



## India

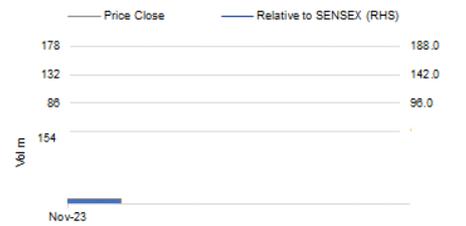
**REDUCE** (previously HOLD)

Consensus ratings\*: Buy 4 Hold 0 Sell 1

Current price: Rs2,502  
 Target price: ▲ Rs1,755  
 Previous target: Rs1,612  
 Up/downside: -29.9%  
 InCred Research / Consensus: -28.3%

Reuters:  
 Bloomberg: PGEL IN  
 Market cap: US\$782m  
 Rs65,125m  
 Average daily turnover: US\$3.1m  
 Rs258.4m  
 Current shares o/s: 26.0m  
 Free float: 35.0%

\*Source: Bloomberg



Source: Bloomberg

Price performance	1M	3M	12M
Absolute (%)	24.8	35.6	67.8
Relative (%)	22.2	31.5	37.4

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

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# PG Electroplast

## PLI incentives are the only growth trigger

- PG Electroplast's EBITDA margin expansion of 167bp in 4QFY24 was aided by PLI and other incentives worth Rs200m. Excluding this, margins were flat.
- Going ahead, in FY25F, the company has given guidance of Rs2,000m PAT. However, approximately 30% of this is going to come from PLI incentives.
- We have added PGEL to our high-conviction REDUCE list. We downgrade the P/E multiple because of seasonal PLI benefits and retain REDUCE rating.

### PLI incentives could act as a trigger in the current bull run

PG Electroplast (PGEL) reported significant margin expansion of 167bps in 4QFY24. However, the critical part was that PGEL accounted for PLI incentives worth Rs200m in the topline. Excluding this, the EBITDA margin was flat. PGEL gave guidance of Rs2,000m PAT in FY25F. However, Rs600m (almost 30% of FY25F PAT guidance) is going to come from the production-linked incentive or PLI and state incentives. On removing the PLI incentives, yoy PAT growth is likely to be a measly 8%. Although PGEL achieved these incentives based on incremental sales, any delay in approval could result in guidance miss.

### No laptop OEM partner selected as of now

PGEL's joint venture or JV with Jaina, Goodworth Ventures, was selected for IT PLI 2.0. However, as of 4QFY24-end, the JV has not selected a manufacturing partner. We believe that as the market leaders in the laptop space i.e. HP, Dell, Lenovo and Acer are either manufacturing themselves or are getting them assembled from Dixon Technologies, there are not many players left that can provide PGEL with that kind of scale. Secondly, the sales target for IT PLI 2.0 is quite steep and to achieve the incentives, PGEL must make incremental laptop sales worth Rs5,000m, and as the hunt for OEM partner gets delayed, it's very likely that the company may not be able to achieve its IT PLI target.

### RAC to be the make-or-break sector for PGEL as other segments lag

A major portion of PGEL's growth in FY25F is likely to come from room air-conditioner or RAC sales, as its coolers and washing machines are not ramping up fast enough. Moreover, with Dixon Technologies' washing machine sales stagnating and Amber Enterprises' entry into washing machines, the competition is more likely to intensify. Hence, taking a bet on PGEL is akin to taking a bet on the RAC space. We believe this overdependence on one sector, which we anyways believe will show signs of a slowdown post FY25F, will lead to PGEL missing its stated growth target.

### Add PGEL to our high conviction REDUCE list with a TP of Rs1,755

We revised our revenue/ EBITDA/PAT estimates for FY25F and FY26F by -3%/ 38%/ 57% and -8%/25%/34%, respectively, to account for the PLI incentives of Rs650m in FY25F and FY26F. However, as these are seasonal incentives, we valued PGEL at a lower multiple of 22x (25x earlier) and arrived at a new target price of Rs1,755. Key upside risks include ramp-up in the RAC space coupled with improvement in margins.

