India

REDUCE *(no change)*

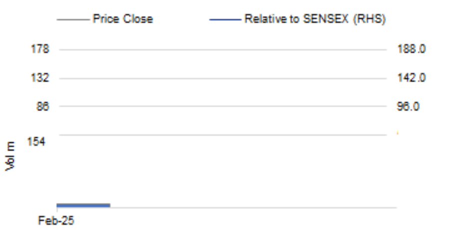
Consensus ratings*:	Buy 6	Hold 2	Sell 1

Current price:	Rs879
Target price: ▲	Rs760
Previous target:	Rs515
Up/downside:	-13.5%
InCred Research / Consensus:	-10.1%
Reuters:	
Bloomberg:	PGEL IN
Market cap:	US$2,844m
	Rs248,698m
Average daily turnover:	US$17.2m
	Rs1506.7m
Current shares o/s:	260.3m
Free float:	24.1%

Source: Bloomberg

Key changes in this note

- Raise revenue/EPS estimates by 7%/14%, 9%/19% and 10%/19% for FY25F, FY26F and FY27F, respectively.



Source: Bloomberg

Price performance	1M	3M	12M
Absolute (%)	(10.3)	31.4	326.4
Relative (%)	(10.2)	33.9	294.2

Major shareholders	% held
Motilal Oswal	3.2
Nippon Life	2.0
Baring Private Equity	1.0

PG Electroplast

Continued growth momentum in RAC biz

- 3Q EBITDA was up 103% YoY at Rs852m, 44% above our estimate and 33% above Bloomberg consensus. EBITDA margin improved by 91bp YoY to 8.8%.
- PG Electroplast expects a revenue of Rs45bn+ in FY25F, a strong 65.7% YoY surge. Management reiterated its PAT guidance of Rs2.8bn for the year.
- We retain our REDUCE rating on the stock, but with a higher target price of Rs760 (Rs515 earlier), valuing it at 50x FY27F (from 45x Sep 2026F) EPS.

RAC segment drives growth

PG Electroplast (PGEL's) 3QFY25 revenue grew by 82% YoY to Rs9.7bn, 26% above our estimate and 29% above Bloomberg or BB consensus estimate. EBITDA was up 103% YoY at Rs852m, 44% above our estimate and 33% above BB consensus estimate. The EBITDA margin improved by 91bp YoY to 8.8%. PAT came in at Rs401m, up 108% YoY. It was 52% above our estimate and 24% above consensus estimate. Room air-conditioner or RAC business was the key growth driver, recording a 180% YoY surge during the quarter & a 154% growth in 9MFY25. The washing machine segment also demonstrated robust expansion, rising 65% YoY in 3Q & 49% over 9MFY25, while coolers registered a 27% YoY growth during the nine-month period. Additionally, the electronics division, which includes TV motherboards, security cameras, and sound boxes, gained strong traction.

Management expects 65%+ topline growth in FY25F

PGEL expects its revenue to surpass Rs45.5bn in FY25F, a strong 65.7% surge, compared to FY24's Rs27.5bn, even after strategically shifting its television operations to the joint venture entity, Goodworth Electronics. The newly formed joint venture is poised to deliver Rs5.5bn revenue in FY25F, elevating the total group's revenue projection to approximately Rs51bn. Management reiterated its PAT guidance of Rs2.8bn, a 104.5% YoY leap from Rs1.37bn in FY24, with an incremental EBITDA margin expansion. Driving this momentum, the products business, which includes washing machines, air-conditioners, and coolers, is expected to grow by ~2x to Rs33bn, from Rs16.7bn in FY24.

