India

Overweight *(no change)*

Highlighted Companies

Cyient DLM Ltd

ADD, TP Rs818, Rs413 close

Cyient DLM has a strong presence in the defence products segment, which is likely to benefit from policy tailwinds in the defence space in India & Europe. Altek Electronics' manufacturing capabilities and supportive US policies favour domestic production.

Dixon Technologies

ADD, TP Rs20200, Rs14088 close

Dixon Technologies (Dixon) is planning a US$3bn display FAB project, contingent on government subsidy under the ISM-2 scheme. Dixon has captured a large market share across categories in the consumer electronics outsourcing space, much higher than its peers. Dixon is focused on leveraging its scale, operational efficiency, and strategic partnerships.

Kaynes Technology

ADD, TP Rs6117, Rs4213 close

The company is focused on operationalizing additional geographies & deepening its tech footprint. Plans are underway to enhance ODM capabilities which will drive future growth. It consistently adds new capabilities across verticals and expands the customer base, with a specific focus on large customers.

Summary Valuation Metrics

P/E (x)	Mar25-F	Mar26-F	Mar27-F
Cyient DLM Ltd	50.1	26.3	20.2
Dixon Technologies	94.7	78.6	56.6
Kaynes Technology	98.5	66.8	48.2

P/BV (x)	Mar25-F	Mar26-F	Mar27-F
Cyient DLM Ltd	3.3	3.0	2.6
Dixon Technologies	31.9	22.3	15.8
Kaynes Technology	9.8	8.5	7.2

Dividend Yield	Mar25-F	Mar26-F	Mar27-F
Cyient DLM Ltd	0.0%	0.0%	0.0%
Dixon Technologies	0.0%	0.1%	0.1%
Kaynes Technology	0.0%	0.0%	0.0%

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EMS

3Q review: Growth momentum continues

- Our EMS coverage universe reported an 85% YoY growth in 3Q revenue while EBITDA and PAT were also up significantly by 81% and 85%, respectively.
- Govt. initiatives like Atma Nirbhar Bharat and PLI scheme are key drivers.
- We still believe that 'burgeoning glocalization' is likely to prevail in India led by government initiatives. We upgrade Avalon to HOLD (from REDUCE).

Strong 3QFY25 performance

For 3QFY25, our electronics manufacturing services or EMS coverage universe reported an 85% YoY growth in revenue while EBITDA and PAT were also up significantly by 81% and 85%, respectively. Sales growth was primarily led by Dixon Technologies or Dixon (+117%), PG Electronics or PGEL (+82%) and Amber Enterprises or Amber (+65%). IKIO Lighting or IKIO was the major laggard which posted single-digit revenue growth. The EBITDA margin remained flat YoY at 5.5% for our coverage universe, led by Avalon Technologies or Avalon, which witnessed a 461bp improvement followed by Syrma SGS Technology or Syrma SGS, up 360bp. On the profitability front, Avalon saw the highest PAT growth of 265% YoY on a low base followed by Syrma SGS (161%) and PGEL (106%) while Cyient DLM, IKIO and Elin Electronics or Elin reported lower profit in 3QFY25. On an aggregate basis, printed circuit board assembly or PCBA EMS companies in our coverage universe reported revenue, EBITDA & PAT growth of 29%, 53% and 71%, respectively, while margin improved by 163bp. Consumer EMS companies saw revenue, EBITDA & PAT growth of 99%, 93% & 94%, respectively.

Management commentaries are optimistic

Dixon's revenue from the mobile phone segment grew by 20x over FY20-24 to Rs109bn in FY24, which further expanded to Rs239bn (up 3x) in 9MFY25. Amber expects the room air-conditioner or RAC industry to grow at 25% in FY25F. Volume is likely to triple by FY30F, offering significant growth opportunities. Cyient DLM's management reaffirmed its 30% CAGR guidance over the medium term. Despite challenges, the company remains confident about achieving its long-term goals. Syrma SGS is expecting a revenue of Rs45bn in FY25F, while the revenue growth for FY26F is seen at 30-35%. The newly formed joint venture or JV for the laptop business is still in its early stage. Kaynes Technology (Kaynes) expects the EBITDA margin at ~15% while Avalon raised its revenue guidance for FY25F from 16-20% to 22-24%, showing improved growth momentum.

