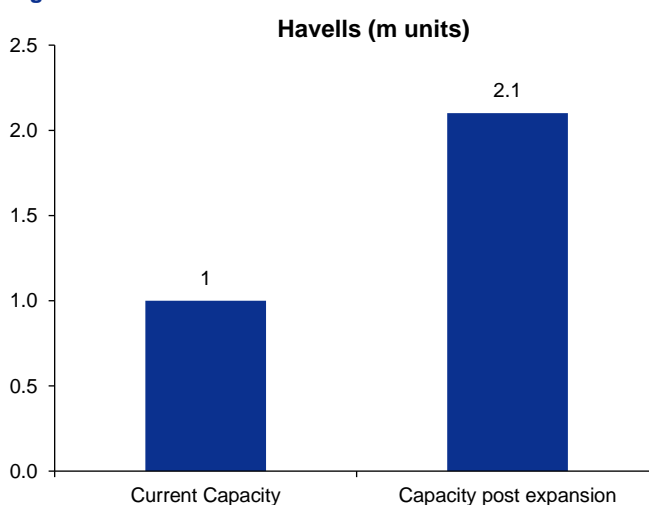
- New upcoming facilities for brands:** Over the past few quarters, various key AC brands including Voltas, Blue Star and Lloyd are increasing their in-sourcing capacity, which is a key negative for outsourcing companies like Epack Durable. Voltas is setting up a new manufacturing facility in the Thiruvallur district of Tamil Nadu, which would result in doubling its capacity to 2m units from 1m units currently. This would account for 25% of the total RAC market in India, higher than the 19% market share of the company currently. Hence, the data suggests the outsourcing part of Voltas' RAC business will decrease considerably as its new capacity comes on stream in FY24F.

**Figure 1: Voltas to double its capacity from 1m to 2 m units**



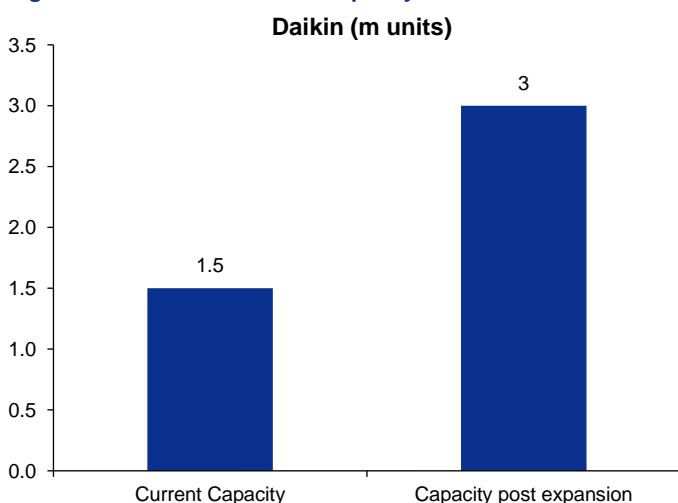
SOURCE: COMPANY REPORTS, INCRED RESEARCH

**Figure 2: ...and so is the case with Havells India**



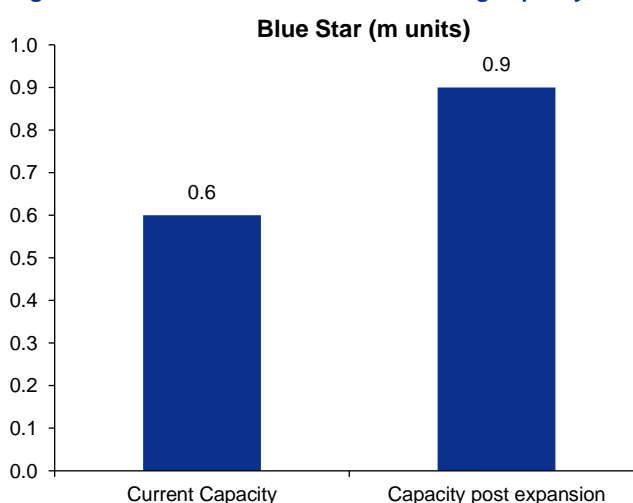
SOURCE: COMPANY REPORTS, INCRED RESEARCH

**Figure 3: Daikin to double its capacity from 1.5m to 3m units**



SOURCE: COMPANY REPORTS, INCRED RESEARCH

**Figure 4: Blue Star to add 50% of its existing capacity**



SOURCE: COMPANY REPORTS, INCRED RESEARCH

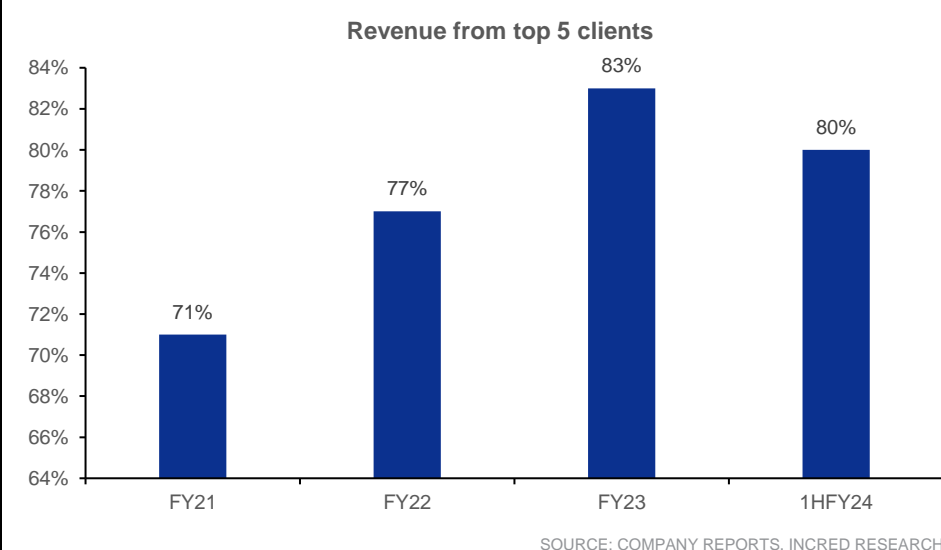
Daikin has proposed a capex plan to double its finished goods capacity, backward integrate into manufacturing AC components at Sri City and develop an additional R&D centre at Neemrana in Rajasthan at a total project cost of ~Rs22bn, spread over the next five-to-seven years. The investment in component manufacturing has been covered under the Government of India's PLI scheme. The existing manufacturing unit, with an R&D centre at Neemrana, has an installed manufacturing capacity of 1.5m RACs and substantial capacity for other AC products. This is a much bigger negative for

RAC component manufacturers like Amber Enterprises and Epac Durable because Daikin doesn't outsource much of its end-to-end AC manufacturing.

However, from an ODM business perspective, the Indian RAC and SDA manufacturing industries pose higher barriers to new entrants. Typically, integration into the supply chain of the RAC and SDA brands involves a long gestation period, as such integration often entails a lengthy approval process and requires long-term relationships with them to be developed and maintained over several years.

- **High client concentration:** The revenue contribution from the company's top five clients increased from 71% to FY21 to 77% in FY22 and to 83% in FY23. Epac Durable's customers include four of the top six RAC brands in the Indian market. Some of its customers for RAC products include Blue Star, Daikin, Carrier Midea, Voltas, Havells India, Haier, Infiniti Retail, and Godrej and Boyce Manufacturing Company. For SDA products, its clients include Bajaj Electricals, BSH Household Appliances, and Usha International.

