

CMP: ₹ 551

Target: ₹ 675 (+23%)

Target Period: 12 months

BUY

July 2, 2026

## Capturing the outsourcing opportunity in white goods...

**About the stock:** PG Electroplast (PGEL) is a diversified electronics manufacturing services (EMS) and plastic injection moulding company with strong footholds across consumer durables space, including Room air conditioners (RAC) with early teens market share, washing machines (WM), TVs and automotive parts, serving as both an OEM and ODM player for 70+ Indian and global brands.

- PGEL **strategically transitioned from plastic moulding specialist** to full-fledged ODM/OEM player leveraging its wide customer base.
- **Commands dominant position in RAC & WM segment** (2<sup>nd</sup> largest player) with highly integrated manufacturing facility backed by 12 manufacturing units in Greater Noida, Ahmednagar, Bhiwadi, Sri City and Roorkee.

### Investment Rationale

- **Superior margin led by backward integration and scale:** PGEL earns EBITDA margin in high single digit, relatively higher than ~7% among its EMS competitors and major AC brands. This is primarily driven by i) Backward integration: Alongside its plastic moulding business, the ability to manufacture most key RAC components in-house enables it to garner better cost control and faster turnaround. Further, it is establishing compressor manufacturing facility which will further strengthen backward integration and aid margin. ii) It has established itself amongst the leading ODM player, esp. in RAC and washing machines. iii) Manufacturing scale: It has large-concentrated, state-of-the-art manufacturing facilities in key industrial region of Maharashtra. This concentrated regional approach provides scale advantages. Similarly, company is investing for large manufacturing hub in south and north.
- **Positioning as the leading manufacturer across consumer durables:** PGEL has successfully transitioned from a low-margin plastic moulding business to a full scale ODM/OEM player with product segment contribution rising to ~76% in FY26 (vs. 23% in FY20) mainly contributed by RAC division. Further, it has ventured into adjacencies including washing machines, TVs (Goodworth JV), air coolers and plans to start refrigerator by Q4FY27. Backed by 100+ marquee clients and long-term relationships, PGEL benefits from strong client stickiness and cross selling opportunities.

### Rating and Target Price:

- PGEL has showcased strong execution track record with ~50% revenue CAGR over past 5 years while earning industry leading margin. Balance sheet has negligible net debt while return ratios are healthy. The company is expected to add to its RAC market share and further growth shall be aided by other consumer durable categories. Upcoming compressor facility shall strengthen business and aid margin. Seasonality factors and select events like US-Iran war causing LPG issue shall be transitory. After washout FY26, PGEL expected to deliver 56% PAT CAGR over FY26-28E. Recommend BUY on PGEL, with a target price of ₹ 675 (42x FY28E EPS).

### Key Financial Summary

| (₹ crore)                | FY23  | FY24  | FY25  | FY26  | 3 Year CAGR<br>(FY23-26) | FY27E | FY28E | 2 Year CAGR<br>(FY26-28E) |
|--------------------------|-------|-------|-------|-------|--------------------------|-------|-------|---------------------------|
| Net Sales                | 2,148 | 2,747 | 4,870 | 5,288 | 35.0                     | 6,537 | 8,383 | 25.9                      |
| EBITDA                   | 164   | 262   | 484   | 387   | 33.0                     | 508   | 762   | 40.3                      |
| EBITDA margin (%)        | 7.6   | 9.5   | 9.9   | 7.3   |                          | 7.8   | 9.1   |                           |
| Net Profit               | 66    | 135   | 288   | 197   | 44.2                     | 291   | 478   | 55.9                      |
| Diluted/Adjusted EPS (₹) | 2.9   | 5.2   | 10.2  | 6.8   |                          | 9.9   | 15.9  |                           |
| P/E(x)                   | 191.0 | 106.2 | 54.2  | 80.9  |                          | 55.7  | 34.6  |                           |
| EV/EBITDA (x)            | 79.5  | 55.7  | 31.0  | 41.6  |                          | 31.8  | 21.7  |                           |
| RoCE (%)                 | 13.2  | 15.0  | 13.8  | 9.5   |                          | 11.1  | 15.0  |                           |
| RoE (%)                  | 16.6  | 13.0  | 10.2  | 6.5   |                          | 8.8   | 12.7  |                           |