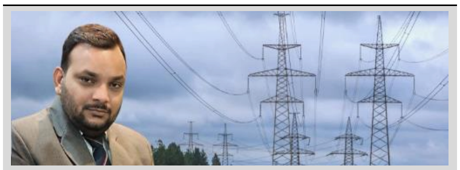
Retain our REDUCE rating on the stock

PGEL reported a strong set of numbers for 3QFY25. Management revised its topline guidance from Rs42bn in the previous quarter to Rs45.5bn+ for FY25F. Moreover, order visibility in 4QFY25F and 1QFY26F, particularly in AC and washing machine segments, remains strong. PGEL's growth outpaced the industry, suggesting market share gains in key product categories. The company has planned a capex of Rs3.7-3.8bn in FY25F, with further AC capacity expansion which will likely aid the topline. We raise our revenue/earnings estimates by 7%/14%, 9%/19% and 10%/19% for FY25F, FY26F and FY27F, respectively. We expect its revenue and earnings to clock 33% and 42% CAGR, respectively, over FY24-27F. We retain our REDUCE rating on the stock, but with a higher target price of Rs760 (Rs515 earlier), valuing it at 50x FY27F EPS. Upward risks: Drastic change in weather conditions, coupled with higher AC sales.

Financial Summary	Mar-23A	Mar-24A	Mar-25F	Mar-26F	Mar-27F
Revenue (Rsm)	21,599	27,466	43,592	54,594	65,264
Operating EBITDA (Rsm)	1,760	2,619	4,233	5,248	6,390
Net Profit (Rsm)	775	1,371	2,362	3,127	3,951
Core EPS (Rs)	3.0	5.3	9.1	12.0	15.2
Core EPS Growth	108.7%	77.0%	72.3%	32.3%	26.4%
FD Core P/E (x)	295.14	166.75	96.78	73.13	57.87
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)	133.25	88.54	55.11	44.11	35.67
P/FCFE (x)	715.56	(55.15)	184.25	69.25	43.86
Net Gearing	149.7%	31.1%	36.7%	18.0%	(3.6%)
P/BV (x)	57.75	22.03	17.94	14.41	11.54
ROE	21.9%	19.1%	20.4%	21.9%	22.1%
% Change In Core EPS Estimates					
InCred Research/Consensus EPS (x)					

SOURCE: INCRED RESEARCH, COMPANY REPORTS

Research Analyst(s)



Arafat SAIYED
T (91) 22 4161 1542
E arafat.saiyed@incredresearch.com

Anirvan DIVAKERA
T (91) 02241611548
E anirvan.divakera@incredresearch.com

3QFY25 conference-call highlights

- **Overview:** PGEL reported a robust 82% YoY increase in revenue in 3QFY25. The product business accounted for around 69% of total revenue and grew by 140% YoY, demonstrating strong demand for its finished goods. The company also reported significant improvement in profitability, with EBITDA rising by 97% YoY and net profit surging by 109% YoY. For 9MFY25, revenue from the products division topped Rs20bn, marking 126% YoY growth. Management expects strong order visibility in 4QFY25F and 1QFY26F, particularly in AC and washing machine segments, ensuring sustained business momentum. PGEL's growth outpaced that of the industry, suggesting market share gains in key product categories. The ongoing supply chain disruption, particularly in compressors, posed as a key industry-wide challenge. However, PGEL has mitigated the impact through higher inventory levels and strong supplier relationships.
- **Guidance:** PGEL expects consolidated revenue of at least Rs45.5bn in FY25F, reflecting a 65.7% growth over FY24 revenue of Rs27.5bn, despite the transfer of its TV business to the joint venture, Goodworth Electronics. Goodworth Electronics is projected to contribute Rs5.5bn in revenue, bringing the total group-level revenue to ~Rs51bn. PGEL has provided PAT guidance of Rs2.8bn, marking a 104.5% increase from Rs1.37bn in FY24. The company expects a slight upward bias in the EBITDA margin during the year. The product business, which includes washing machines, RACs, and coolers, is expected to see a robust 97.8% growth, reaching Rs33bn, from Rs16.7bn in FY24.
- **RAC division aids growth:** RAC was the primary growth driver, contributing a 180% YoY increase during the quarter and 154% growth in 9MFY25. The washing machine segment also exhibited a strong growth of 65% during 3Q and 49% YoY during 9MFY25, while coolers saw a 27% YoY rise during 9M. Additionally, the electronics division, which includes TV motherboards, security cameras, and sound boxes, showed promising traction, positioning the company for long-term expansion in the electronics manufacturing sector.
- **Margin expansion & cost management:** PGEL reported margin expansion, driven by cost optimization, lower raw material costs, and operating leverage benefits. Despite supply chain challenges, particularly in sourcing compressors, the company managed to mitigate cost pressure effectively. PGEL also benefited from commodity price reductions, which helped maintain stable prices for its products. The company remains focused on enhancing profitability while ensuring sustainable growth in its core product segments.
- **Compressor manufacturing & backward integration:** PGEL is in advanced discussions to enter the compressor manufacturing segment, a key component in air-conditioners. This backward integration move is expected to enhance margin and reduce the dependency on imports. The company aims to start initial production within nine months, once the project is finalized. Management emphasized that compressor manufacturing will primarily cater to in-house demand, making it margin-accretive for the overall business.
- **Electronics & component business expansion**: PGEL is expanding its electronics assembly services, including security cameras, TV motherboards, and sound boxes. The company's electronics segment's margin remains low (2-4%), but high asset turnover makes it an attractive business. PGEL is also scaling up its outside sales, aiming to make the electronics business a more significant revenue contributor in the coming years.
- **Capex**: PGEL has planned a capital expenditure of Rs3.7-3.8bn for FY25F, focusing on a new integrated RAC manufacturing unit in Rajasthan, a new building in Greater Noida, and a new building along with further AC capacity expansion at Supa. These initiatives reflect the company's aggressive expansion strategy, aiming to scale up its manufacturing capabilities and drive strong revenue growth.