Outlook and valuation

We continue to believe that 'burgeoning glocalization' is likely to prevail in India over the next few years led by government initiatives like Atma Nirbhar Bharat and PLI scheme. We upgrade Avalon's rating to HOLD (from REDUCE) following sustained growth in the last two consecutive quarters, with a higher target price of Rs800 (Rs565 earlier), valuing it at 40x FY27F (from 35x Sep 2026F) EPS. Other Top Picks: We like Cyient DLM, which offers electronics solutions for mission-critical applications with high entry barriers. Also, Dixon, which is highly scalable and profitable, with high fungibility in its product line.

Figure 1: Financial summary

Company	Rating	CMP	Sales (Rs m)		EBITDA (Rs m)		EBITDA Margin (%)		PAT (Rs m)	
		Rs	Dec-24	YoY	Dec-24	YoY	Dec-24	YoY (bps)	Dec-24	YoY
Dixon	ADD	14,088	1,04,537	117%	3,905	112%	3.7%	(9)	1,712	76%
Amber	ADD	5,518	21,333	65%	1,588	102%	7.4%	138	461	N/A
PGEL	REDUCE	807	9,677	82%	852	103%	8.8%	91	395	106%
Kaynes	ADD	4,213	6,612	30%	940	35%	14.2%	50	665	47%
Syrma SGS	ADD	441	8,691	23%	790	104%	9.1%	360	529	161%
Avalon	HOLD	659	2,809	31%	346	109%	12.3%	461	240	265%
Cyient DLM	ADD	413	4,442	38%	281	-4%	6.3%	(281)	110	-40%
IKIO	REDUCE	172	1,215	4%	149	-43%	12.2%	(1,021)	78	-59%
Elin	ADD	127	2,663	13%	76	-11%	2.8%	(75)	16	-38%

SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 2: Results snapshot

Company	Rating	Sales					EBITDA					PAT					EBITDA Margin				
(Rs m)		Dec-24	Dec-23	YoY	Sep-24	QoQ	Dec-24	Dec-23	YoY	Sep-24	QoQ	Dec-24	Dec-23	YoY	Sep-24	QoQ	Dec-24	Dec-23	YoY (bp)	Sep-24	QoQ (bp)
Dixon	ADD	1,04,537	48,184	117.0%	1,15,341	-9.4%	3,905	1,846	111.6%	4,264	-8.4%	1,712	974	75.8%	1,802	-5.0%	3.7%	3.8%	-9	3.7%	4
Amber	ADD	21,333	12,948	64.8%	16,847	26.6%	1,588	785	102.2%	1,137	39.6%	461	-5	N/A	236	94.9%	7.4%	6.1%	138	6.8%	69
PGEL	REDUCE	9,677	5,319	81.9%	6,713	44.2%	852	420	103.0%	564	51.0%	395	192	106.2%	193	104.6%	8.8%	7.9%	91	8.4%	40
Kaynes	ADD	6,612	5,093	29.8%	5,721	15.6%	940	699	34.6%	821	14.5%	665	452	47.1%	602	10.4%	14.2%	13.7%	50	14.4%	-13
Syrma SGS	ADD	8,691	7,067	23.0%	8,327	4.4%	790	388	103.6%	710	11.3%	529	203	160.9%	396	33.5%	9.1%	5.5%	360	8.5%	57
Avalon	HOLD	2,809	2,143	31.1%	2,750	2.1%	346	165	109.2%	301	14.9%	240	66	264.7%	175	37.2%	12.3%	7.7%	461	11.0%	137
Cyient DLM	ADD	4,442	3,210	38.4%	3,895	14.1%	281	293	-4.1%	316	-11.1%	110	183	-40.0%	155	-28.9%	6.3%	9.1%	-281	8.1%	-179
IKIO	REDUCE	1,215	1,168	4.0%	1,250	-2.8%	149	262	-43.3%	222	-33.1%	78	189	-58.7%	129	-39.6%	12.2%	22.4%	-1,021	17.8%	-553
Elin	ADD	2,663	2,367	12.5%	3,046	-12.6%	76	85	-10.9%	113	-33.1%	16	26	-37.7%	53	-68.9%	2.8%	3.6%	-75	3.7%	-87
Aggregate	**OVERWEIGHT**	**1,61,979**	**87,499**	**85%**	**1,63,890**	**-1%**	**8,926**	**4,943**	**81%**	**8,449**	**6%**	**4,206**	**2,279**	**85%**	**3,742**	**12%**	**5.5%**	**5.6%**	**-14**	**5.2%**	**36**

SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 3: Estimates – hits and misses

Dec-24	Actuals				InCred Estimates				Consensus Estimates				InCred Diff. (%)				Consensus Diff. (%)			
(Rs m)	Revenue	EBITDA	PAT	EBITDA Margin (%)	Revenue	EBITDA	PAT	EBITDA Margin (%)	Revenue	EBITDA	PAT	EBITDA Margin (%)	Revenue	EBITDA	PAT	EBITDA Margin (bp)	Revenue	EBITDA	PAT	EBITDA Margin (bp)
Dixon	1,04,537	3,905	1712	3.7%	91,653	3,374	1,835	3.7%	99,689	3,644	1,993	3.7%	14.1%	15.7%	-6.7%	5	4.9%	7.2%	-14.1%	8
Amber	21,333	1,588	461	7.4%	18,049	1,155	187	6.4%	16,910	1,146	202	6.8%	18.2%	37.4%	146.3%	104	26.2%	38.5%	128.1%	66
PGEL	9,677	852	395	8.8%	7,659	590	259	7.7%	7,514	639	319	8.5%	26.3%	44.4%	52.6%	110	28.8%	33.4%	24.0%	30
Kaynes	6,612	940	665	14.2%	8,211	1,166	856	14.2%	8,028	1,229	901	15.3%	-19.5%	-19.4%	-22.4%	2	-17.6%	-23.5%	-26.2%	(109)
Syrma SGS	8,691	790	529	9.1%	9,296	610	333	6.6%	9,761	705	340	7.2%	-6.5%	29.5%	58.8%	253	-11.0%	12.0%	55.7%	186
Avalon	2,809	346	240	12.3%	2,866	298	169	10.4%	2,854	322	181	11.3%	-2.0%	16.2%	42.2%	193	-1.6%	7.4%	32.3%	103
Cyient DLM	4,442	281	110	6.3%	4,596	410	246	8.9%	4,500	424	269	9.4%	-3.3%	-31.3%	-55.3%	(258)	-1.3%	-33.6%	-59.1%	(309)

SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 4: Valuations

Company	BBG Ticker	Rating	CMP	Target	Mkt-cap	P/E (x)			P/BV (x)			EV/EBITDA (x)		
			Rs	Rs	(Rs bn)	FY25F	FY26F	FY27F	FY25F	FY26F	FY27F	FY25F	FY26F	FY27F
Dixon	DIXON IN	ADD	14,088	20,200	839	94.7	78.6	56.6	31.9	22.3	15.8	58.8	44.1	33.1
Amber	AMBER IN	ADD	5,518	8,055	186	58.7	39.4	30.8	7.8	6.5	5.4	23.7	19.7	16.4
PGEL	PGEL IN	REDUCE	807	760	210	81.8	61.8	48.9	15.2	12.2	9.7	46.8	37.4	30.1
Kaynes	KAYNES IN	ADD	4,213	6,117	270	98.5	66.8	48.2	9.8	8.5	7.2	66.4	45.1	32.3
Syrma SGS	SYRMA IN	ADD	441	600	78	36.9	27.2	20.0	4.2	3.6	3.1	24.4	18.3	13.6
Avalon	AVALON IN	HOLD	659	800	43	68.3	42.0	31.4	6.8	5.8	4.9	39.0	27.0	20.9
Cyient DLM	CYIENTDL IN	ADD	413	818	33	50.1	26.3	20.2	3.3	3.0	2.6	23.1	15.6	12.2
IKIO	IKIO IN	REDUCE	172	194	13	31.4	27.2	26.5	2.3	2.1	2.0	19.4	15.9	15.6
Elin	ELIN IN	ADD	127	268	6	32.3	13.8	9.7	1.2	1.1	1.0	11.2	6.7	5.1

SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 5: Earnings revision summary

