



India

REDUCE (previously HOLD)

Consensus ratings*: Buy 2 Hold 2 Sell 0

Current price: Rs1,867
 Target price: ▼ Rs1,612
 Previous target: Rs2,446
 Up/downside: -13.7%
 InCred Research / Consensus: -37.6%

Reuters:
 Bloomberg: PGEL IN
 Market cap: US\$585m
 Rs48,584m
 Average daily turnover: US\$1.7m
 Rs142.1m
 Current shares o/s: 26.0m
 Free float: 35.0%

*Source: Bloomberg



Source: Bloomberg

Price performance	1M	3M	12M
Absolute (%)	(13.6)	(11.6)	53.6
Relative (%)	(12.4)	(19.8)	29.8

Major shareholders	% held
Promoter & Promoter Group	53.6
FII	8.5
DII	13.4

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PG Electroplast

TV business will lead to margin dilution

- PGEL posted 3Q revenue/PAT/EBITDA growth of 16%/18%/40% YoY and 16%/12%/56% QoQ, respectively. The EBITDA margin was flat YoY at 7.9%.
- We believe the growth in the TV business will lead to margin dilution. We expect its margins to decline by 130bp in FY25F and by 140bp in FY26F.
- We cut FY25F/26F PAT by 26%/29%, respectively. Downgrade to REDUCE from HOLD. We value PGEL at 26x FY26F EPS and arrive at a TP of Rs1,612.

Ramp-up in TV business to result in lower margins

PG Electroplast or PGEL has tied up with the Jaina Group for its TV manufacturing business, which brings brands like Karbonn, Sansui and Amstrad under its belt. However, Karbonn, Sansui and Amstrad are not market leaders in the TV space, and as PGEL has formed a 50:50 joint venture or JV with the Jaina Group, even if it utilizes the capacity fully, it will not contribute significantly to the topline. At full capacity utilization and a 35 P/E ratio, it will only add Rs5,230m in incremental market cap. Moreover, it will also lead to margin dilution at a consolidated level, as market leader Dixon Technologies has a 3-4% EBITDA margin in this space. Hence, we believe PGEL's EBITDA margin will contract by 130bp in FY25F to 7.2% and by 140bp in FY26F to 7.9%. Even though PGEL grows its topline at a 20% CAGR over FY24F-26F, it will only result in a PAT growth of 14% over FY24F-26F.

Capturing market share in TV business could be a challenge

PGEL is setting up a capacity for making 1.2m TV units. Out of this, PGEL expects to sell 0.4m units in the first year itself. Please note that Dixon Technologies already has the capacity for making 6m TVs, and it also caters to market leaders like Xiaomi and Samsung. Dixon Technologies sold 3.43m TVs in FY23, compared to 3m TVs in FY22. Hence, Dixon Technologies' facilities are operating at only approx. 50% utilization. Hence, we believe PGEL could struggle in the medium term to gain market share in TVs as all the market leaders have either tied up with Dixon Technologies/Radiant/Bhagwati or are doing in-house manufacturing.

IT products too have lower margins; insourcing in RACs is a risk

For laptops, even if PGEL generates Rs10,000m in revenue, at a PAT level it will add only Rs100m. Assigning a 40 P/E ratio to this number, it will contribute only Rs4,000m in incremental market cap, again limiting the upside for the stock. Moreover, for OEMs, laptops will either be manufactured via Dixon Technologies or in-house.

Value PGEL at 26x FY26F EPS; downgrade to REDUCE from HOLD

We value PGEL at 26x FY26F EPS and arrive at a sharply lower target price of Rs1,612 (Rs2,446 earlier). We believe the increased insourcing in the RAC space, coupled with the first-mover advantage of Dixon Technologies in laptops and TVs, will lead to reduced growth for PGEL. Upside risk: Opening of export opportunities for the company.

Financial Summary	Mar-22A	Mar-23A	Mar-24F	Mar-25F	Mar-26F
Revenue (Rsm)	10,977	21,599	28,078	33,794	40,254
Operating EBITDA (Rsm)	751	1,760	2,386	2,448	2,858
Net Profit (Rsm)	371	775	1,204	1,205	1,552
Core EPS (Rs)	14.3	29.8	46.3	46.3	59.7
Core EPS Growth	198.7%	108.7%	55.5%	0.1%	28.8%
FD Core P/E (x)	130.84	62.69	40.33	40.30	31.28
DPS (Rs)	0.0	0.0	0.0	0.0	0.0
Dividend Yield	0.00%	0.00%	0.00%	0.00%	0.00%
EV/EBITDA (x)	70.06	30.96	20.44	19.54	16.28
P/FCFE (x)	(1,407.05)	152.00	70.39	56.09	(308.33)
Net Gearing	129.9%	149.7%	1.9%	(5.5%)	(12.4%)
P/BV (x)	15.55	12.27	4.47	3.66	2.97
ROE	14.7%	21.9%	16.2%	10.0%	10.5%
% Change In Core EPS Estimates				(25.71%)	(29.21%)
InCred Research/Consensus EPS (x)					

SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 1: Our revised earnings estimates for PG Electroplast

	Old			New			Change		
	FY24F	FY25F	FY26F	FY24F	FY25F	FY26F	FY24F	FY25F	FY26F
Revenue	28,078	35,319	42,762	28,078	33,794	40,254	0%	-4%	-6%
EBITDA	2,386	3,002	3,709	2,386	2,448	2,858	0%	-18%	-23%
PAT	1,204	1,622	2,193	1,204	1,205	1,552	0%	-26%	-29%

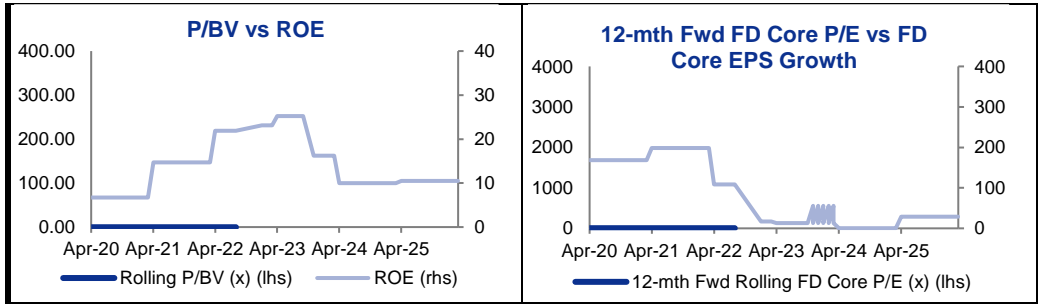
SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 2: 3QFY24 financials

PG Electroplast	3QFY24	3QFY23	YoY	2QFY24	QoQ	Incred Estimates	Diff
Total Sales	5,319	4,579	16.2%	4,604	15.5%	6,182	-14.0%
Raw Material Costs	4,238	3,715	14.1%	3,653	16.0%	4,902	
Gross Profit	1,081	864	25.2%	951	13.7%	1,280	
Employee Costs	395	298	32.4%	362	9.2%	501	
Other Expenses	266	210	26.8%	214	24.7%	284	
Total Expenditure	4,899	4,224	16.0%	4,229	15.9%	5,687	
EBITDA	420	355	18.1%	376	11.7%	495	-15.2%
EBITDA Margin (%)	7.9%	7.8%	13.1 bp	8.2%	-27.1 bp	8.0%	-11.1 bp
Depreciation and Amortization	113	86	30.5%	111	2.1%	95	
EBIT	307	269	14.1%	265	15.7%	399	
Interest Expenses	97	121	-19.8%	122	-20.3%	133	
Other Income	50	26	90.4%	33	53.4%	30	
EBT	260	174	49.4%	176	47.7%	296	
Total Tax	68	37	84.3%	52	29.6%	80	
PAT	192	137	40.0%	124	55.3%	216	-11.1%
Other Comprehensive Income	(1)	1		-		-	
Adjusted PAT	191.8	137.9	39.1%	123.9	54.8%	216	-11.4%
EPS	9.0	6.0	49.0%	5.8	55.3%	10.1	-11.1%

SOURCE: INCRED RESEARCH, COMPANY REPORTS

BY THE NUMBERS



Profit & Loss

(Rs mn)	Mar-22A	Mar-23A	Mar-24F	Mar-25F	Mar-26F
Total Net Revenues	10,977	21,599	28,078	33,794	40,254
Gross Profit	2,137	3,954	5,195	5,948	7,045
Operating EBITDA	751	1,760	2,386	2,448	2,858
Depreciation And Amortisation	(221)	(350)	(423)	(527)	(637)
Operating EBIT	530	1,411	1,964	1,921	2,221
Financial Income/(Expense)	(225)	(479)	(535)	(472)	(370)
Pretax Income/(Loss) from Assoc.					
Non-Operating Income/(Expense)	182	44	177	157	219
Profit Before Tax (pre-EI)	487	975	1,606	1,607	2,070
Exceptional Items					
Pre-tax Profit	487	975	1,606	1,607	2,070
Taxation	(116)	(201)	(401)	(402)	(517)
Exceptional Income - post-tax					
Profit After Tax	371	775	1,204	1,205	1,552
Minority Interests					
Preferred Dividends					
FX Gain/(Loss) - post tax					
Other Adjustments - post-tax					
Net Profit	371	775	1,204	1,205	1,552
Recurring Net Profit	371	775	1,204	1,205	1,552
Fully Diluted Recurring Net Profit	371	775	1,204	1,205	1,552