**Figure 5: Higher top client concentration**



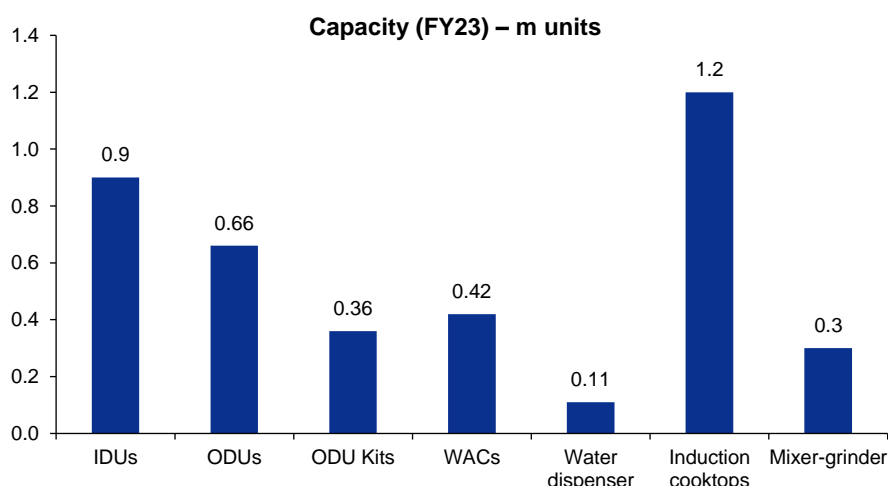
**Figure 6: Major customers**

<b>RAC</b>	Blue Star, Daikin, Carrier, Voltas, Havells India, Haier, Infiniti Retail, and Godrej and Boyce Manufacturing Company
<b>Small Appliances</b>	Bajaj Electricals, BSH Household, Usha International, etc.

SOURCES: INCRED RESEARCH, COMPANY REPORTS

- **Slow growth rate in the past:** During FY18-23, the RAC industry grew at a CAGR of 8.8% in volume terms and ~11% in value terms. As per industry estimates, it is likely to grow at a CAGR of ~12% in volume terms and ~15% in value terms which, we believe, is difficult.
- **Strong backward integration** – The company has the highest number of backward integration facilities for RACs at a single location. In addition to the manufacturing and assembling of RACs and SDAs, the company also manufactures various RAC and SDA components, thus facilitating the backward integration of manufacturing operations. The components manufactured by the company include critical components such as heat exchangers, copper tubing, PCBAs, cross-flow fans, etc. It also offers customized manufacturing solutions, which range from assembly-only to near-complete integrated manufacturing that may only involve external sourcing of compressors and RAC motors, depending on client requirements.

**Figure 7: IDU, ODU and various other capacities of Epac Durable**



SOURCE: INCRED RESEARCH, COMPANY REPORTS

## Manufacturing facilities

- Epac Durable started with a single manufacturing unit at Dehradun in Uttarakhand in 2003, and has since expanded with Dehradun Unit II, Dehradun Unit III and Dehradun Unit IV and a facility at Bhiwadi in Rajasthan. It has aggregate installed annual manufacturing capacity (as of FY23-end) to manufacture 0.90m IDUs, 0.66m ODUs, 0.36m ODU kits, 0.42m water coolers or WACs, 0.11m water dispensers, 1.2m induction cooktops and 0.30m mixer-grinders and their components.
- The two vertically integrated manufacturing facilities enable the company to maintain operational costs and logistics management. The company has dedicated R&D centres in Greater Noida, Bhiwadi and Dehradun, which are equipped with various equipment such as endurance test labs for RACs and SDAs, induction coil - automatic voltage tester, induction coil – breakdown tester, needle flame tester, and customized glow wire tester.
- The company recently commenced operations at its new Sri City manufacturing facility. The annual manufacturing capacity at this facility as of Dec 2023-end is 0.66m IDUs, 0.66m ODUs, & 0.65m induction cooktops and its components.

**Figure 8: Details of its manufacturing facilities**

Manufacturing Facilities	Area (sq. m)	Property status	Products
<b>Dehradun Manufacturing Facility</b>	C-6-7, UPSIDC Industrial Area, Selaqui, Dehradun 248 011	Lease	<b>RACs:</b> - ODUs - WACs - ODU kits - IDUs
	B-1 UPSIDC Industrial Area, Selaqui, Dehradun 248 011		<b>SDAs:</b> - Mixer-grinders - Water dispensers - Induction cooktops
	Khasra No. 122-Min, Central Hope Town, Dehradun 248 011		<b>Components:</b> - Injection moulded components - Sheet metal press parts - Powder coating - Copper tubing - Heat exchanger
	C-5 UPSIDC Industrial Area Selaqui Dehradun 248 011		
Dehradun Total	41,672		
<b>Bhiwadi Manufacturing Facility</b>	A-1, A-2, D-6, D-7 and D-8, RIICO Industrial Area Salarpur (Elcina Cluster), Bhiwadi, Rajasthan 301 019	Lease	<b>RACs:</b> - IDUs
			<b>SDAs:</b> - Induction cooktops  <b>Components:</b> - Injection moulded components - Copper tubing - Heat exchanger - CFFs for IDU units

SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 9: Capacity details of Dehradun plant

Dehradun Facility	Measurement	Installed Capacity (FY21)	Total Manufactured Volume	Capacity utilization (%)	Installed Capacity (FY22)	Total Manufactured Volume	Capacity utilization (%)	Installed Capacity (FY23)	Total Manufactured Volume	Capacity utilization (%)
<b>RACs:</b>										
- IDUs	Unit	6,63,749	1,73,143	26.1%	4,42,499	1,15,464	26.1%	4,835	3,349	69.3%
- ODUs	Unit	5,43,067	1,69,819	31.3%	5,43,067	1,16,687	21.5%	6,63,749	2,29,458	34.6%
- ODU kits	Unit	3,62,045	2,18,309	60.3%	3,62,045	2,75,902	76.2%	3,62,045	3,26,874	90.3%
- WACs	Unit	3,01,704	1,72,621	57.2%	3,62,045	1,85,443	51.2%	4,22,386	2,68,202	63.5%
<b>SHAs:</b>										
- Mixer-grinders	Unit	2,17,227	87,415	40.2%	2,71,534	2,08,335	76.7%	3,01,704	1,67,140	55.4%
- Induction cooktops	Unit	6,51,681	5,06,920	77.8%	7,54,260	5,93,033	78.6%	1,57,138	1,17,215	74.6%
- Water dispensers	Unit	60,341	3,568	5.9%	60,341	24,450	40.5%	1,05,596	65,175	61.7%
<b>Components:</b>										
- Injection moulded	Unit	1,79,30,400	96,06,023	53.6%	2,06,21,773	1,51,45,206	73.4%	2,11,16,389	1,57,67,854	74.7%
- Sheet metal press parts	Strokes	5,96,99,200	2,73,18,809	45.8%	6,11,61,760	3,26,36,538	53.4%	8,37,22,320	4,41,79,879	52.8%
- Copper tubing	Unit	4,35,18,492	1,42,05,102	32.6%	4,35,18,492	1,40,91,362	32.4%	4,35,18,492	1,82,34,147	41.9%
- Heat exchanger	Unit	21,32,928	9,06,513	42.5%	27,87,864	13,69,648	49.1%	33,01,809	14,34,455	43.4%
- Powder coating	Sq. m	28,78,451	11,71,981	40.7%	28,78,451	12,16,985	42.3%	39,85,548	17,53,831	44.0%

SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 10: Capacity details of Bhiwadi plant

Bhiwadi Facility	Measurement	Installed Capacity (FY21)	Total Manufactured Volume	Capacity utilization (%)	Installed Capacity (FY22)	Total Manufactured Volume	Capacity utilization (%)	Installed Capacity (FY23)	Total Manufactured Volume	Capacity utilization (%)
<b>RACs:</b>										
- IDUs	Unit	0	0	0.0%	30,170	15,490	51.3%	8,96,061	3,77,861	42.2%
- ODUs	Unit	0	0	0.0%	0	0	0.0%	0	0	0.0%
- WACs	Unit	0	0	0.0%	0	0	0.0%	0	0	0.0%
<b>SHAs:</b>										
- Mixer-grinders	Unit	0	0	0.0%	0	0	0.0%	0	0	0.0%
- Induction cooktops	Unit	0	0	0.0%	0	0	0.0%	10,52,544	8,46,376	80.4%
- Water dispensers	Unit	0	0	0.0%	0	0	0.0%	0	0	0.0%
<b>Components:</b>										
- Injection moulded	Unit	0	0	0.0%	52,54,560	4,35,289	8.3%	4,06,97,112	1,52,41,442	37.5%
- Sheet metal press parts	Strokes	0	0	0.0%	0	0	0.0%	0	0	0.0%
- Copper tubing	Unit	0	0	0.0%	0	0	0.0%	4,57,600	22,335	4.9%
- Heat exchanger	Unit	0	0	0.0%	0	0	0.0%	1,99,056	49,623	24.9%
- PCBs – RAC units	Unit	0	0	0.0%	0	0	0.0%	0	0	0.0%
- Universal motors	Unit	0	0	0.0%	0	0	0.0%	0	0	0.0%
- CFFs – IDU Units	Unit	0	0	0.0%	0	0	0.0%	30,15,590	3,14,369	10.4%