Source: Company, ICICI Direct Research



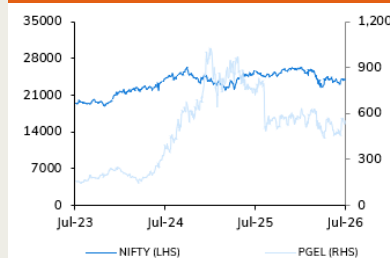
### Particulars

| Particular               | Amount   |
|--------------------------|----------|
| Market Cap (₹ Crore)     | 15762    |
| FY26 Debt (₹ Crore)      | 500      |
| FY26 Cash (₹ Crore)      | 389      |
| EV (₹ Crore)             | 15873    |
| 52 Week H/L (₹)          | 898/ 437 |
| Equity Capital (₹ Crore) | 28.5     |
| Face Value               | 1.0      |

### Shareholding pattern

|          | Jun-25 | Sep-25 | Dec-25 | Mar-26 |
|----------|--------|--------|--------|--------|
| Promoter | 43.7   | 43.6   | 43.4   | 43.4   |
| FII      | 13.0   | 11.5   | 10.6   | 9.8    |
| DII      | 18.1   | 18.8   | 22.7   | 24.5   |
| Public   | 25.1   | 26.1   | 23.1   | 22.4   |
| Others   | 0.0    | 0.0    | 0.3    | 0.0    |

### Price Chart



### Key risks

- Seasonality risk
- Execution delays
- Geopolitical uncertainties

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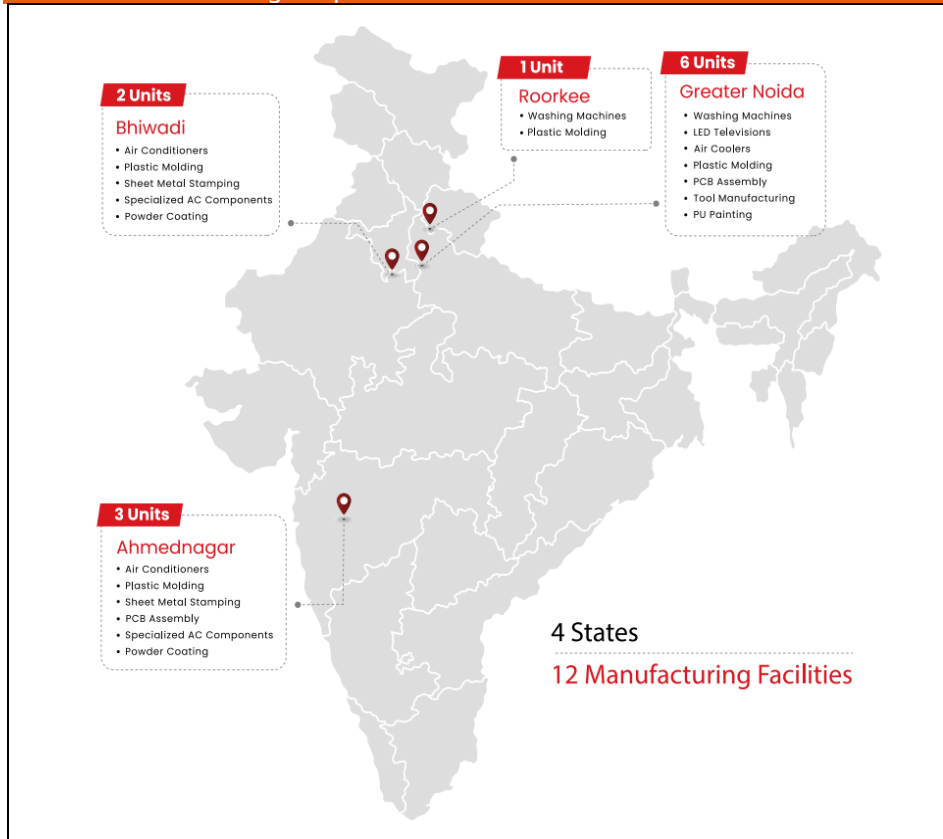
## Company Background

PG Electroplast Limited (PGEL), flagship company of PG group, was incorporated in 2003 and is headquartered in Noida. It began its journey in 1977, starting as modest electronics manufacturing components unit in Delhi. Over decades, PGEL emerged as one-stop-solution for both national as well as international brands across various business verticals.