	New Estimates			Old Estimates			Change (%)		
(Rs)	FY25F	FY26F	FY27F	FY25F	FY26F	FY27F	FY25F	FY26F	FY27F
Dixon	117.1	183.1	253.6	112.5	181.6	250.2	4.0%	0.8%	1.3%
Amber	94.0	139.9	179.0	92.1	133.8	171.9	2.1%	4.6%	4.1%
PGEL	9.1	12.0	15.2	8.0	10.1	12.8	13.5%	18.5%	19.0%
Kaynes	42.8	63.0	87.4	47.6	68.2	91.6	-10.2%	-7.6%	-4.6%
Syrma SGS	11.6	15.7	21.4	9.8	15.0	20.7	17.8%	4.9%	3.3%
Avalon	9.2	14.9	20.0	8.5	14.3	18.0	7.9%	4.3%	11.4%
Cyient DLM	9.3	15.7	20.4	12.0	19.5	25.4	-23.0%	-19.4%	-19.5%

SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 6: Overall results summary (Rs m)

Aggregate	Dec-24	Dec-23	YoY (%)	Sep-24	QoQ(%)
Revenue	1,61,979	87,499	85.1%	1,63,890	-1.2%
EBITDA	8,926	4,943	80.6%	8,449	5.7%
EBITDA margin	5.5%	5.6%	-14 bps	5.2%	36 bps
PAT	4,206	2,279	84.5%	3,742	12.4%
Aggregate (PCB)	**Dec-24**	**Dec-23**	**YoY (%)**	**Sep-24**	**QoQ(%)**
Revenue	22,554	17,513	28.8%	20,693	9.0%
EBITDA	2,358	1,546	52.5%	2,149	9.7%
EBITDA margin	10.5%	8.8%	163 bps	10.4%	7 bps
PAT	1,544	904	70.8%	1,328	16.3%
Aggregate (Consumer)	**Dec-24**	**Dec-23**	**YoY (%)**	**Sep-24**	**QoQ(%)**
Revenue	1,39,425	69,986	99.2%	1,43,197	-2.6%
EBITDA	6,569	3,397	93.4%	6,300	4.3%
EBITDA margin	4.7%	4.9%	-14 bps	4.4%	31 bps
PAT	2,662	1,376	93.5%	2,414	10.3%

SOURCE: INCRED RESEARCH, COMPANY REPORTS

Key management commentary & highlights

Amber Enterprises

- Amber Enterprises' management expects the room air-conditioner or RAC industry to grow at 25% in FY25F, while in 9MFY25 it grew at ~30%. The RAC industry's volume is likely to triple by FY30F, offering significant growth opportunities for Amber Enterprises. The electronics segment is expected to grow 55%, up from an earlier estimate of 45%.
- The execution of Vande Bharat train orders and Mumbai metro rail project is expected to resume and get ramped up by 2HFY26F. Margin is expected to recover to the 18-22% range in the second half of next year. Management highlighted the massive potential of the printed circuit board or PCB market in India, which is expected to grow from Rs320bn currently to Rs800bn by FY30F.
- Recently, Amber Enterprises started Ascent Circuits' new manufacturing plant in Hosur (Tamil Nadu), which will add annual capacity of up to 8,40,000 sq. m in two phases. It also inked a joint venture (JV) with Korea Circuits to enter advanced PCB manufacturing for HDI, flex, and semiconductor substrates. The company is looking at an investment of Rs8-10bn to create a comprehensive PCB manufacturing ecosystem in India. The Resojet JV is expected to break even in the next financial year, with losses declining from 2Q onwards.

- Amber Enterprises continues to leverage favourable government initiatives like ‘Make in India’ & ‘Atmanirbhar Bharat’ to reduce the dependence on imports. Factoring in healthy 3Q results, good growth in RAC business, healthy guidance & new initiatives, we upgraded the stock’s rating to ADD (from HOLD) with a higher target price of Rs8,055 (Rs6,880 earlier), rolling forward our valuation to FY27F from Sep 2026F and valuing the stock at 45x.