SOURCE: COMPANY REPORTS, INCRED RESEARCH

Figure 11: Total capacity

Overall		Total Capacity (FY21)	Total Volume	Capacity utilization (%)	Total Capacity (FY22)	Total Volume	Capacity utilization (%)	Total Capacity (FY23)	Total Volume	Capacity utilization (%)
<b>RACs:</b>										
- IDUs	Unit	6,63,749	1,73,143	26.1%	4,72,669	1,30,954	27.7%	9,00,896	3,81,210	42.3%
- ODUs	Unit	5,43,067	1,69,819	31.3%	5,43,067	1,16,687	21.5%	6,63,749	2,29,458	34.6%
- ODU kits	Unit	3,62,045	2,18,309	60.3%	3,62,045	2,75,902	76.2%	3,62,045	3,26,874	90.3%
- WACs	Unit	3,01,704	1,72,621	57.2%	3,62,045	1,85,443	51.2%	4,22,386	2,68,202	63.5%
<b>Total RAC</b>	<b>Unit</b>	<b>18,70,565</b>	<b>7,33,892</b>	<b>39.2%</b>	<b>17,39,826</b>	<b>7,08,986</b>	<b>40.8%</b>	<b>23,49,076</b>	<b>12,05,744</b>	<b>51.3%</b>
<b>SHAs:</b>										
- Mixer-grinders	Unit	2,17,227	87,415	40.2%	2,71,534	2,08,335	76.7%	3,01,704	1,67,140	55.4%
- Induction cooktops	Unit	6,51,681	5,06,920	77.8%	7,54,260	5,93,033	78.6%	12,09,682	9,63,591	79.7%
- Water dispensers	Unit	60,341	3,568	5.9%	60,341	24,450	40.5%	1,05,596	65,175	61.7%
<b>Total SHAs</b>	<b>Unit</b>	<b>9,29,249</b>	<b>5,97,903</b>	<b>64.3%</b>	<b>10,86,135</b>	<b>8,25,818</b>	<b>76.0%</b>	<b>16,16,982</b>	<b>11,95,906</b>	<b>74.0%</b>
<b>Components:</b>										
- Injection moulded	Unit	1,79,30,400	96,06,023	53.6%	2,58,76,333	1,55,80,495	60.2%	6,18,13,501	3,10,09,296	50.2%
- Sheet metal press parts	Strokes	5,96,99,200	2,73,18,809	45.8%	6,11,61,760	3,26,36,538	53.4%	8,37,22,320	4,41,79,879	52.8%
- Copper tubing	Unit	4,35,18,492	1,42,05,102	32.6%	4,35,18,492	1,40,91,362	32.4%	4,39,76,092	1,82,56,482	41.5%
- Heat exchanger	Unit	21,32,928	9,06,513	42.5%	27,87,864	13,69,648	49.1%	35,00,865	14,84,078	42.4%
- Powder coating	Sq. m	28,78,451	11,71,981	40.7%	28,78,451	12,16,985	42.3%	39,85,548	17,53,831	44.0%
- PCBs – RAC units	Unit	0	0	0.0%	0	0	0.0%	0	0	0.0%
- Universal motors	Unit	0	0	0.0%	0	0	0.0%	0	0	0.0%
- CFFs – IDU Units	Unit	0	0	0.0%	0	0	0.0%	30,15,590	3,14,369	0.0%

SOURCE: COMPANY REPORTS, INCRED RESEARCH

## Competitive landscape

Figure 12: Key competitors across product segments

	Window AC	Split AC	AC Components	Water Dispensers	Kitchen Appliances	Sheet Metal Parts	Plastic Components
EPACK Durable	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Dixon Technologies		Yes	Yes			Yes	Yes
Amber Enterprises	Yes	Yes	Yes			Yes	Yes
PG Electroplast	Yes	Yes	Yes			Yes	Yes
Elin Electronics					Yes	Yes	Yes
Veelin Industries				Yes	Yes		
Vending Updates				Yes	Yes		

SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 13: Revenue and gross profit comparison of peers

	Revenue (Rs m)					YoY (%)			Gross Profit (Rs m)				
	FY20	FY21	FY22	FY23	CAGR (FY21-23)	FY20-21	FY21-22	FY22-23	FY20	FY21	FY22	FY23	CAGR (FY21-23)
EPACK Durable	NA	7,362	9,242	15,388	44.57%	NA	25.52%	66.51%	NA	872	1,298	2,148	56.97%
Dixon Technologies	44,001	64,482	1,06,970	1,21,921	37.51%	46.55%	65.89%	13.98%	5,399	6,785	9,178	11,713	31.39%
Amber Enterprises	39,628	30,305	42,063.97	69,271	51.19%	-23.53%	38.80%	64.68%	6,611	4,863	6,767	10,593	47.59%
PG Electroplast	6,394	7,032	11,116	21,599	75.26%	9.98%	58.08%	94.30%	1,357	1,467	2,276	3,954	64.19%
Elin Electronics	7,856	8,624	10,938	10,754	11.67%	9.78%	26.83%	-1.68%	2,318	2,377	2,790	2,751	7.59%
Veeline Industries	1,598	1,608	2,608	NA	-	0.60%	62.22%	NA	475	471	609	NA	
Vending Updates	346	329	657	NA	-	-4.96%	99.89%	NA	96	88	154	NA	

SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 14: Profitability comparison of peers

	EBITDA (Rs m)					PAT (Rs m)				
	FY20	FY21	FY22	FY23	CAGR (FY21-23)	FY20	FY21	FY22	FY23	CAGR (FY21-23)
EPACK Durable	NA	420	688	1,025	56.2%	NA	78	174	320	102.4%
Dixon Technologies	2,231	2,866	3,791	5,128	33.8%	1,205	1,598	1,903	2,551	26.3%
Amber Enterprises	3,093	2,203	2,754	4,179	37.7%	1,641	833	1,113	1,638	40.2%
PG Electroplast	399	498	900	1,760	88.1%	26	116	374	775	158.3%
Elin Electronics	555	665	790	651	-1.0%	275	349	391	268	-12.3%
Veeline Industries	181	221	264	NA	NA	85	109	108	NA	NA
Vending Updates	41	20	56	NA	NA	27	10	22	NA	NA

SOURCE: INCRED RESEARCH, COMPANY REPORTS

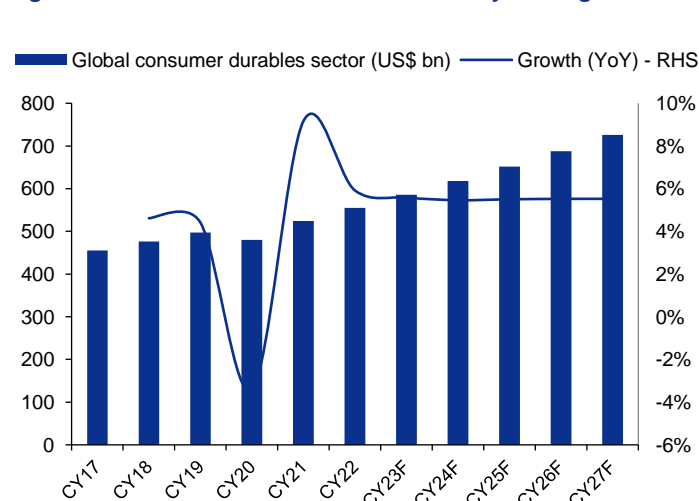
Figure 15: Return ratios and asset turns comparison

