

India

REDUCE (no change)

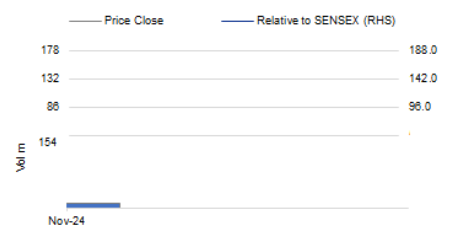
Consensus ratings*: Buy 5 Hold 1 Sell 1

Current price:	Rs647
Target price: ▲	Rs515
Previous target:	Rs185
Up/downside:	-20.4%
InCred Research / Consensus:	-9.0%
Reuters:	PGEL.NS
Bloomberg:	PGEL IN
Market cap:	US\$2,330m
	Rs169,160m
Average daily turnover:	US\$10.5m
	Rs764.1m
Current shares o/s:	260.3m
Free float:	25.9%

*Source: Bloomberg

Key changes in this note

- Raise our revenue/earnings estimates by 14%/10% and 22%/26% for FY25F and FY26F.
- Introduce FY27F EPS of Rs12.8.




Source: Bloomberg

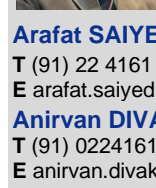
Price performance	1M	3M	12M
Absolute (%)	5.8	50.2	219.0
Relative (%)	8.3	50.6	160.5

Major shareholders	% held
Baring Pvt. Equity	1.6
Nippon Life	1.4
Pinebridge Global	1.3

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PG Electroplast

Robust performance in 1H; dilution for capex

- 2Q EBITDA grew 50% YoY to Rs564m, 15% above our estimate & 11% above consensus. EBITDA margin expanded by 24bp to 8.4%. PAT grew by 56% YoY.
- Management revised its FY25F guidance to a revenue of Rs42.5bn (up ~50%), additional revenue of Rs6bn from a JV and PAT of Rs2.5bn, up 83% YoY.
- We raise our earnings estimates by 10%/26% for FY25F/26F and introduce FY27F EPS of Rs12.8; Retain REDUCE rating with a higher TP of Rs515.

Healthy performance continues

PG Electroplast (PGEL) continued to a report healthy performance in 2QFY25 as well, with revenue growth of 46% YoY to Rs6.7bn, 6% above our estimate and 10% above Bloomberg or BB consensus estimate. Room AC or RAC revenue grew by 212%, Washing machine revenue grew by 23% led by further enhancement of capacity. The product business contributed 53.7% to total revenue (up 106% YoY). EBITDA grew 50% YoY to Rs564m, 15% above our estimate and 11% above the BB consensus estimate. EBITDA margin expanded by 24bp to 8.4%. PAT stood at Rs195m, up 56% YoY, 26% above our estimate and 13% above the BB consensus estimate.

Management revises its guidance upwards

After a strong 1HFY25 performance, management has revised upward its FY25F guidance to a revenue of Rs42.5bn (up ~50%), additional revenue of Rs6bn from the Goodworth JV group and PAT of Rs2.5bn, up 83% YoY. The company gave production-linked incentive or PLI scheme guidance of Rs300m for FY25F and Rs375m for FY26F. Management expects the margin to remain stable, in terms of absolute per-unit contribution. Commodity price fluctuations are likely to impact percentage margin, but operational efficiency should mitigate this effect. TV business of the Goodworth JV in 1HFY25 stood at Rs2.86bn, up 85%. Capital efficiency of the business improved, with RoCE at 27% and RoE at 19% as of 1HFY25-end. Net fixed asset turns for the company stood at 5.2x.

Capex with equity dilution

PGEL has planned a capex of ~Rs3.8bn in FY25F, with most of it allocated to plant and machinery. The expansion plan remains on track and PGEL is exploring funding options, with a board-approved fund-raising of up to Rs15bn to capitalize on organic growth opportunities, including meeting additional working capital and capex needs. PGEL expects to maintain its fixed-asset turnover ratio of ~4.5x to 5x.