- **Goodworth Electronics:** The joint venture, Goodworth Electronics, generated Rs4,360m revenue in 9MFY25, but remains loss-making due to high depreciation and interest costs. Management expects profitability to improve from FY26F, with PAT margin projected at 1-2%. The JV is expected to contribute Rs5,500m revenue in FY25F, further strengthening PGEL's overall business performance.
- **PLI scheme:** PGEL has received production-linked incentive or PLI scheme incentives for non-compressor components, helping improve manufacturing efficiency. However, the company opted out of the PLI scheme for compressors, citing unfavorable investment requirements that did not align with its financial and strategic objectives. Instead, PGEL will independently manufacture compressors, ensuring greater control over quality and supply chain efficiency. It expects to receive Rs300m of PLI incentives for FY24 performance, which will be recognized in 4QFY25F. In addition, the company continues to accrue state government incentives amounting to Rs60m per year.
- **New growth initiatives & product lines:** The company is actively evaluating new consumer durable products and backward integration opportunities. Management is working on new product launches, but details will be disclosed in 4QFY25F. Potential expansion areas include critical component manufacturing and new categories within the consumer electronics and appliances sector.

Figure 1: Results summary

(Rs m)	3QFY25	3QFY24	YoY	2QFY25	QoQ	9MFY25	9MFY24	YoY
Total Sales	**9,677**	**5,319**	**81.9%**	**6,713**	**44.2%**	**29,597**	**16,699**	**77.2%**
Raw Material Costs	7,593	4,238	79.2%	5,236	45.0%	23,648	13,442	75.9%
Gross Profit	2,084	1,081	92.8%	1,477	41.1%	5,949	3,257	82.6%
Employee Costs	667	395	68.8%	506	31.8%	1,793	1,113	61.2%
Other Expenses	566	266	112.4%	408	38.8%	1,434	691	107.5%
Total Expenditure	8,825	4,899	80.1%	6,149	43.5%	26,875	15,246	76.3%
EBITDA	**852**	**420**	**103.0%**	**564**	**51.0%**	**2,722**	**1,454**	**87.3%**
EBITDA Margins (%)	8.8%	7.9%	91 bps	8.4%	40 bps	9.2%	8.7%	49 bps
Depreciation and Amortization	164	113	45.2%	154	6.1%	469	330	42.0%
EBIT	688	307	124.2%	410	68.0%	2,253	1,123	100.6%
Interest Expenses	224	97	130.3%	150	49.1%	558	360	55.1%
Other Income	72	50	42.7%	41	73.8%	152	96	58.4%
EBT	536	260	106.1%	301	78.2%	1,848	860	114.9%
Total Tax	134	68	98.9%	106	26.8%	402	205	96.2%
PAT	**401**	**192**	**108.7%**	**195**	**106.2%**	**1,445**	**655**	**120.8%**
Profits of JV	(6)	(1)		(1)		(20)	(1)	
Adjusted PAT	**395.4**	**191.8**	**106.2%**	**193.3**	**104.6%**	**1,425.7**	**654.1**	**118.0%**

SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 2: Cost analysis

% of Sales	3QFY25	3QFY24	YoY	2QFY25	QoQ	9MFY25	9MFY24	YoY
Raw Material Costs	78.5%	79.7%	-122bp	78.0%	47bp	79.9%	80.5%	-59bp
Employee Costs	6.9%	7.4%	-54bp	7.5%	-65bp	6.1%	6.7%	-60bp
Other Expenses	5.8%	5.0%	84bp	6.1%	-22bp	4.8%	4.1%	71bp
Tax Rate	25.1%	26.0%	-91bp	35.2%	-1,017bp	21.8%	23.9%	-208bp
Gross Margin	21.54%	20.3%	122bp	22.01%	-47bp	20.10%	19.51%	59bp

SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 3: Actuals vs estimates (Rs m)

Vs. InCred	3QFY25	3QFY25F	Diff.
Revenue	9,677	7,659	26.3%
EBITDA	852	590	44.4%
Margin (%)	8.8%	7.7%	110bp
PAT	395	259	52.6%
Vs. Consensus	**3QFY25**	**3QFY25C**	**Diff.**
Revenue	9,677	7,514	28.8%
EBITDA	852	639	33.4%
Margin (%)	8.8%	8.5%	30bp
PAT	395	319	24.0%

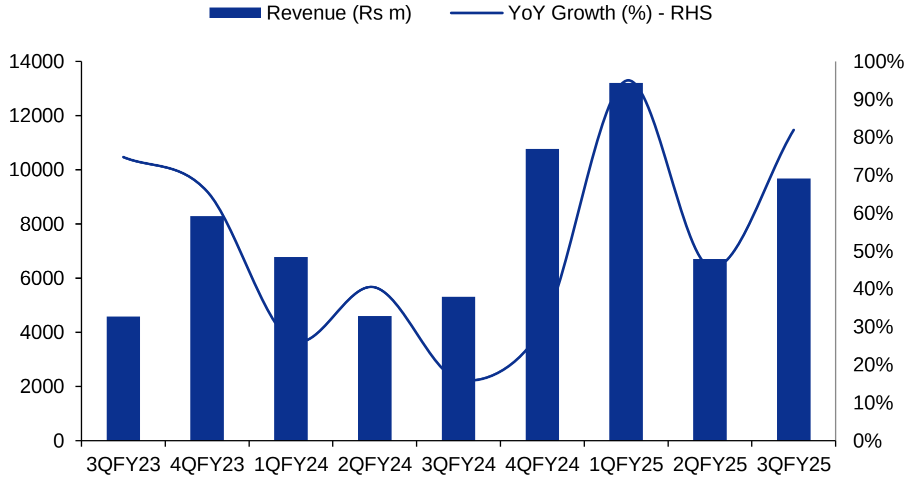
SOURCES: INCRED RESEARCH, COMPANY REPORTS

Figure 4: Earnings revision summary

Rs m	New Estimates			Old Estimates			Change		
	FY25F	FY26F	FY27F	FY25F	FY26F	FY27F	FY25F	FY26F	FY27F
Revenue	43,592	54,594	65,264	40,830	49,905	59,234	6.8%	9.4%	10.2%
EBITDA	4,233	5,248	6,390	3,787	4,627	5,591	11.8%	13.4%	14.3%
PAT	2,362	3,127	3,951	2,081	2,638	3,321	13.5%	18.5%	19.0%