	RoE (%)				RoCE (%)				Gross Asset Turns (x)			
	FY20	FY21	FY22	FY23	FY20	FY21	FY22	FY23	FY20	FY21	FY22	FY23
EPACK Durable	NA	12.0%	18.3%	14.7%	NA	11.7%	13.7%	11.9%	NA	5.4	3.6	3.6
Dixon Technologies	22.3%	25.0%	21.9%	22.4%	30.7%	32.2%	25.5%	27.9%	8.9	11.1	11.7	9.2
Amber Enterprises	14.1%	5.9%	6.5%	8.8%	15.7%	9.3%	8.4%	10.9%	2.9	2.2	2.5	3.0
PG Electroplast	1.5%	6.3%	14.8%	21.9%	7.4%	9.5%	13.4%	17.8%	2.1	2.2	2.6	3.8
Elin Electronics	12.1%	14.2%	13.9%	6.7%	15.7%	17.0%	16.8%	10.0%	5.1	5.3	5.8	4.8
Veeline Industries	11.0%	13.1%	8.9%	NA	13.0%	14.5%	11.1%	NA	3.8	3.5	5.7	NA
Vending Updates	28.5%	10.3%	18.9%	NA	32.3%	11.5%	17.0%	NA	6.5	5.7	4.4	NA

SOURCE: INCRED RESEARCH, COMPANY REPORTS

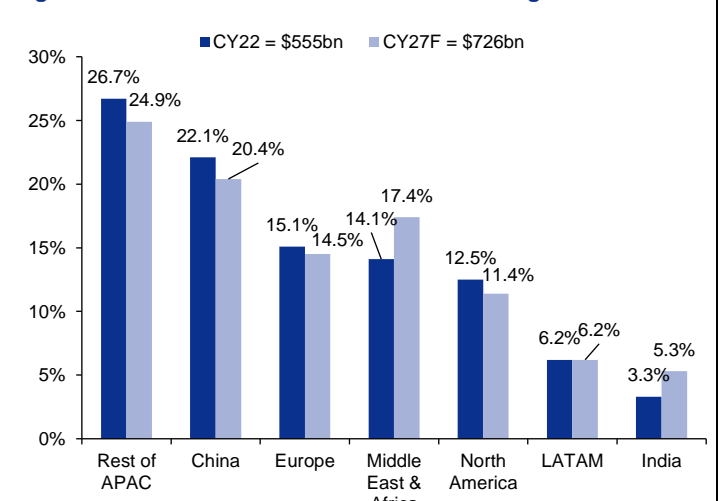
## Industry charts

Figure 16: Global consumer durables industry set to grow



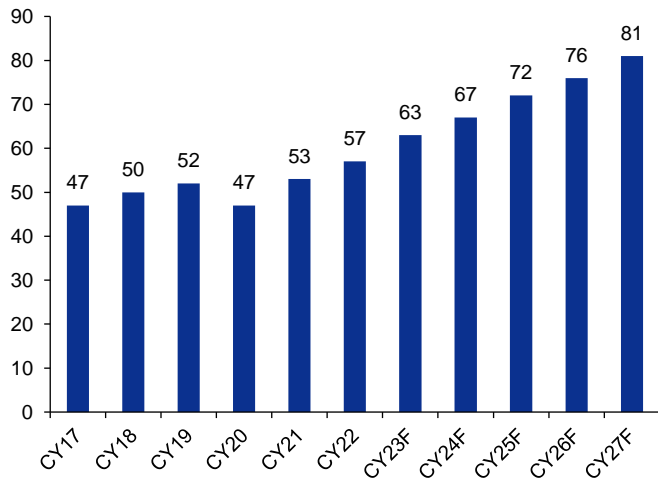
SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 17: Global consumer durables market segmentation



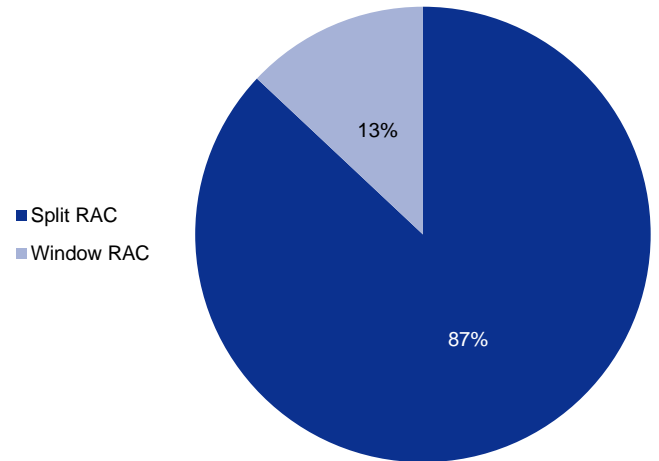
SOURCE: INCRED RESEARCH, COMPANY REPORTS

**Figure 18: Global RAC market size, value (in US\$ bn)**



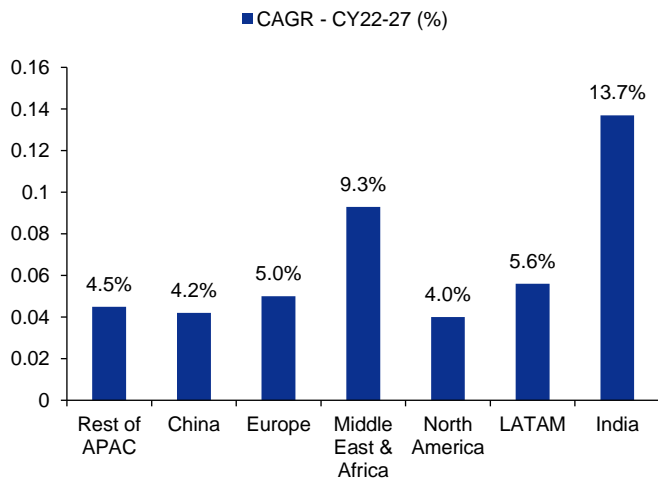
SOURCE: INCRED RESEARCH, COMPANY REPORTS

**Figure 19: Global RAC segmentation by type in CY22 (volume = 104.7m units)**



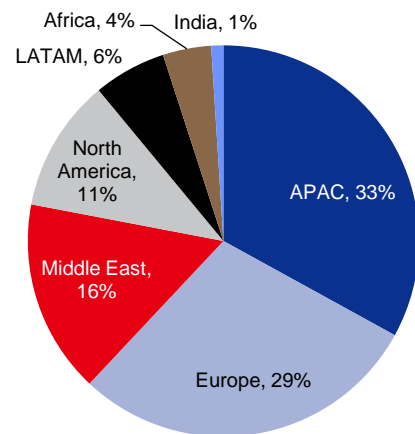
SOURCE: INCRED RESEARCH, COMPANY REPORTS

**Figure 20: India to witness the highest CAGR in consumer durables**



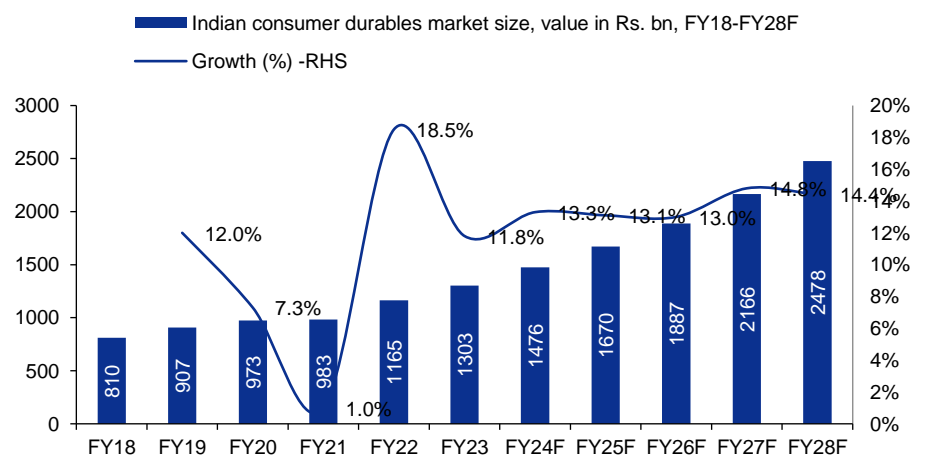
SOURCE: INCRED RESEARCH, COMPANY REPORTS