**Financial Summary**

	Mar-22A	Mar-23A	Mar-24A	Mar-25F	Mar-26F
Revenue (Rsm)	10,977	21,599	27,466	32,751	37,127
Operating EBITDA (Rsm)	751	1,760	2,619	3,376	3,572
Net Profit (Rsm)	371	775	1,371	1,851	1,982
Core EPS (Rs)	14.3	29.8	52.7	71.1	76.2
Core EPS Growth	198.7%	108.7%	77.0%	34.9%	7.1%
FD Core P/E (x)	175.44	84.07	47.49	35.19	32.86
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)	92.10	40.36	26.10	20.12	18.56
P/FCFE (x)	(1,886.76)	203.82	(15.71)	66.46	29.65
Net Gearing	129.9%	149.7%	31.1%	22.9%	8.1%
P/BV (x)	20.85	16.45	6.27	5.30	4.54
ROE	14.7%	21.9%	19.1%	16.3%	14.9%
% Change In Core EPS Estimates				14.06%	(9.66%)
InCred Research/Consensus EPS (x)					

SOURCE: INCRED RESEARCH, COMPANY REPORTS

## Key conference-call takeaways

- The room AC business grew by 20% YoY, washing machine by 26% YoY while the cooler business remains flat.
- Growth in products business to be 44% for the full year. The average selling price or ASP has come down significantly for various products for the full year.
- Improvement in margins due to cost control, operating leverage and lower commodity prices.
- Total Rs0.15bn incentives from the PLI scheme+ Rs0.05bn incentives from capex in the previous year.
- PLI of Rs0.30bn+ Rs0.35bn next year. Excluding PLI incentives, PAT should be in the range of Rs1.4-1.5bn.
- Nothing concrete from laptop partners for the IT PLI 2.0 scheme.
- Annual run rate of state government incentives - Rs0.25bn for the next three years.
- Going ahead, PLI incentives will be in the range of Rs0.55-0.60bn for FY25F and FY26F.
- Capex to be in the range of Rs3-3.5bn.

**Figure 1: Our revised FY25F and FY26F earnings estimates (Rsm)**

	Old		New		Change	
	FY25F	FY26F	FY25F	FY26F	FY25F	FY26F
Revenue	33,794	40,254	32,751	37,127	-3.1%	-7.8%
EBITDA	2,448	2,858	3,376	3,572	37.9%	25.0%
PAT	1,205	1,552	1,897	2,076	57.4%	33.8%

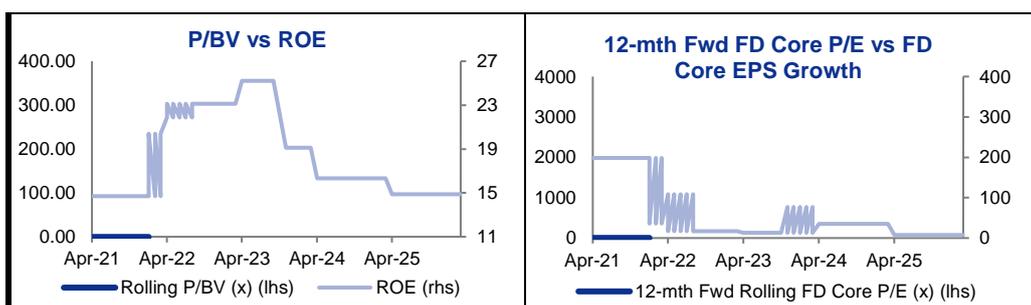
SOURCE: INCRED RESEARCH, COMPANY REPORTS

**Figure 2: 4QFY24 quarterly results snapshot (Rsm)**

PG Electroplast	4QFY24	4QFY23	YoY	3QFY24	QoQ
<b>Total Sales</b>	<b>10,766</b>	<b>8,282</b>	<b>30.0%</b>	<b>5,319</b>	<b>102.4%</b>
Raw Material Costs	8,621	6,820	26.4%	4,238	103.4%
Gross Profit	2,145	1,463	46.7%	1,081	98.5%
Employee Costs	550	406	35.5%	395	39.3%
Other Expenses	430	299	43.9%	266	61.6%
Total Expenditure	9,601	7,525	27.6%	4,899	96.0%
<b>EBITDA</b>	<b>1,165</b>	<b>757</b>	<b>53.8%</b>	<b>420</b>	<b>177.5%</b>
EBITDA Margin (%)	10.8%	9.1%	167.3 bp	7.9%	292.8 bp
Depreciation and Amortization	136	105	29.7%	113	20.3%
EBIT	1,029	653	57.6%	307	235.4%
Interest Expenses	158	176	-10.4%	97	61.9%
Other Income	34	12	190.0%	50	-32.8%
EBT	905	489	85.3%	260	248.3%
Total Tax	189	87	117.9%	68	180.3%
<b>PAT</b>	<b>716</b>	<b>402</b>	<b>78.2%</b>	<b>192</b>	<b>272.1%</b>
Other Comprehensive Income	-	0		(1)	
<b>Adjusted PAT</b>	<b>715.8</b>	<b>401.8</b>	<b>78.1%</b>	<b>191.8</b>	<b>273.2%</b>