Today, PGEL stands as a prominent player in the EMS sector with specialising in serving as a top ODM/OEM for air conditioners, washing machines, and LED TVs and is amongst the India's largest provider of **plastic injection moulding** for the consumer durables and automotive industries. With a robust portfolio of over 100 clients, it caters to multiple industries across Consumer electronics, Automotive and Home appliances. Leveraging its deep capabilities in plastic moulding, the company has strategically transitioned to a full-scale OEM/ODM model, esp. in RAC category, benefitting from PLI scheme.

Further, the company is now diversifying to other consumer durables such as washing machines, TV, coolers and refrigerators while looking forward for compressor business which shall enable it to backward integrate in EMS value chain.

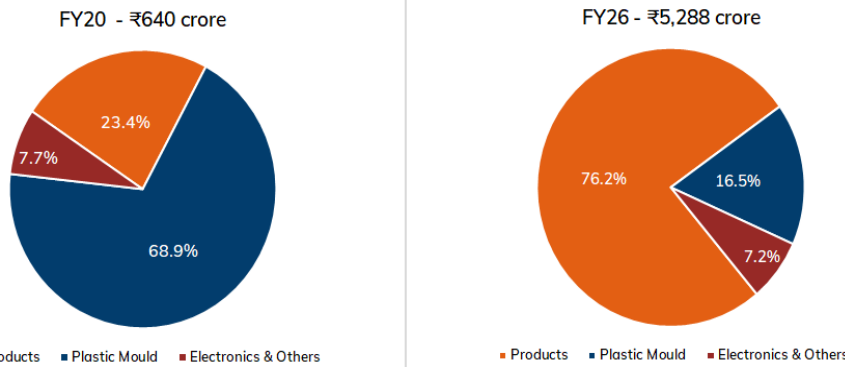
### Exhibit 1: Manufacturing footprints



Source: PGEL Annual report, ICICI Direct Research

It has been operating through 12 state of art manufacturing units strategically located in Bhiwadi (Rajasthan), Ahmednagar (Maharashtra), Greater Noida (UP) and Roorkee (Uttarakhand). The company is well positioned to capitalise on outsourcing opportunity across consumer durable products through its continues client additions and capacity expansion.

Exhibit 2: Revenue Mix



Source: PGEL Investor presentation, ICICI Direct Research

PGEL in its initial years focused on plastic injection moulding catering to consumer electronics industry. Over two decades, company built a robust foundation in plastic components manufacturing, emerging as a preferred supplier for several leading OEMs. Recognizing evolving market dynamics and increasing government’s focus on domestic manufacturing in past few years, PGEL strategically shifted its business model from plastic component supplier to a full -fledged OEM/ODM player forging strong partnership with both global as well domestic consumer electronics brands. In 2014, it entered air coolers market, then started manufacturing washing machine unit in 2017 and RACs in FY19. With the announcement of PLI scheme for AC manufacturing, the company accelerated growth post FY21.

In FY20, Plastic moulding segment contributed ~ 69% of total revenue while product segment contributed ~23%. With PLI scheme coming into play along with government’s initiative of ‘Make in India’, PGEL capitalised these tailwinds to enhance scale and profitability expanding aggressively into RAC, partnering with major brands like Voltas, Haier, Blue star, Panasonic etc. As of now (FY26), Product segment contributes a major chunk to its revenue ~76% while plastic moulding segment has been significantly reduced to just ~19% underscoring the company’s successful transformation into a high-value EMS player.

Exhibit 3: Strong and Diverse Clientele



Source: PGEL Investor , ICICI Direct Research

Over the years, PGEL has built a robust client portfolio comprising numerous marquee clients consisting of both domestic as well as global brands. The company has client base of 70+ top-tier brands in the consumer durables and electronics sectors. PGEL has shown a strong track record of nurturing long-term relationships, translating into deeper client engagement and increasing wallet across its customer base.