**Figure 21: Global RAC key importing regions in CY22 (value = US\$18.5bn)**



SOURCE: INCRED RESEARCH, COMPANY REPORTS

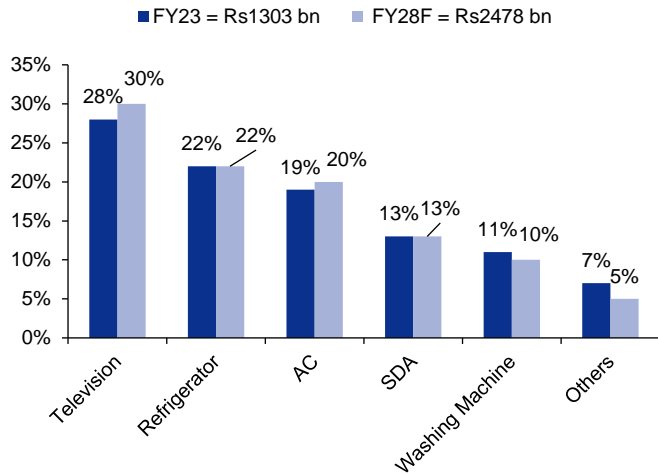
**Figure 22: Indian consumer durables market to witness steady growth**



SOURCE: INCRED RESEARCH, COMPANY REPORTS

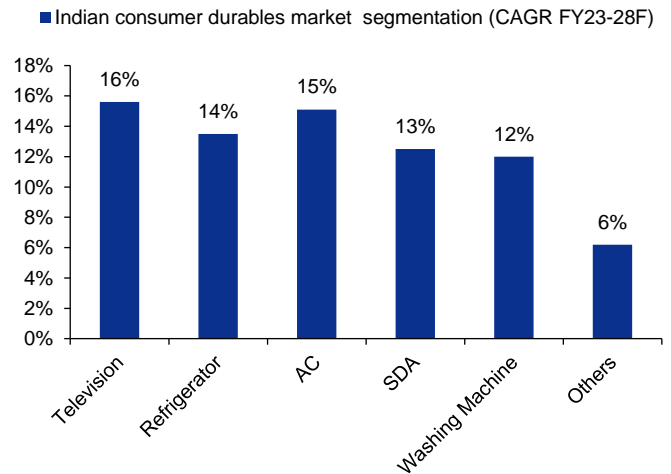


**Figure 23: Indian consumer durables market segmentation by product categories**



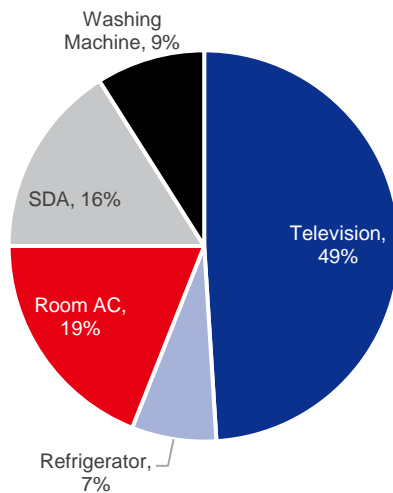
SOURCE: INCRED RESEARCH, COMPANY REPORTS

**Figure 24: ACs and TVs to witness the highest CAGR in India**



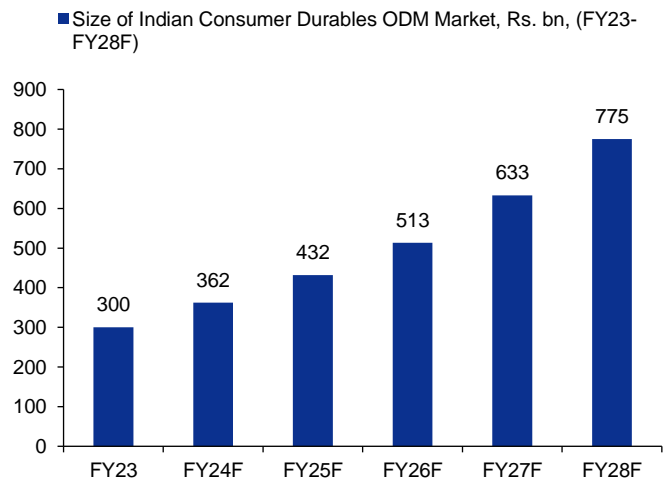
SOURCE: INCRED RESEARCH, COMPANY REPORTS

**Figure 25: Indian consumer durables ODM market by type in FY23 (Rs300bn)**



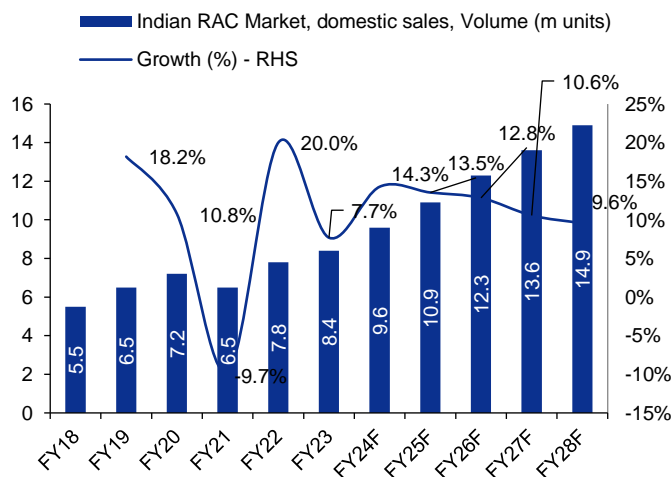
SOURCE: INCRED RESEARCH, COMPANY REPORTS

**Figure 26: Indian consumer durables ODM market to witness an uptick**



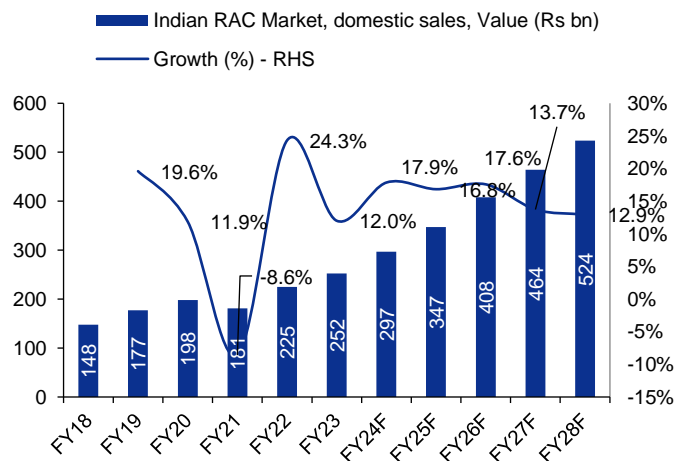
SOURCE: INCRED RESEARCH, COMPANY REPORTS