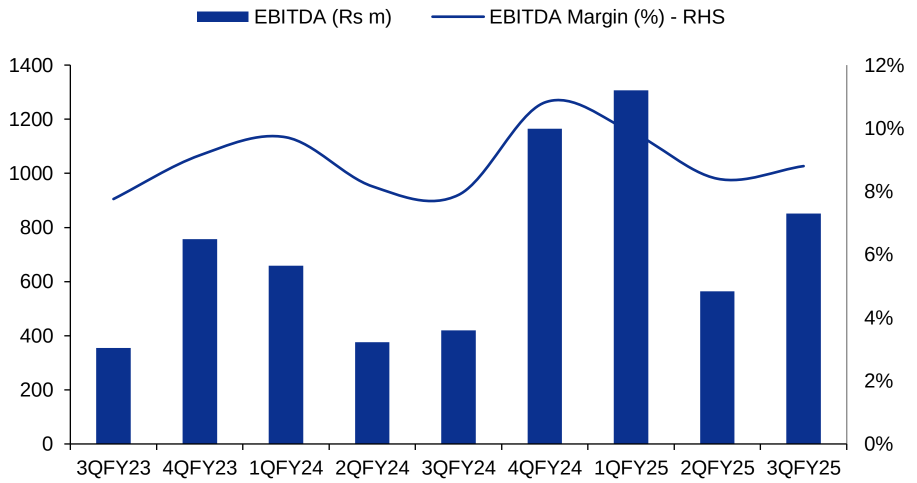
SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 5: Quarterly revenue trend



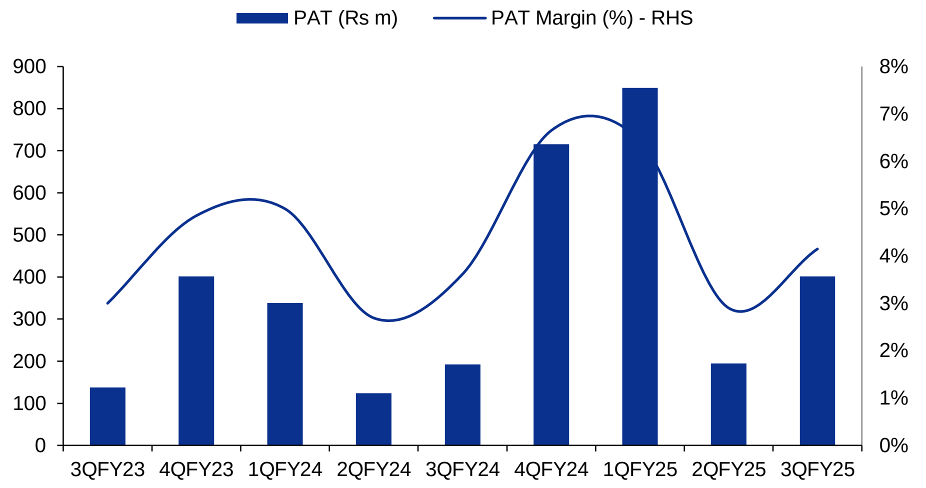
SOURCES: INCRED RESEARCH, COMPANY REPORTS

Figure 6: Quarterly EBITDA trend



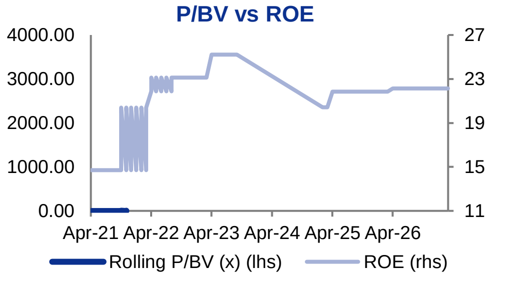
SOURCES: INCRED RESEARCH, COMPANY REPORTS