Retain REDUCE rating on rich valuation

On PGEL's management's revising its guidance upwards, we raise our revenue/earnings estimates by 14%/10% and 22%/26% for FY25F and FY26F, respectively. We introduce our FY27F EPS of Rs12.8 with a revenue of Rs59.2bn. PGEL is looking to raise Rs15bn via qualified institutional placement or QIP of shares to fund its ongoing capex. We expect its revenue and earnings to clock 29%/34% CAGR, respectively, over FY24-27F. We retain our REDUCE on the stock with a higher target price of Rs515 (Rs185 earlier), valuing it at 45x (in line with Amber Enterprises) Sep 2026F 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	40,830	49,905	59,234
Operating EBITDA (Rsm)	1,760	2,619	3,787	4,627	5,591
Net Profit (Rsm)	775	1,371	2,081	2,638	3,321
Core EPS (Rs)	3.0	5.3	8.0	10.1	12.8
Core EPS Growth	108.7%	77.0%	51.7%	26.8%	25.9%
FD Core P/E (x)	217.21	122.72	80.87	63.79	50.66
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)	98.95	65.49	45.70	37.10	30.21
P/FCFE (x)	526.63	(40.59)	166.09	59.53	37.69
Net Gearing	149.7%	31.1%	38.3%	22.7%	3.3%
P/BV (x)	42.50	16.21	13.50	11.14	9.14
ROE	21.9%	19.1%	18.2%	19.1%	19.8%
% Change In Core EPS Estimates			9.71%	26.15%	
InCred Research/Consensus EPS (x)					

SOURCE: INCRED RESEARCH, COMPANY REPORTS

2QFY25 conference-call highlights

- **Overview:** PGEL reported a strong revenue growth of 46% YoY for the quarter, largely driven by its product business (up 106% YoY), which contributed 54% to revenue. EBITDA grew 50% while net profit rose by 57%. The product segment was bolstered by room AC revenue growing by 212% YoY, washing machine revenue by 23%, and air-cooler revenue by 267%. The electronics segment grew substantially, with a 700% YoY increase (excluding TVs). The non-TV electronics business witnessed high demand, contributing to the company's upward revision of its revenue projections.
- **Guidance:** The company revised its FY25 revenue guidance to Rs48.5bn (Rs42.5bn from PGEL and Rs6bn from Goodworth JV), representing a 77% increase over FY24. The revised net profit guidance stands at Rs2.5bn, an 83% increase YoY. The company gave PLI scheme benefit guidance of Rs300m for FY25F and Rs375m for FY26F. Management expects the margin to remain stable, in terms of absolute per-unit contribution. Commodity price fluctuations are likely to impact percentage margin, but operational efficiency should mitigate these effects.
- **Capex:** PGEL has planned capital expenditure of Rs3.7-3.8bn for FY25F, with most of it allocated to plant and machinery and infrastructure for product manufacturing-related expansion. The expansion plan remains on track and PGEL is exploring funding options, with its board-approved fund-raising limit of up to Rs15bn to capitalize on organic growth opportunities, including meeting additional working capital and capex needs. PGEL reiterated its focus on enhancing capital efficiency through improved asset turnover, aiming for strong return ratios. The company expects to maintain a fixed-asset turnover ratio of ~4.5x to 5x.
- **Hurdles in IT hardware PLI scheme:** IT hardware manufacturing is facing hurdles due to government regulations and restrictions on IT hardware-related imports. The company, along with the industry, is working with the government to address these issues and promote local manufacturing.
- **Addition of clients:** PGEL continues to add clients in the consumer durable segment, including TVs and appliances. Management is optimistic about expanding its client base further.
- **TV and AC market dynamics:** Despite competition in the TV and AC outsourcing market, PGEL remains confident due to its lower base and recent client acquisitions. The company aims to leverage cost leadership to sustain growth in the competitive environment.
- **New product categories:** The company is considering expanding into additional consumer durable categories and backward integration, which aligns with its current business model and the focus on asset efficiency.
- **Operational resilience:** PGEL managed challenges in supply chain continuity and the availability of critical components, particularly in its AC and washing machine businesses. This has been key in sustaining growth, despite industry-wide constraints. The company also benefitted from lower commodity prices, which improved operating margin and supported cost control measures across various segments.

Figure 1: Results snapshot

(Rs m)	2QFY25	2QFY24	YoY	1QFY25	QoQ	1HFY25	1HFY24	YoY
Total Sales	6,713	4,604	45.8%	13,207	-49.2%	19,920	11,380	75.0%
Raw Material Costs	5,236	3,653	43.3%	10,819	-51.6%	16,055	9,204	74.4%
Gross Profit	1,477	951	55.4%	2,388	-38.1%	3,865	2,176	77.6%
Employee Costs	506	362	39.9%	621	-18.5%	1,126	718	57.0%
Other Expenses	408	214	90.8%	461	-11.5%	868	425	104.4%
Total Expenditure	6,149	4,229	45.4%	11,901	-48.3%	18,049	10,346	74.5%
EBITDA	564	376	50.1%	1,306	-56.8%	1,870	1,034	80.9%
EBITDA Margins (%)	8.4%	8.2%	24 bps	9.9%	-149 bps	9.4%	9.1%	30 bps
Depreciation and Amortization	154	111	39.8%	151	2.5%	305	218	40.3%
EBIT	410	265	54.4%	1,156	-64.6%	1,565	816	91.7%
Interest Expenses	150	122	23.2%	183	-18.0%	334	262	27.2%
Other Income	41	33	26.0%	39	6.0%	80	46	75.6%
EBT	301	176	70.8%	1,011	-70.3%	1,312	600	118.7%
Total Tax	106	52	103.2%	162	-34.6%	268	138	94.9%
PAT	195	124	57.2%	849	-77.1%	1,044	462	125.8%
Profit of JV	(1)	-		(12)		(14)	-	
Adjusted PAT	193.3	123.9	56.0%	837.0	-76.9%	1,030.2	462.3	122.8%

SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 2: Cost analysis

(% of Sales)	2QFY25	2QFY24	YoY	1QFY25	QoQ	1HFY25	1HFY24	YoY
Raw Material Costs	78.0%	79.3%	-136bp	81.9%	-393bp	80.6%	80.9%	-28bp
Employee Costs	7.5%	7.9%	-32bp	4.7%	284bp	5.7%	6.3%	-65bp
Other Expenses	6.1%	4.6%	143bp	3.5%	258bp	4.4%	3.7%	63bp
Tax Rate	35.2%	29.6%	562bp	16.0%	1,922bp	20.4%	22.9%	-250bp
Gross Margin	22.01%	20.7%	136bp	18.08%	393bp	19.40%	19.12%	28bp

SOURCE: INCRED RESEARCH, COMPANY REPORTS

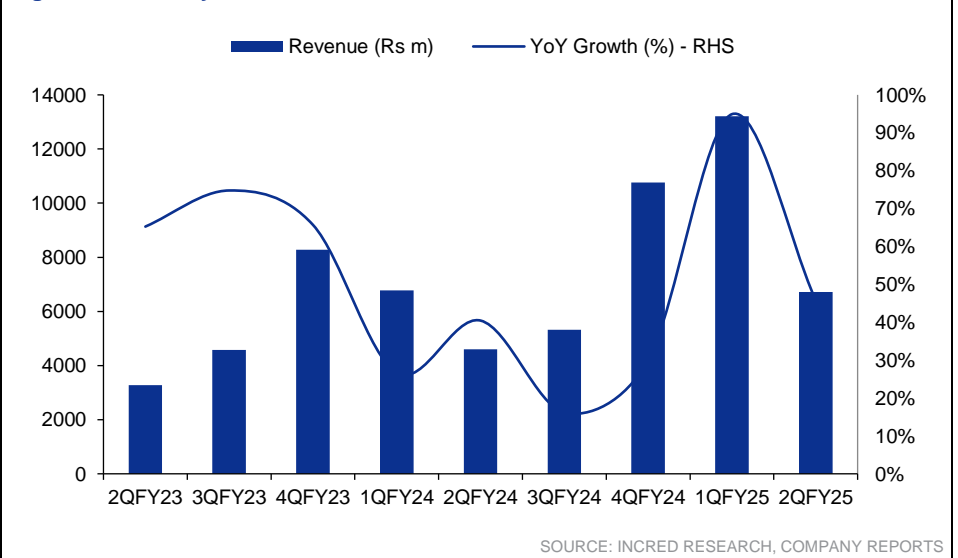
Figure 3: Actuals vs estimates

Vs. InCred	2QFY25	2QFY25F	Diff.
Revenue	6,713	6,354	5.7%
EBITDA	564	491	14.8%
Margin (%)	8.4%	7.7%	67bp
PAT	193	155	24.8%

Vs. Consensus	2QFY25	2QFY25C	Diff.
Revenue	6,713	6,100	10.0%
EBITDA	564	507	11.3%
Margin (%)	8.4%	8.3%	10bp
PAT	193	172	12.2%

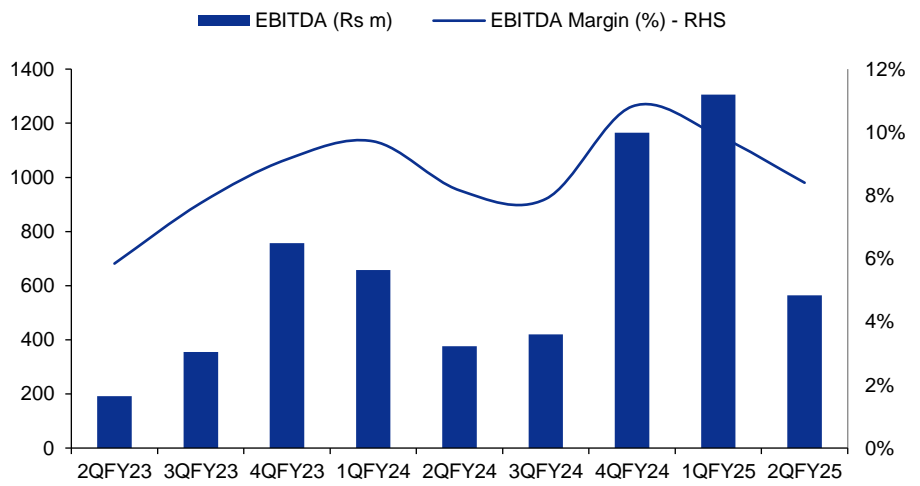
SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 4: Quarterly revenue trend