**Figure 27: Indian RAC volume likely to increase**



SOURCE: INCRED RESEARCH, COMPANY REPORTS

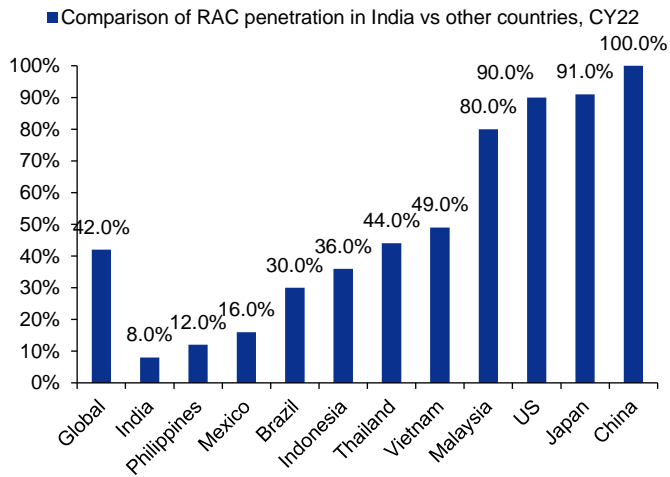
**Figure 28: Increased sales to improve the RAC electronics manufacturing services or EMS landscape in India**



SOURCE: INCRED RESEARCH, COMPANY REPORTS

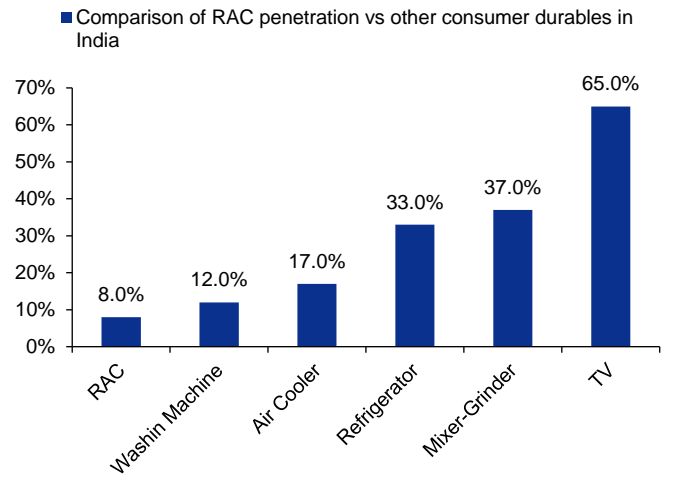


**Figure 29: Underpenetrated Indian RAC market**



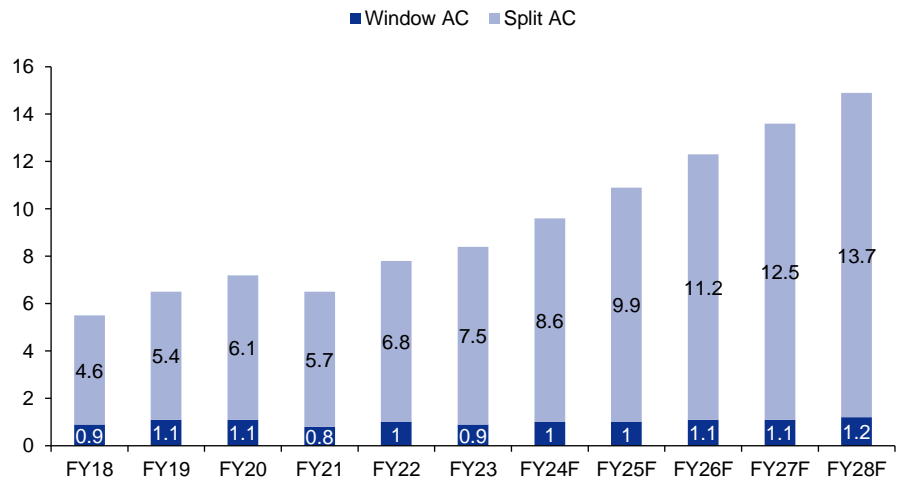
SOURCE: INCRED RESEARCH, COMPANY REPORTS

**Figure 30: RAC is underpenetrated compared to other durables**



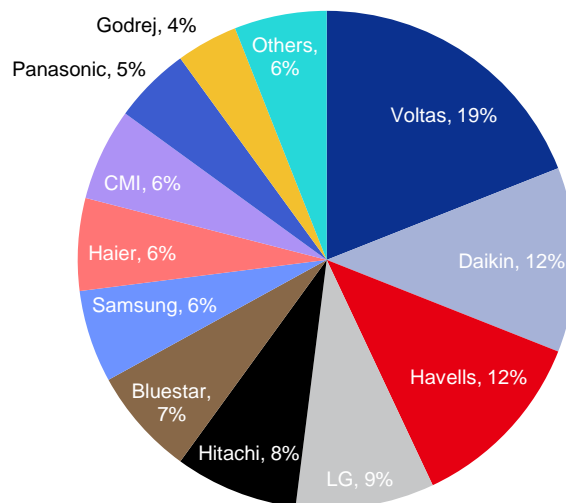
SOURCE: INCRED RESEARCH, COMPANY REPORTS

**Figure 31: Indian RAC market - split AC and window AC sales trend (m units)**



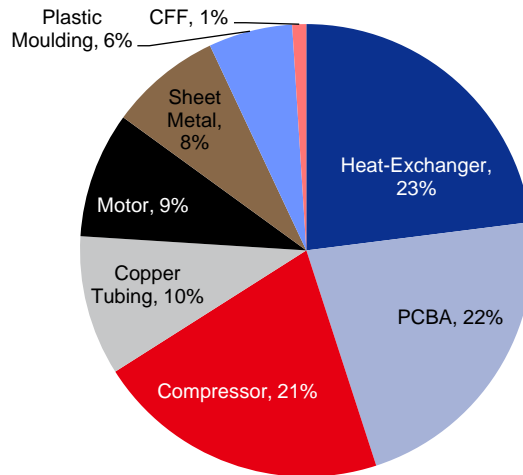
SOURCE: INCRED RESEARCH, COMPANY REPORTS

**Figure 32: Indian RAC market share (8.4m units)**



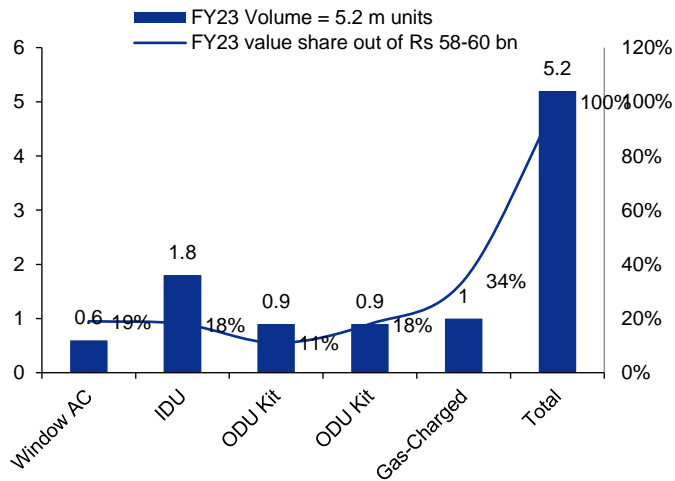
SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 33: Cost contribution of various components in the case of split AC



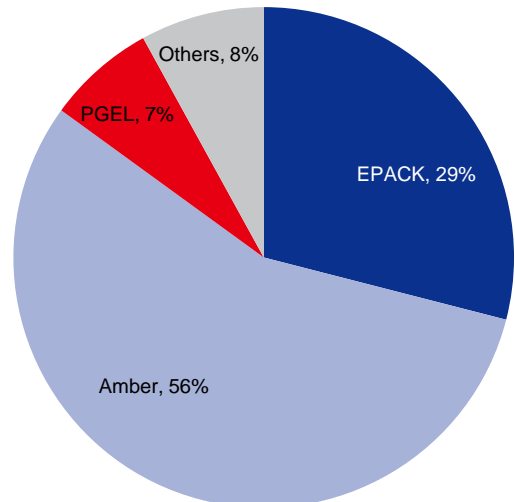
SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 34: Indian RAC ODM market by unit type