Cash Flow

(Rs mn)	Mar-22A	Mar-23A	Mar-24F	Mar-25F	Mar-26F
EBITDA	490	975	1,606	1,607	2,070
Cash Flow from Invt. & Assoc.					
Change In Working Capital	(1,749)	(1,281)	116	(69)	(113)
(Incr)/Decr in Total Provisions					
Other Non-Cash (Income)/Expense	496	856	2,016	2,328	2,398
Other Operating Cashflow					
Net Interest (Paid)/Received					
Tax Paid	(25)	(94)	(401)	(402)	(517)
Cashflow From Operations	(788)	457	3,337	3,464	3,837
Capex	(1,571)	(1,546)	(1,836)	(1,935)	(2,306)
Disposals Of FAs/subsidiaries	58	4			
Acq. Of Subsidiaries/Investments	(97)	(188)	(47)	(34)	(39)
Other Investing Cashflow					
Cash Flow From Investing	(1,610)	(1,730)	(1,884)	(1,969)	(2,345)
Debt Raised/(repaid)	2,364	1,592	(763)	(629)	(1,650)
Proceeds From Issue Of Shares	441	33	5,000		
Shares Repurchased					
Dividends Paid					
Preferred Dividends					
Other Financing Cashflow	(242)	(505)	(585)	(542)	(450)
Cash Flow From Financing	2,562	1,120	3,652	(1,171)	(2,100)
Total Cash Generated	164	(152)	5,105	324	(607)
Free Cashflow To Equity	(35)	320	690	866	(158)
Free Cashflow To Firm	(2,398)	(1,272)	1,453	1,495	1,492

SOURCE: INCRED RESEARCH, COMPANY REPORTS

BY THE NUMBERS...cont'd

Balance Sheet

(Rs mn)	Mar-22A	Mar-23A	Mar-24F	Mar-25F	Mar-26F
Total Cash And Equivalents	392	396	5,354	5,662	5,311
Total Debtors	2,161	4,383	4,028	4,663	5,444
Inventories	2,860	3,534	3,762	4,425	5,095
Total Other Current Assets	668	771	1,176	1,162	1,084
Total Current Assets	6,081	9,084	14,320	15,912	16,934
Fixed Assets	4,452	5,785	7,250	8,674	10,361
Total Investments	91	121	168	203	242
Intangible Assets	7	12	12	12	12
Total Other Non-Current Assets	55	78	140	169	201
Total Non-current Assets	4,605	5,997	7,571	9,058	10,816
Short-term Debt	2,580	3,736	3,173	2,673	1,173
Current Portion of Long-Term Debt					
Total Creditors	2,692	3,900	4,223	5,325	6,455
Other Current Liabilities	201	492	562	676	805
Total Current Liabilities	5,473	8,127	7,958	8,673	8,433
Total Long-term Debt	1,870	2,588	2,388	2,259	2,109
Hybrid Debt - Debt Component					
Total Other Non-Current Liabilities	166	342	421	507	604
Total Non-current Liabilities	2,035	2,930	2,809	2,765	2,712
Total Provisions	54	66	253	304	362
Total Liabilities	7,562	11,122	11,019	11,743	11,507
Shareholders Equity	3,123	3,959	10,872	13,263	16,358
Minority Interests					
Total Equity	3,123	3,959	10,872	13,263	16,358

Key Ratios

	Mar-22A	Mar-23A	Mar-24F	Mar-25F	Mar-26F
Revenue Growth	56.1%	96.8%	30.0%	20.4%	19.1%
Operating EBITDA Growth	51.0%	134.3%	35.6%	2.6%	16.7%
Operating EBITDA Margin	6.8%	8.2%	8.5%	7.2%	7.1%
Net Cash Per Share (Rs)	(155.96)	(227.82)	(7.94)	28.07	78.00
BVPS (Rs)	120.04	152.18	417.86	509.79	628.75
Gross Interest Cover	2.36	2.94	3.67	4.07	6.01
Effective Tax Rate	23.9%	20.6%	25.0%	25.0%	25.0%
Net Dividend Payout Ratio					
Accounts Receivables Days	59.95	55.02	54.46	46.60	45.49
Inventory Days	78.17	66.13	58.18	53.65	52.32
Accounts Payables Days	87.23	68.18	64.78	62.58	64.73
ROIC (%)	5.6%	11.0%	12.7%	11.0%	11.2%
ROCE (%)	9.2%	15.8%	14.7%	11.1%	11.7%
Return On Average Assets	6.6%	9.0%	8.7%	6.7%	6.9%

SOURCE: INCRED RESEARCH, COMPANY REPORTS

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