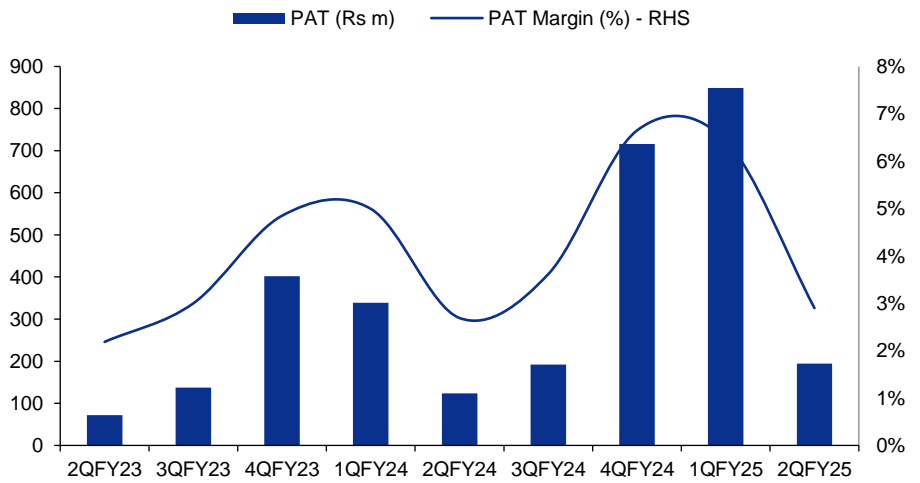
SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 5: Quarterly EBITDA trend



SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 6: Quarterly PAT trend



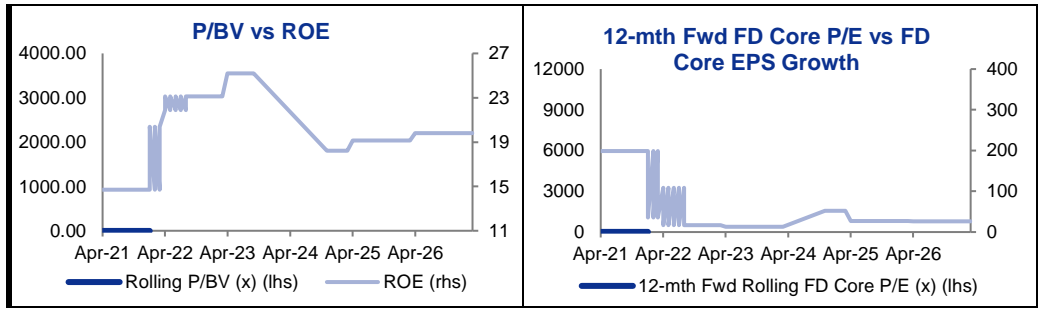
SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 7: Earnings revision summary

Rs m	New Estimates		Old Estimates		Change		Introduced FY27F
	FY25F	FY26F	FY25F	FY26F	FY25F	FY26F	
Revenue	40,830	49,905	35,897	41,068	13.7%	21.5%	59,234
EBITDA	3,787	4,627	3,425	3,701	10.6%	25.0%	5,591
PAT	2,081	2,638	1,897	2,091	9.7%	26.1%	3,321