## Investment Rationale

### **Strengthening position as a manufacturer of consumer durables products**

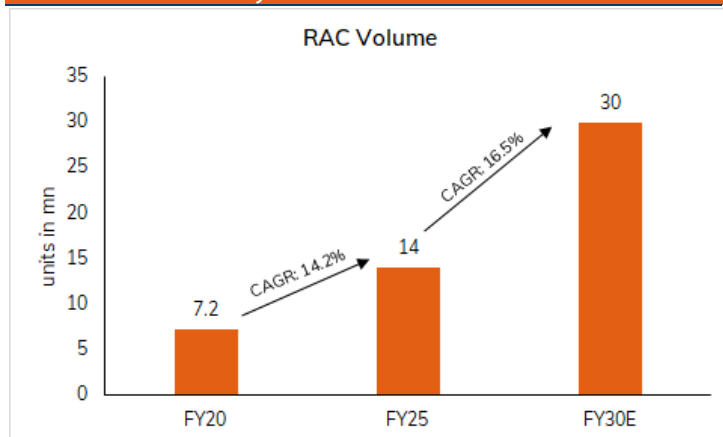
PGEL has strategically transitioned from plastic-moulding vertical and positioning itself as full-fledged EMS player. On back of its plastic moulding verticals, it managed to add customer briskly in products segment while with strong execution it has managed to retain them. It has moved up its supply chain in terms of value addition and currently is one of the most backward integrated EMS players for RAC manufacturing. Further, on back of its wide client base, it further aims to manufacture other durable products including washing machine, TV, air cooler, refrigerator, etc. Strong execution track record as depicted in RAC division in recent years makes the case for successful execution in other durable products too.

### **A) Products segment**

#### **i) Room Air Conditioner (RAC)**

The domestic RAC market is expected to grow from ~14 mn units in FY25, 10-15% de-growth in FY26 impacted by unseasonal rain to nearly 30 mn units by FY30E. This shall be supported by increasing urbanisation, rising disposable incomes, and improving living standards. The segment remains under-penetrated at ~13% of households vs 20-80% for other major durable categories. Government initiatives such as localisation programs, GST rationalisation on air conditioners and its vision to support export opportunity are expected to support demand growth over the long term. However, the RAC business remains highly seasonal, with demand concentrated during the summer months. With rising per capita, the trend is shifting towards looking RAC as a discretionary product, esp. in metropolitan geographies.

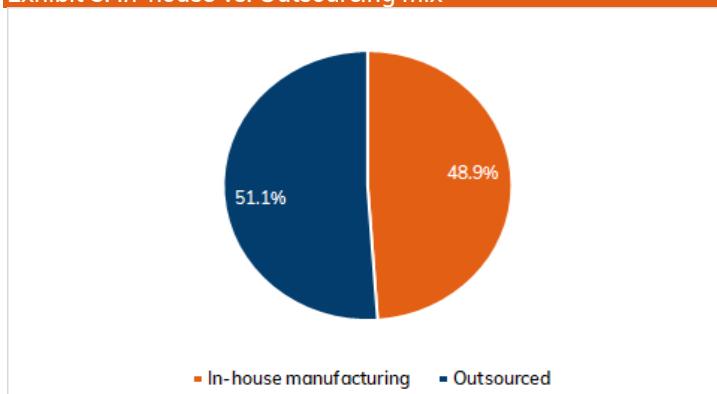
**Exhibit 4: RAC Industry in India**



Source: Amber annual report FY25, PG placement document, ICICI Direct Research

Domestic manufacturing has witnessed strong growth in recent years, driven by proactive government policies and strategic initiatives. While key components such as compressors, motors and refrigerants continue to be largely imported, major assemblies like IDU and ODU are increasingly being produced domestically. Regionally, North India accounts for the largest share in RAC market with ~39% followed by Southern market with ~28% contribution while both west and east together contributes the remaining ~33%.

**Exhibit 5: In-house vs. Outsourcing mix**



Source: PGEL Placement document 2024, ICICI Direct Research

Of the Indian RAC market, broadly half of manufacturing is done in-house and the other half is outsourced. Within this outsourced opportunity, PGEL is estimated to have 20%+ share.