Dixon Technologies

- Dixon Technologies’ (Dixon) revenue from the mobile phone segment grew by 20x over FY20-24 to Rs109bn in FY24, which further expanded to Rs239bn (up 3x) in 9MFY25. The IT hardware segment is likely to register a strong jump led by new client addition. The mobile phone segment posted an impressive 176% YoY growth. Dixon has increased its production capacity with a new facility in Noida, which can produce 60m smartphones annually. The volume in 3Q in smartphones stood at 8.3m units and 20.5m units in 9MFY25 (excluding Samsung), with 1.7–1.8m units attributed to its subsidiary, Ismartu.
- Dixon is planning a US$3bn display FAB project, contingent on government subsidy under the ISM-2 scheme. This facility will address India’s heavy reliance on imported displays for televisions, mobiles, and notebooks, with Dixon’s share of the investment expected to be significantly subsidized. The project is designed to support advanced technologies like micro-LED and aims at high-margin accretive returns. Management highlighted the importance of building a competitive edge and a robust component ecosystem in India.
- Dixon has onboarded global brands such as Hisense and AcerPure for its TV ODM solutions, with new offerings on platforms like Google TV and Linux. Despite a subdued demand environment, Dixon manufactured 3,80,000 TVs in 3QFY25 and 1.94m units in 9MFY25.
- Dixon has captured a large market share across categories in the consumer electronics outsourcing space, much higher than its peers. The company is focused on leveraging its scale, operational efficiency, and strategic partnerships to capture a larger market share. Factoring in higher revenue in mobile phone and IT hardware businesses, we maintain our ADD rating on the stock with a higher target price of Rs20,200 (Rs17,200 earlier), as we roll forward our valuation to FY27F (from 1HFY26F), valuing it at 80x.

Cyient DLM

- The Altek Electronics acquisition and favourable US policy trend augur well for the company. Management expects robust growth in North America, bolstered by Altek Electronics’ manufacturing capabilities and supportive US policies favouring domestic production. The localization trend, driven by political initiatives, positions Cyient DLM as a strategic partner for OEMs seeking US-based suppliers. The order pipeline is healthy. However, Cyient DLM’s order book at the end of 3QFY25 stood at Rs21.5bn, down 7% YoY, despite adding orders worth Rs2.9bn from Altek Electronics.
- Management reaffirmed its 30% CAGR guidance over the medium term, acknowledging variability across the years. Despite challenges, the company remains confident about achieving its long-term revenue and profitability goals. Margin is expected to improve in 4QFY25F, driven by the ramp-down of low-margin projects and higher margin contribution from new deals.
- The company added a major client in the energy services sector, adding to its order pipeline, which exceeds US$1bn. Advanced negotiations are underway for large deals, which are expected to bolster the order book in FY26F. Six new logos reflect steady client acquisition efforts.
- Cyient DLM’s margin was hit by acquisition-related expenses, bad debt provision & low-margin contracts. Management remains optimistic about achieving sustainable double-digit margin, aided by cost control and project mix improvement. Cyient DLM has a strong presence in the defence products segment, which is likely to benefit from policy tailwinds in the defence space in India & Europe. Altek Electronics’ manufacturing capabilities and supportive

US policies favour domestic production. We retain our ADD rating on the stock with a lower target price Rs818 (Rs1,000 earlier), valuing it at 40x FY27F EPS.

Kaynes Technology

- Kaynes Technology (Kaynes) reported lower-than-expected numbers for the quarter. Management lowered its FY28F revenue guidance to Rs28bn, from Rs30bn earlier, for FY25F, with the EBITDA margin at ~15%. Net working capital or NWC days reduced to 107 in 9MFY25 vs. 117 days in 9MFY24, while management expects them to decline further in the coming quarters.
- In 3QFY25, total order inflow rose by 43% YoY to Rs12.9bn while the order book surged 60% YoY to Rs60.5bn. Kaynes added a few orders in verticals such as industrial, electric vehicle or EV, aerospace & medical equipment, which will translate into a higher margin. Key growth areas include railway signalling, smart meters, & industrial IoT. Kaynes is focused on operationalizing additional geographies and deepening its tech footprint. Plans are underway to enhance ODM capabilities which will drive future growth.
- Construction has commenced at the OSAT facility at Sanand, Gujarat, and the HDI PCB factory in Tamil Nadu. Both projects are progressing on schedule, with revenue generation expected by 4QFY26F. The integration of Iskraemeco India, a recent acquisition in the smart meter business, is progressing smoothly. The Hyderabad-based smart meter factory is in production, with substantial orders requiring capacity expansion
- Kaynes consistently adds new capabilities across verticals and expands its customer base, with a specific focus on large customers and high-growth segments. Kaynes is aiming to be a fully integrated electronic solutions provider across EMS, OSAT, and high-density interconnect boards. It has successfully added and grown new verticals like smart meter and is now looking to capture opportunities like bare PCB, OSAT & KAVACH. We believe Kaynes will sustain its growth trajectory, leveraging innovations in smart technology and industrial solutions. We retain our ADD rating on the stock with a higher target price of Rs6,117, (Rs6,000 earlier), valuing it at 70x FY27F (from 75x Sep 2026F).