SOURCE: INCRED RESEARCH, COMPANY REPORTS

**BY THE NUMBERS**



**Profit & Loss**

(Rs mn)	Mar-22A	Mar-23A	Mar-24A	Mar-25F	Mar-26F
<b>Total Net Revenues</b>	<b>10,977</b>	<b>21,599</b>	<b>27,466</b>	<b>32,751</b>	<b>37,127</b>
<b>Gross Profit</b>	<b>2,137</b>	<b>3,954</b>	<b>5,404</b>	<b>6,714</b>	<b>7,388</b>
<b>Operating EBITDA</b>	<b>751</b>	<b>1,760</b>	<b>2,619</b>	<b>3,376</b>	<b>3,572</b>
Depreciation And Amortisation	(221)	(350)	(466)	(641)	(712)
<b>Operating EBIT</b>	<b>530</b>	<b>1,411</b>	<b>2,153</b>	<b>2,735</b>	<b>2,860</b>
Financial Income/(Expense)	(225)	(479)	(517)	(425)	(369)
Pretax Income/(Loss) from Assoc.					
Non-Operating Income/(Expense)	182	44	130	108	111
<b>Profit Before Tax (pre-EI)</b>	<b>487</b>	<b>975</b>	<b>1,766</b>	<b>2,417</b>	<b>2,602</b>
Exceptional Items					
<b>Pre-tax Profit</b>	<b>487</b>	<b>975</b>	<b>1,766</b>	<b>2,417</b>	<b>2,602</b>
Taxation	(116)	(201)	(395)	(567)	(620)
Exceptional Income - post-tax					
<b>Profit After Tax</b>	<b>371</b>	<b>775</b>	<b>1,371</b>	<b>1,851</b>	<b>1,982</b>
Minority Interests					
Preferred Dividends					
FX Gain/(Loss) - post tax					
Other Adjustments - post-tax					
<b>Net Profit</b>	<b>371</b>	<b>775</b>	<b>1,371</b>	<b>1,851</b>	<b>1,982</b>
Recurring Net Profit	371	775	1,371	1,851	1,982
<b>Fully Diluted Recurring Net Profit</b>	<b>371</b>	<b>775</b>	<b>1,371</b>	<b>1,851</b>	<b>1,982</b>

**Cash Flow**

(Rs mn)	Mar-22A	Mar-23A	Mar-24A	Mar-25F	Mar-26F
<b>EBITDA</b>	<b>490</b>	<b>975</b>	<b>1,765</b>	<b>2,463</b>	<b>2,696</b>
Cash Flow from Invt. & Assoc.					
Change In Working Capital	(1,749)	(1,281)	(649)	975	89
(Incr)/Decr in Total Provisions					
Other Non-Cash (Income)/Expense	496	856	1,051	2,301	2,492
<b>Other Operating Cashflow</b>					
Net Interest (Paid)/Received					
Tax Paid	(25)	(94)	(303)	(567)	(620)
<b>Cashflow From Operations</b>	<b>(788)</b>	<b>457</b>	<b>1,863</b>	<b>5,173</b>	<b>4,657</b>
Capex	(1,571)	(1,546)	(2,268)	(3,600)	(1,500)
Disposals Of FAs/subsidiaries	58	4	10		
Acq. Of Subsidiaries/investments	(97)	(188)	(1,734)	62	(360)
<b>Other Investing Cashflow</b>					
<b>Cash Flow From Investing</b>	<b>(1,610)</b>	<b>(1,730)</b>	<b>(3,992)</b>	<b>(3,538)</b>	<b>(1,860)</b>
Debt Raised/(repaid)	2,364	1,592	(2,017)	(655)	(600)
Proceeds From Issue Of Shares	441	33	4,918		
Shares Repurchased					
Dividends Paid					
Preferred Dividends					
Other Financing Cashflow	(242)	(505)	(557)	(495)	(449)
<b>Cash Flow From Financing</b>	<b>2,562</b>	<b>1,120</b>	<b>2,344</b>	<b>(1,150)</b>	<b>(1,049)</b>
Total Cash Generated	164	(152)	215	484	1,748
<b>Free Cashflow To Equity</b>	<b>(35)</b>	<b>320</b>	<b>(4,146)</b>	<b>980</b>	<b>2,197</b>
<b>Free Cashflow To Firm</b>	<b>(2,398)</b>	<b>(1,272)</b>	<b>(2,129)</b>	<b>1,634</b>	<b>2,797</b>