As competition increases including global brands as well as domestic retail players, alongwith more backward integration by EMS players, outsourcing opportunity across the board shall continue to increase.

### PGEL - A leading ODM player in RAC manufacturing in short span:

PGEL commenced manufacturing RAC in 2018, initially focused on IDUs, later on expanding its capabilities to include ODUs, thereby offering complete RAC solutions.

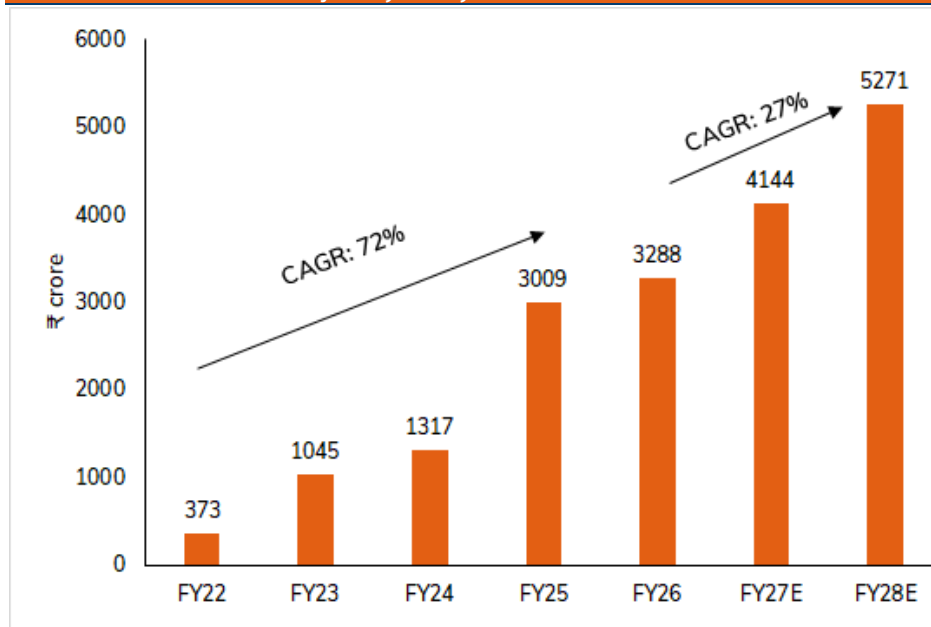
PGEL is recognised as **one of the most backward integrated ODM in RAC space** with in-house capabilities spanning to plastic moulding, sheet metal fabrication, powder coating, heat exchanger production, copper tubing, crossflow fan and PCB assembly.

Currently PGEL operates its RAC manufacturing in Ahmednagar (Maharashtra) and Bhiwadi (Rajasthan) **with monthly capacity of CBUs of ~4.25 lakh units of split RACs and 50,000 window ACs** with a product portfolio expanding to completely built units ranging from 0.7 to 2.5 ton across both fixed speed and inventor categories catering to multiple energy -efficiency star ratings. Notably **Ahmednagar unit is amongst the largest and most backward integrated RAC manufacturing plants at a single location in India** allowing it an upper edge to manage overall production cost efficiently.

Company's RAC business has seen strong momentum in recent years, positioning the company as the **second largest contract manufacturer** of RAC finished goods for consumer brands.

In FY26, PGEL reported robust performance in its product segment generating total revenue of ~₹4,030 crores of which RAC segment contributed a significant ~₹3,288 crores contributing ~82% of its product revenue. However, for FY26, demand remained relatively weaker due to disrupted weather conditions across India resulting into elevated inventory and subdued demand across cooling category products. Here, it is noteworthy that the company has still managed to grow RAC business by ~9% in FY26 vs 10-15% decline at industry level for the same period. Separately, current geopolitical conditions had caused some hiccups as LPG shortage has led to ~1 week production loss while the company has managed the alternatives and production is back on track. Further, with easing of US-Iran war tension, the impact is transitory.