Syrma SGS Technology

- Despite muted sales growth in 3Q, Syrma SGS Technology's (Syrma SGS) management maintained its FY25F revenue guidance of Rs45bn (up 45%), with EBITDA at Rs3bn, aided by a favourable order mix & operational efficiency. Syrma SGS spent Rs1.8bn in 9MFY25, with a large part of it utilized for the new campus facility in Pune and Germany. The order book grew by 10% QoQ to Rs53bn as of 3QFY25-end, with an order inflow of Rs12bn. The company also onboarded new clients in automotive and industrial segments, which are projected to add to revenue growth in FY27F, while in FY26F it expects Rs2bn revenue from these new clients.
- Expected revenue growth for FY26F is 30- 35%, and operational efficiency should drive a further improvement in the EBITDA margin. The newly formed joint venture or JV for the laptop business is still in its early stage, having commenced operations last month. It is expected to mature in the coming quarters and eventually progress towards backward integration with board-level assembly.
- Exports currently account for~20% of total sales, primarily from America and Europe (Germany) markets, which are subdued. However, a revival in the export business is likely in FY26F, targeting a rise in export contribution to 25-30% over the next few years.
- Manufacturing at scale is more important for the consumer sector whereas quality and precision matters more for automotive and industrial sectors. Gross margin is a reliable indicator of the entry barriers and potential price wars among competitors, which is improving for Syrma SGS led by the shift in its business from the consumer sector to industrials & automotive sectors. We retain our ADD rating on the stock with a higher target price of Rs600 (Rs500 earlier), valuing it at 28x FY27F (Sep 2026F earlier) EPS.

Avalon Technologies

- Avalon Technologies has raised its revenue guidance for FY25F from 16-20% to 22-24%, reflecting the improved growth momentum. The company expects 4QFY25F to be a strong quarter, with revenue growth in the range of 40-48% YoY. It has revised gross margin guidance upwards, from 33-35% to 34-36%, citing better operational efficiency, a higher margin product mix, and cost optimization initiatives. The order book continued to expand, growing 25% YoY to Rs15.9bn as of Dec 2024-end.
- The company's US manufacturing operations contributed ~12% to its total revenue in 3QFY25. Losses from the US plant narrowed to Rs34m, a significant improvement from the Rs140m loss reported in 1QFY25. Meanwhile, the India-based manufacturing operations contributed 88% to total revenue and remained highly profitable, with an EBITDA margin of 15% and PAT margin of 10.8%.
- The company continues to optimize its global supply chain and leverage India's cost advantages while maintaining a strategic presence in the US market. We expect a rerating led by the recovery of its existing US business, onboarding of a new client in the US, and expansion of Indian operations.
- Avalon Technologies saw a strong recovery in 3QFY25, with a 31% YoY jump in revenue and 265% YoY growth in PAT. Management revised its revenue guidance to 22-24%. The company plans to continue expanding its manufacturing footprint and investing in technological advancements to drive future growth. Factoring in the recovery in 3Q and the revised guidance, we upgraded the stock's rating to HOLD (from REDUCE) with a higher target price of Rs800 (Rs565 earlier), valuing it at 40x FY27F (from 35x Sep 2026F) EPS.

PG Electroplast

- PG Electroplast or PGEL's RAC business continues to be 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.
- 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 a 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 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.
- 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.
- PGEL reported a strong set of numbers for 3QFY25. Management revised its topline guidance from Rs42bn during 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, indicating 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 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.

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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.