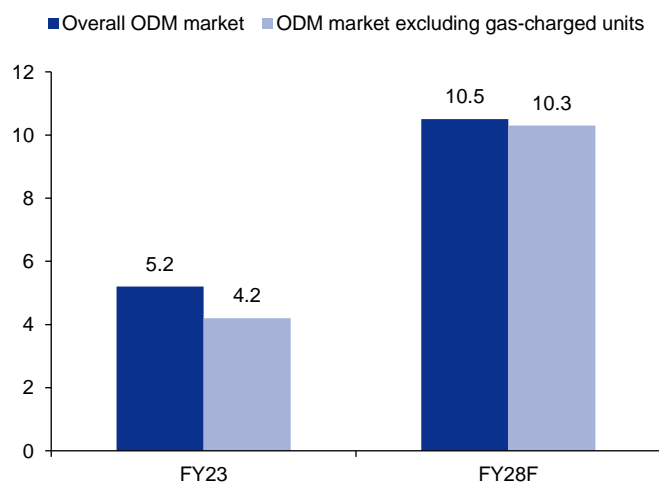
SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 35: Indian RAC ODM market share of ODM companies



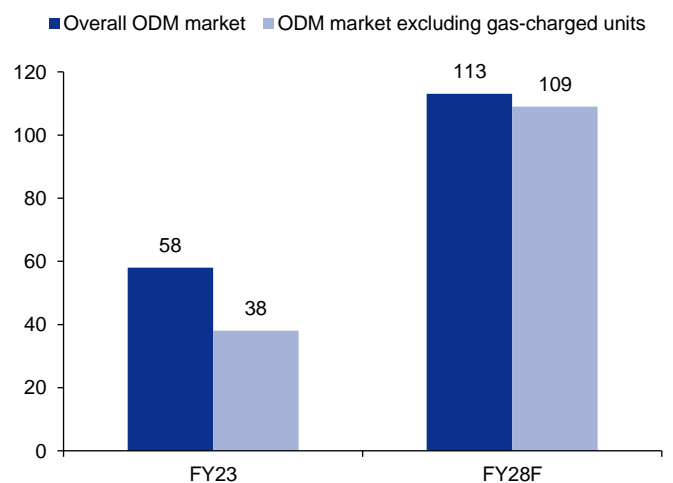
SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 36: Indian RAC ODM market volume (m units)



SOURCE: INCRED RESEARCH, COMPANY REPORTS

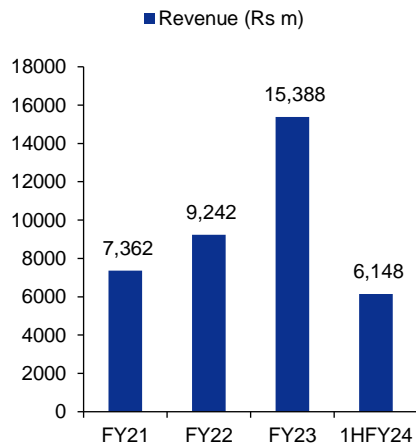
Figure 37: Indian RAC ODM market value (Rs bn)



SOURCE: INCRED RESEARCH, COMPANY REPORTS

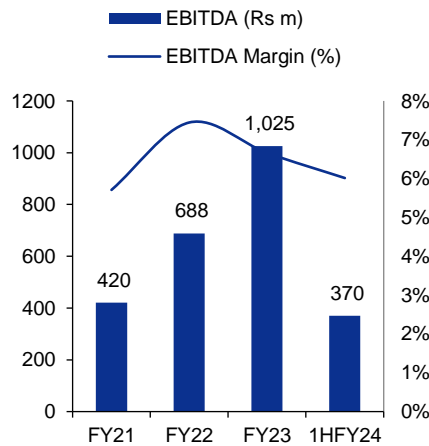
## Company charts

**Figure 38: Revenue of Rs6.14bn in 1HFY24**



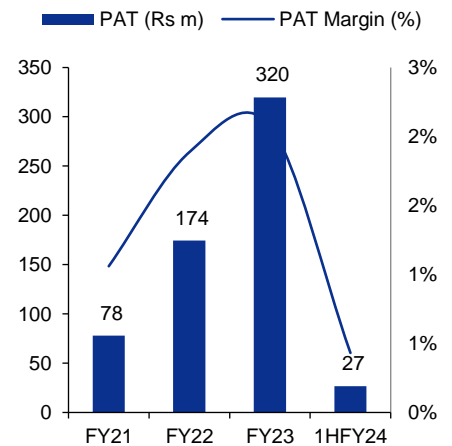
SOURCE: INCRED RESEARCH, COMPANY REPORTS

**Figure 39: EBITDA margin of 6% in 1HFY24**



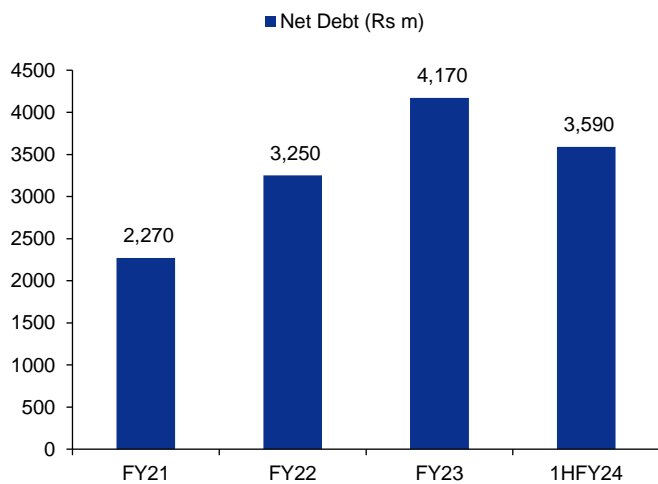
SOURCE: INCRED RESEARCH, COMPANY REPORTS

**Figure 40: PAT of Rs27m in 1HFY24**



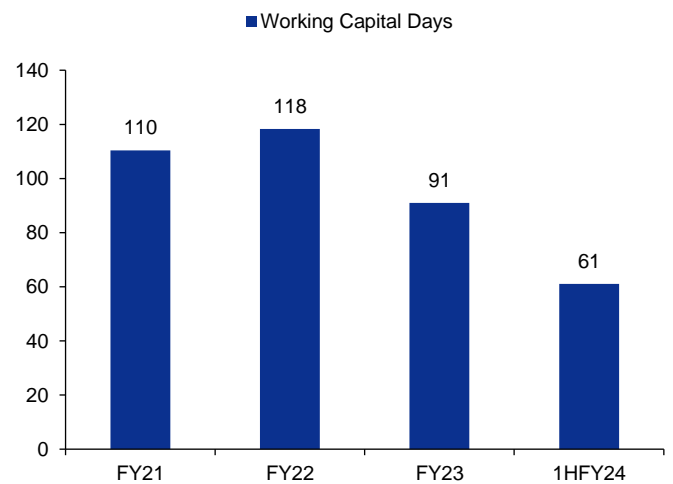
SOURCE: INCRED RESEARCH, COMPANY REPORTS

**Figure 41: Company aims to reduce debt going ahead**



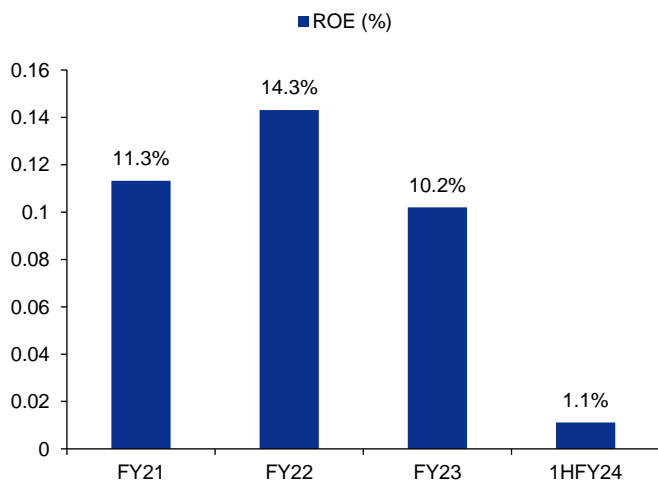
SOURCE: INCRED RESEARCH, COMPANY REPORTS