Exhibit 6: RAC's revenue trajectory over years



Source: Company, ICICI Direct Research

### Foray into compressor manufacturing will strengthen business and aid margin:

As of FY25, India's air compressor manufacturing ecosystem has considerable demand supply mismatch with annual domestic production of ~6mn units significantly lower than the domestic consumption of nearly 13-14 mn units. This gap is primarily met through imports predominantly from China. Further delays in BIS certification continues to hamper the overall production and disrupting supply chain. Moreover, India currently has manufacturing capabilities only for fixed-speed rotary compressors, while the production of variable-speed compressors remains heavy import dependent. As a result, India's air compressor market remains vulnerable to geopolitical risk due to its high reliance on Chinese imports.

Recognizing this gap, PGEL is strategically investing into compressor manufacturing to enhance self-reliance and reduce import dependency. The company has established a rotary compressor manufacturing plant at Supa, Maharashtra with installed capacity of ~2 mn compressor in first phase wherein as on Q4FY26 facility is ready, while machinery is awaiting installation. This capacity will be further expanded to ~4 mn compressors in second phase.

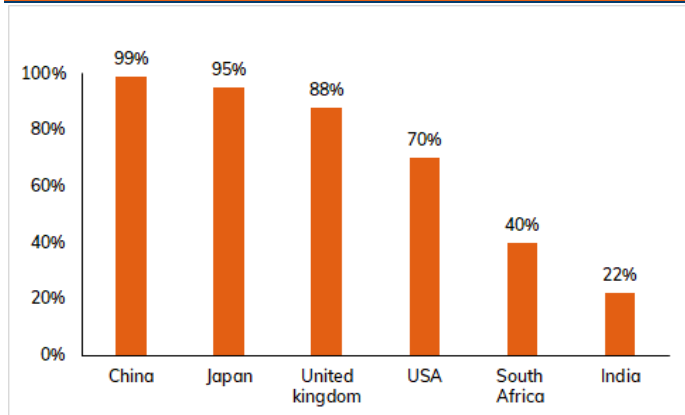
Management expects this facility to operationalise by end of FY27 while first full year of operation being FY28. Out of the total production, management expects ~60% of total production to be consumed captively while rest to be sold to third party. Further management expects this backward integration to be **margin accretive** and has potential to lead to margin expansion of ~150 bps in overall company’s profile.

Post commencement, this expansion will not only solidify PGEL’s positioning as a fully integrated player in the RAC ecosystem but also enhance its attractiveness and provide higher confidence to existing OEM partners and open doors to new clients further increasing brand stickiness and competitive differentiation.

**ii) Washing machines (WM)**

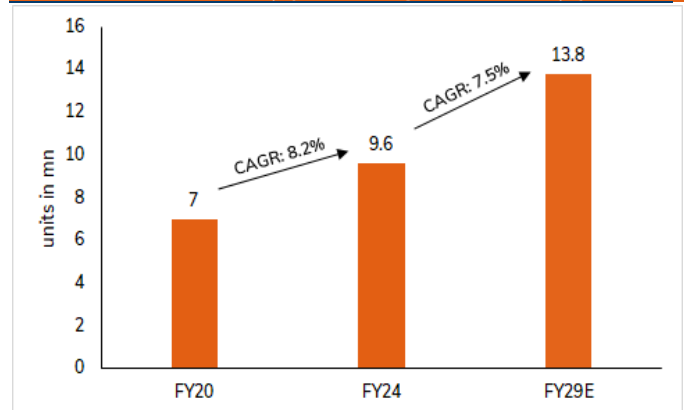
Indian washing machine industry remains significantly underpenetrated with ~22% while the segment has demonstrated consistent and sustained growth driven by improving standard of living and urbanisation.

Exhibit 7: Penetration remains low..



Source: PGEL Placement document, LG IPO Doc, ICICI Direct Research

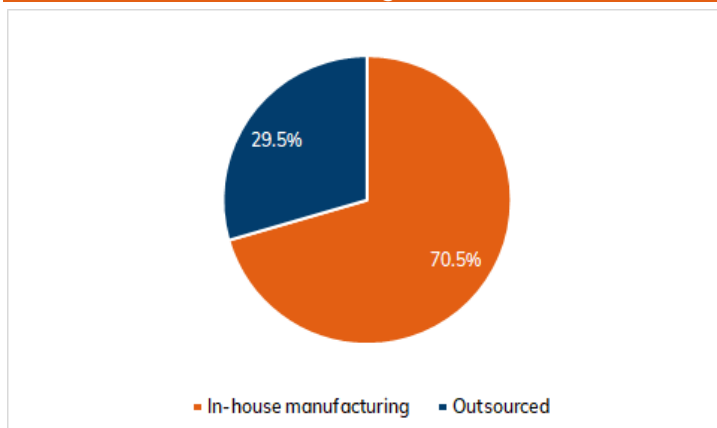
Exhibit 8: ...WM industry poised to grow at steady pace