SOURCE: COMPANY REPORTS, INCRED RESEARCH

BY THE NUMBERS



Profit & Loss

(Rs mn)	Mar-23A	Mar-24A	Mar-25F	Mar-26F	Mar-27F
Total Net Revenues	21,599	27,466	40,830	49,905	59,234
Gross Profit	3,954	5,403	7,838	9,332	11,077
Operating EBITDA	1,760	2,619	3,787	4,627	5,591
Depreciation And Amortisation	(350)	(466)	(657)	(712)	(785)
Operating EBIT	1,411	2,153	3,130	3,915	4,806
Financial Income/(Expense)	(479)	(517)	(657)	(720)	(807)
Pretax Income/(Loss) from Assoc.			25	81	137
Non-Operating Income/(Expense)	44	130	171	150	178
Profit Before Tax (pre-EI)	975	1,766	2,668	3,426	4,313
Exceptional Items					
Pre-tax Profit	975	1,766	2,668	3,426	4,313
Taxation	(201)	(395)	(588)	(788)	(992)
Exceptional Income - post-tax					
Profit After Tax	775	1,371	2,081	2,638	3,321
Minority Interests					
Preferred Dividends					
FX Gain/(Loss) - post tax					
Other Adjustments - post-tax					
Net Profit	775	1,371	2,081	2,638	3,321
Recurring Net Profit	775	1,371	2,081	2,638	3,321
Fully Diluted Recurring Net Profit	775	1,371	2,081	2,638	3,321

Cash Flow

(Rs mn)	Mar-23A	Mar-24A	Mar-25F	Mar-26F	Mar-27F
EBITDA	975	1,765	2,668	3,426	4,313
Cash Flow from Invt. & Assoc.					
Change In Working Capital	(1,281)	(649)	(970)	(1,815)	(1,820)
(Incr)/Decr in Total Provisions					
Other Non-Cash (Income)/Expense	856	1,051	2,883	3,328	3,842
Other Operating Cashflow					
Net Interest (Paid)/Received					
Tax Paid	(94)	(303)	(588)	(788)	(992)
Cashflow From Operations	457	1,863	3,993	4,151	5,344
Capex	(1,546)	(2,268)	(3,600)	(1,500)	(1,500)
Disposals Of FAs/subsidiaries	4	10			
Acq. Of Subsidiaries/investments	(188)	(1,734)	13	(504)	(140)
Other Investing Cashflow					
Cash Flow From Investing	(1,730)	(3,992)	(3,587)	(2,004)	(1,640)
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)	(727)	(800)	(887)
Cash Flow From Financing	1,120	2,344	(121)	(121)	(126)
Total Cash Generated	(152)	215	286	2,027	3,578
Free Cashflow To Equity	320	(4,146)	1,013	2,827	4,465
Free Cashflow To Firm	(1,272)	(2,129)	407	2,147	3,704

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	890	2,916	6,495
Total Debtors	4,383	5,558	6,193	7,707	9,472
Inventories	3,534	5,434	5,875	7,781	9,236
Total Other Current Assets	771	1,269	1,935	2,092	2,483
Total Current Assets	9,084	14,085	14,893	20,496	27,685
Fixed Assets	5,785	8,446	10,861	11,661	12,388
Total Investments	121	258	245	749	889
Intangible Assets	12	12	12	12	12
Total Other Non-Current Assets	78	285	817	200	237
Total Non-current Assets	5,997	9,001	11,935	12,621	13,526
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	7,104	8,683	10,288
Other Current Liabilities	492	684	817	998	1,185
Total Current Liabilities	8,127	9,629	10,700	12,794	14,959
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	612	749	889
Total Non-current Liabilities	2,930	2,987	3,494	3,976	4,503
Total Provisions	66	89	367	449	533
Total Liabilities	11,122	12,705	14,562	17,220	19,995
Shareholders Equity	3,959	10,381	12,461	15,099	18,421
Minority Interests					
Total Equity	3,959	10,381	12,461	15,099	18,421

Key Ratios					
	Mar-23A	Mar-24A	Mar-25F	Mar-26F	Mar-27F
Revenue Growth	96.8%	27.2%	48.7%	22.2%	18.7%
Operating EBITDA Growth	134.3%	48.8%	44.6%	22.2%	20.8%
Operating EBITDA Margin	8.2%	9.5%	9.3%	9.3%	9.4%
Net Cash Per Share (Rs)	(22.77)	(12.41)	(18.33)	(13.16)	(2.33)
BVPS (Rs)	15.21	39.89	47.88	58.02	70.78
Gross Interest Cover	2.94	4.16	4.76	5.44	5.96
Effective Tax Rate	20.6%	22.3%	22.0%	23.0%	23.0%
Net Dividend Payout Ratio					
Accounts Receivables Days	55.02	65.84	52.22	50.50	52.59
Inventory Days	66.13	74.18	62.56	61.43	64.49
Accounts Payables Days	68.18	85.73	75.05	71.01	71.89
ROIC (%)	11.0%	12.1%	13.7%	15.2%	16.6%
ROCE (%)	15.8%	16.7%	18.7%	19.8%	20.5%
Return On Average Assets	9.0%	9.3%	10.4%	10.7%	10.6%

SOURCE: INCRED RESEARCH, COMPANY REPORTS

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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.