**Figure 42: Working capital days likely to improve**



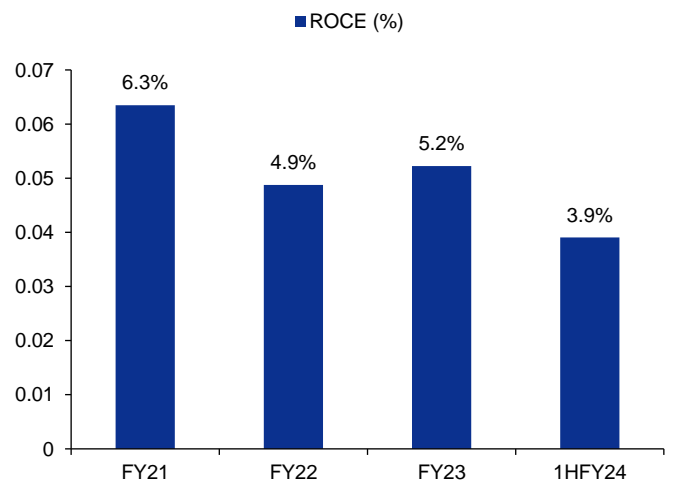
SOURCE: INCRED RESEARCH, COMPANY REPORTS

**Figure 43: RoE trend**



SOURCE: INCRED RESEARCH, COMPANY REPORTS

**Figure 44: RoCE trend**



SOURCE: INCRED RESEARCH, COMPANY REPORTS

## BY THE NUMBERS

### Profit & Loss

(Rs mn)	Mar-21A	Mar-22A	Mar-23A	1HFY24A
<b>Total Net Revenues</b>	<b>7,362</b>	<b>9,242</b>	<b>15,388</b>	<b>6,148</b>
<b>Gross Profit</b>	<b>872</b>	<b>1,298</b>	<b>2,148</b>	<b>873</b>
<b>Operating EBITDA</b>	<b>420</b>	<b>688</b>	<b>1,025</b>	<b>370</b>
Depreciation And Amortisation	(90)	(163)	(261)	(161)
<b>Operating EBIT</b>	<b>330</b>	<b>525</b>	<b>764</b>	<b>209</b>
Financial Income/(Expense)	(256)	(294)	(315)	(179)
Pretax Income/(Loss) from Assoc.			(8)	(6)
Non-Operating Income/(Expense)	34	32	14	15
<b>Profit Before Tax (pre-EI)</b>	<b>109</b>	<b>263</b>	<b>456</b>	<b>40</b>
Exceptional Items			(16)	
<b>Pre-tax Profit</b>	<b>109</b>	<b>263</b>	<b>440</b>	<b>40</b>
Taxation	(31)	(89)	(121)	(13)
Exceptional Income - post-tax				
<b>Profit After Tax</b>	<b>78</b>	<b>174</b>	<b>320</b>	<b>27</b>
Minority Interests				
Preferred Dividends				
FX Gain/(Loss) - post tax				
Other Adjustments - post-tax				
<b>Net Profit</b>	<b>78</b>	<b>174</b>	<b>320</b>	<b>27</b>
Recurring Net Profit				
<b>Fully Diluted Recurring Net Profit</b>				

### Cash Flow

(Rs mn)	Mar-21A	Mar-22A	Mar-23A	1HFY24A
EBITDA	420	688	1,025	370
Cash Flow from Invt. & Assoc.				
Change In Working Capital	17	(916)	(744)	1,243
(Incr)/Decr in Total Provisions	5	(4)	1	8
Other Non-Cash (Income)/Expense				
Other Operating Cashflow	19	(139)	(209)	(110)
Net Interest (Paid)/Received	(5)	(11)	(13)	(3)
Tax Paid	18	92	127	73
<b>Cashflow From Operations</b>	<b>474</b>	<b>(289)</b>	<b>188</b>	<b>1,581</b>
Capex	(47)	(1,424)	(2,239)	(745)
Disposals Of FAs/subsidiaries				
Acq. Of Subsidiaries/investments	(29)	(278)	178	151
Other Investing Cashflow	9	(339)	(114)	(28)
<b>Cash Flow From Investing</b>	<b>(67)</b>	<b>(2,042)</b>	<b>(2,175)</b>	<b>(621)</b>
Debt Raised/(repaid)	(146)	1,262	1,080	(1,225)
Proceeds From Issue Of Shares	-	1,600	1,600	-
Shares Repurchased	-	-	-	-
Dividends Paid	-	-	-	-
Preferred Dividends				
Other Financing Cashflow	(279)	(327)	(335)	(230)
<b>Cash Flow From Financing</b>	<b>(425)</b>	<b>2,535</b>	<b>2,345</b>	<b>(1,455)</b>
Total Cash Generated	(18)	204	359	(495)
<b>Free Cashflow To Equity</b>	<b>281</b>	<b>(451)</b>	<b>(970)</b>	<b>(389)</b>
<b>Free Cashflow To Firm</b>	<b>427</b>	<b>(1,714)</b>	<b>(2,051)</b>	<b>836</b>

SOURCE: INCRED RESEARCH, COMPANY REPORTS

## BY THE NUMBERS...cont'd

### Balance Sheet

(Rs mn)	Mar-21A	Mar-22A	Mar-23A	1HFY24A
Total Cash And Equivalents	36	241	600	105
Total Debtors	2,342	3,562	4,791	1,378
Inventories	1,405	2,773	2,937	1,891
Total Other Current Assets	231	693	379	410
<b>Total Current Assets</b>	<b>4,014</b>	<b>7,269</b>	<b>8,707</b>	<b>3,783</b>
Fixed Assets	1,159	3,347	5,101	6,197
Total Investments		31	48	42
Intangible Assets	0	2	2	2
Total Other Non-Current Assets	30	119	784	690
<b>Total Non-current Assets</b>	<b>1,189</b>	<b>3,498</b>	<b>5,935</b>	<b>6,931</b>
Short-term Debt	1,708	3,244	3,789	2,323
Current Portion of Long-Term Debt				
Total Creditors	1,519	3,339	3,891	1,213
Other Current Liabilities	330	1,956	2,257	394
<b>Total Current Liabilities</b>	<b>3,558</b>	<b>8,539</b>	<b>9,936</b>	<b>3,930</b>
Total Long-term Debt	677.10	596.20	1,135.80	1,373.10
Hybrid Debt - Debt Component				
Total Other Non-Current Liabilities	254	383	399	581
<b>Total Non-current Liabilities</b>	<b>931</b>	<b>979</b>	<b>1,535</b>	<b>1,955</b>
Total Provisions	26	30	34	47
<b>Total Liabilities</b>	<b>4,515</b>	<b>9,548</b>	<b>11,505</b>	<b>5,931</b>
Shareholders Equity	689	1,219	3,136	4,783
Minority Interests	-	-	-	-
<b>Total Equity</b>	<b>689</b>	<b>1,219</b>	<b>3,136</b>	<b>4,783</b>

### Key Ratios

	Mar-21A	Mar-22A	Mar-23F	1HFY24
Revenue Growth	NA	25.5%	66.5%	
Operating EBITDA Growth	NA	63.7%	49.0%	
Operating EBITDA Margin	5.7%	7.4%	6.7%	6.0%
Net Cash Per Share (Rs)	-30.0	-45.9	-55.2	-37.5
BVPS (Rs)	8.8	15.5	40.0	49.9
Gross Interest Cover	1.3	1.8	2.4	1.2
Effective Tax Rate	28.3%	33.7%	27.4%	33.1%
Net Dividend Payout Ratio				
Accounts Receivables Days	116.1	140.7	113.6	40.9
Inventory Days	69.6	109.5	69.7	56.1
Accounts Payables Days	75.3	131.9	92.3	36.0
ROIC (%)	10.9%	9.3%	7.9%	2.4%
ROCE (%)	6.3%	4.9%	5.2%	3.9%
Return On Average Assets	1.5%	1.6%	2.2%	0.2%

SOURCE: INCRED RESEARCH, COMPANY REPORTS

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