SOURCE: INCRED RESEARCH, COMPANY REPORTS

**BY THE NUMBERS...cont'd**

<b>Balance Sheet</b>					
<b>(Rs mn)</b>	<b>Mar-22A</b>	<b>Mar-23A</b>	<b>Mar-24A</b>	<b>Mar-25F</b>	<b>Mar-26F</b>
Total Cash And Equivalents	392	396	1,824	1,588	2,636
Total Debtors	2,161	4,383	5,558	4,519	5,021
Inventories	2,860	3,534	5,434	4,137	4,563
Total Other Current Assets	668	771	1,269	1,127	999
<b>Total Current Assets</b>	<b>6,081</b>	<b>9,084</b>	<b>14,085</b>	<b>11,371</b>	<b>13,219</b>
Fixed Assets	4,452	5,785	8,446	10,877	11,677
Total Investments	91	121	258	197	557
Intangible Assets	7	12	12	12	12
Total Other Non-Current Assets	55	78	285	655	149
<b>Total Non-current Assets</b>	<b>4,605</b>	<b>5,997</b>	<b>9,001</b>	<b>11,740</b>	<b>12,394</b>
Short-term Debt	2,580	3,736	2,482	2,200	2,100
Current Portion of Long-Term Debt					
Total Creditors	2,692	3,900	6,464	4,990	5,792
Other Current Liabilities	201	492	684	655	743
<b>Total Current Liabilities</b>	<b>5,473</b>	<b>8,127</b>	<b>9,629</b>	<b>7,845</b>	<b>8,634</b>
Total Long-term Debt	1,870	2,588	2,573	2,200	1,700
Hybrid Debt - Debt Component					
Total Other Non-Current Liabilities	166	342	414	491	557
<b>Total Non-current Liabilities</b>	<b>2,035</b>	<b>2,930</b>	<b>2,987</b>	<b>2,691</b>	<b>2,257</b>
Total Provisions	54	66	89	295	334
<b>Total Liabilities</b>	<b>7,562</b>	<b>11,122</b>	<b>12,705</b>	<b>10,831</b>	<b>11,225</b>
Shareholders Equity	3,123	3,959	10,381	12,277	14,353
Minority Interests					
<b>Total Equity</b>	<b>3,123</b>	<b>3,959</b>	<b>10,381</b>	<b>12,277</b>	<b>14,353</b>

<b>Key Ratios</b>					
	<b>Mar-22A</b>	<b>Mar-23A</b>	<b>Mar-24A</b>	<b>Mar-25F</b>	<b>Mar-26F</b>
Revenue Growth	56.1%	96.8%	27.2%	19.2%	13.4%
Operating EBITDA Growth	51.0%	134.3%	48.8%	28.9%	5.8%
Operating EBITDA Margin	6.8%	8.2%	9.5%	10.3%	9.6%
Net Cash Per Share (Rs)	(155.90)	(227.73)	(124.12)	(108.04)	(44.73)
BVPS (Rs)	119.99	152.13	398.86	471.73	551.50
Gross Interest Cover	2.36	2.94	4.16	6.43	7.75
Effective Tax Rate	23.9%	20.6%	22.3%	23.4%	23.8%
Net Dividend Payout Ratio					
Accounts Receivables Days	59.95	55.02	65.84	55.82	46.55
Inventory Days	78.17	66.13	74.18	67.09	53.39
Accounts Payables Days	87.23	68.18	85.73	80.28	66.16
ROIC (%)	5.6%	11.0%	12.1%	13.4%	13.9%
ROCE (%)	9.2%	15.8%	16.7%	17.0%	16.4%
Return On Average Assets	6.6%	9.0%	9.3%	9.4%	9.3%

SOURCE: INCRED RESEARCH, COMPANY REPORTS

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