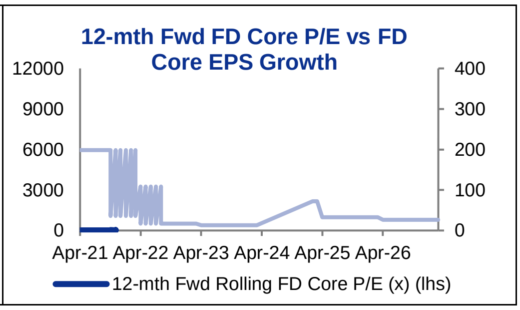
Figure 7: Quarterly PAT trend



SOURCES: INCRED RESEARCH, COMPANY REPORTS

BY THE NUMBERS





Profit & Loss

(Rs mn)	Mar-23A	Mar-24A	Mar-25F	Mar-26F	Mar-27F
Total Net Revenues	**21,599**	**27,466**	**43,592**	**54,594**	**65,264**
Gross Profit	**3,954**	**5,403**	**8,860**	**10,810**	**12,988**
Operating EBITDA	**1,760**	**2,619**	**4,233**	**5,248**	**6,390**
Depreciation And Amortisation	(350)	(466)	(648)	(712)	(785)
Operating EBIT	**1,411**	**2,153**	**3,586**	**4,536**	**5,605**
Financial Income/(Expense)	(479)	(517)	(793)	(720)	(807)
Pretax Income/(Loss) from Assoc.			25	81	137
Non-Operating Income/(Expense)	44	130	229	164	196
Profit Before Tax (pre-EI)	**975**	**1,766**	**3,047**	**4,061**	**5,131**
Exceptional Items					
Pre-tax Profit	**975**	**1,766**	**3,047**	**4,061**	**5,131**
Taxation	(201)	(395)	(684)	(934)	(1,180)
Exceptional Income - post-tax					
Profit After Tax	**775**	**1,371**	**2,362**	**3,127**	**3,951**
Minority Interests					
Preferred Dividends					
FX Gain/(Loss) - post tax					
Other Adjustments - post-tax					
Net Profit	**775**	**1,371**	**2,362**	**3,127**	**3,951**
Recurring Net Profit	775	1,371	2,362	3,127	3,951
Fully Diluted Recurring Net Profit	**775**	**1,371**	**2,362**	**3,127**	**3,951**

Cash Flow

(Rs mn)	Mar-23A	Mar-24A	Mar-25F	Mar-26F	Mar-27F
EBITDA	975	1,765	3,047	4,061	5,131
Cash Flow from Invt. & Assoc.					
Change In Working Capital	(1,281)	(649)	(1,330)	(2,117)	(2,040)
(Incr)/Decr in Total Provisions					
Other Non-Cash (Income)/Expense	856	1,051	3,206	3,670	4,202
Other Operating Cashflow					
Net Interest (Paid)/Received					
Tax Paid	(94)	(303)	(684)	(934)	(1,180)
Cashflow From Operations	**457**	**1,863**	**4,238**	**4,680**	**6,113**
Capex	(1,546)	(2,268)	(3,600)	(1,500)	(1,500)
Disposals Of FAs/subsidiaries	4	10			
Acq. Of Subsidiaries/investments	(188)	(1,734)	(3)	(557)	(160)
Other Investing Cashflow					
Cash Flow From Investing	**(1,730)**	**(3,992)**	**(3,603)**	**(2,057)**	**(1,660)**
Debt Raised/(repaid)	1,592	(2,017)	607	679	761
Proceeds From Issue Of Shares	33	4,918			
Shares Repurchased					
Dividends Paid					
Preferred Dividends					
Other Financing Cashflow	(505)	(557)	(863)	(800)	(887)
Cash Flow From Financing	**1,120**	**2,344**	**(256)**	**(121)**	**(126)**
Total Cash Generated	(152)	215	378	2,502	4,327
Free Cashflow To Equity	**320**	**(4,146)**	**1,241**	**3,302**	**5,213**
Free Cashflow To Firm	**(1,272)**	**(2,129)**	**634**	**2,622**	**4,452**

SOURCE: INCRED RESEARCH, COMPANY REPORTS

BY THE NUMBERS…cont'd

Balance Sheet					
(Rs mn)	**Mar-23A**	**Mar-24A**	**Mar-25F**	**Mar-26F**	**Mar-27F**
Total Cash And Equivalents	396	1,824	982	3,483	7,810
Total Debtors	4,383	5,558	6,612	8,431	10,436
Inventories	3,534	5,434	6,185	8,397	10,026
Total Other Current Assets	771	1,269	2,066	2,288	2,736
Total Current Assets	**9,084**	**14,085**	**15,845**	**22,600**	**31,007**
Fixed Assets	5,785	8,446	10,870	11,670	12,397
Total Investments	121	258	262	819	979
Intangible Assets	12	12	12	12	12
Total Other Non-Current Assets	78	285	872	218	261
Total Non-current Assets	**5,997**	**9,001**	**12,016**	**12,720**	**13,650**
Short-term Debt	3,736	2,482	2,779	3,113	3,486
Current Portion of Long-Term Debt					
Total Creditors	3,900	6,464	7,548	9,464	11,291
Other Current Liabilities	492	684	872	1,092	1,305
Total Current Liabilities	**8,127**	**9,629**	**11,199**	**13,668**	**16,083**
Total Long-term Debt	2,588	2,573	2,882	3,228	3,615
Hybrid Debt - Debt Component					
Total Other Non-Current Liabilities	342	414	654	819	979
Total Non-current Liabilities	**2,930**	**2,987**	**3,536**	**4,047**	**4,594**
Total Provisions	66	89	392	491	587
Total Liabilities	**11,122**	**12,705**	**15,127**	**18,206**	**21,264**
Shareholders Equity	3,959	10,381	12,743	15,870	19,821
Minority Interests					
Total Equity	**3,959**	**10,381**	**12,743**	**15,870**	**19,821**

Key Ratios					
	Mar-23A	**Mar-24A**	**Mar-25F**	**Mar-26F**	**Mar-27F**
Revenue Growth	96.8%	27.2%	58.7%	25.2%	19.5%
Operating EBITDA Growth	134.3%	48.8%	61.6%	24.0%	21.8%
Operating EBITDA Margin	8.2%	9.5%	9.7%	9.6%	9.8%
Net Cash Per Share (Rs)	(22.77)	(12.41)	(17.98)	(10.98)	2.72
BVPS (Rs)	15.21	39.89	48.96	60.98	76.16
Gross Interest Cover	2.94	4.16	4.52	6.30	6.95
Effective Tax Rate	20.6%	22.3%	22.5%	23.0%	23.0%
Net Dividend Payout Ratio					
Accounts Receivables Days	55.02	65.84	50.65	49.96	52.42
Inventory Days	66.13	74.18	61.05	60.78	64.31
Accounts Payables Days	68.18	85.73	73.63	70.91	72.46
ROIC (%)	11.0%	12.1%	15.3%	17.1%	18.5%
ROCE (%)	15.8%	16.7%	21.2%	22.3%	22.8%
Return On Average Assets	9.0%	9.3%	11.7%	11.7%	11.4%

SOURCE: INCRED RESEARCH, COMPANY REPORTS

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InCred Research Services Private Limited
Research Analyst SEBI Registration Number: INH000011024
Registered Office: Unit No 1203, 12th Floor, B Wing, The Capital, C-70, G Block, BKC, Bandra (E), Mumbai – 400051
Phone: +91-22-6844-6100
Corporate Office: 05th floor, Laxmi Towers, Plot No. C-25, G Block, Bandra – Kurla Complex, Bandra (East), Mumbai – 400051
Phone: +91-22-4161-1500
Name of the Compliance Officer: Mr. Yogesh Kadam
Email ID: compliance@incredresearch.com, Phone No: +91-22-41611539
For any queries or grievances, you may contact the Grievance Officer.
Name of the Grievance Officer: Mr. Rajarshi Maitra
Phone no. +91-022-41611546
Email ID: rajarshi.maitra@incredresearch.com
CIN: U74999MH2016PTC287535

Recommendation Framework

Stock Ratings	Definition:
Add	The stock's total return is expected to exceed 10% over the next 12 months.
Hold	The stock's total return is expected to be between 0% and positive 10% over the next 12 months.
Reduce	The stock's total return is expected to fall below 0% or more over the next 12 months.

The total expected return of a stock is defined as the sum of the: (i) percentage difference between the target price and the current price and (ii) the forward net dividend yields of the stock. Stock price targets have an investment horizon of 12 months.

Sector Ratings	Definition:
Overweight	An Overweight rating means stocks in the sector have, on a market cap-weighted basis, a positive absolute recommendation.
Neutral	A Neutral rating means stocks in the sector have, on a market cap-weighted basis, a neutral absolute recommendation.
Underweight	An Underweight rating means stocks in the sector have, on a market cap-weighted basis, a negative absolute recommendation.

Country Ratings	Definition:
Overweight	An Overweight rating means investors should be positioned with an above-market weight in this country relative to benchmark.
Neutral	A Neutral rating means investors should be positioned with a neutral weight in this country relative to benchmark.
Underweight	An Underweight rating means investors should be positioned with a below-market weight in this country relative to benchmark.