Source: PGEL Placement document, ICICI Direct Research

In FY24, Indian WM market was valued at ~₹24,500 crore and is expected to **grow at 9% CAGR** over FY24-FY29E. On the volume front, domestic sales stood at 9.6 mn units in FY24, with an expected CAGR of 7.4% through FY29. The market is gradually shifting towards greater automation with fully automatic washing machines commanding a dominant share of ~58% while semi-automatic models accounts for remaining 42%.

Exhibit 9: In-house vs. Outsourcing mix



Source: PGEL Placement document, ICICI Direct Research

PGEL stands out as the **second largest ODM player** in the Indian washing machine segment by volume, offering comprehensive end-to-end assembly solutions.

PGEL entered washing machines space in 2017, initially focusing on semi-automatic models and later foraying to fully automatic models in 2021. With capacities ranging from 6kg to 14kg in semi-automatic category and 6.5kg to 8.5kg in fully automatic category.

Manufacturing operations from washing machines are carried out at PGEL's facilities at Roorkee and Greater Noida. The company has established strong relationships in the ODM space, **servicing over 25 leading brands** across the washing machine category.

To support the growing demand and to enhance capacities. PGEL expanded its **washing machine campus** in Greater Noida backed by a capital expenditure of ~₹200 crores taking overall capacities to ~2 lakh units per month. For FY26, the company has delivered 45%+ business growth. Notably this segment garners better margins as compared to RAC.

### iii) Air coolers

Indian air cooler market is driven by affordability and significantly lower electricity consumption compared to RACs. The increasing adoption of modern retail formats – especially online channels and technological advancements such as connected or smart coolers are supporting market expansion.

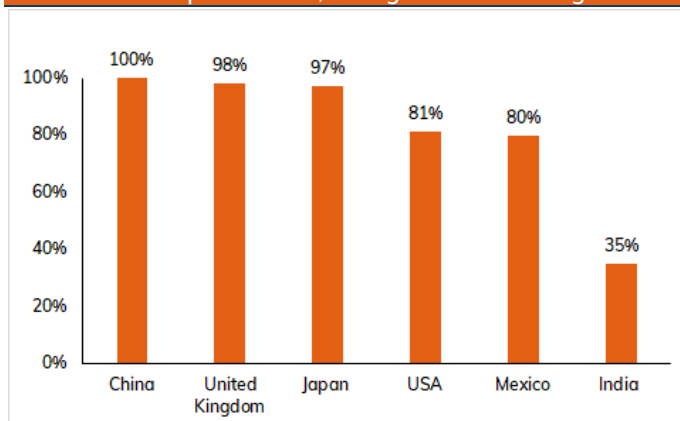
Organised market for air coolers in India was valued at ₹3,160 crores in FY24, which is projected to **grow at a CAGR of ~6.7%** over FY24-FY29E. Volume consumption stood at 3.6mn units in FY24 and is expected to reach 4.6mn units by FY29. This growth will be supported by ongoing electrification efforts in remote and rural areas, along-side rising temperatures and increasing disposable income in tier II and tier III cities.

PGEL entered the air cooler market in FY14 and currently offers a comprehensive product range, with tank capacities from 60 litres to 107 litres, across both mechanical and electronic platforms. While the segment **currently contributes a smaller portion to PGEL's overall revenue**, intensifying summer over longer time horizon shall overall uplift the demand for cooling products which shall substantiate for medium-long term growth for Air coolers. Currently, PGEL manufactures air coolers at its Greater Noida facility with **an annual capacity of 0.6mn units**.

### iv) Refrigerators – Strategic entry into a high-growth product vertical

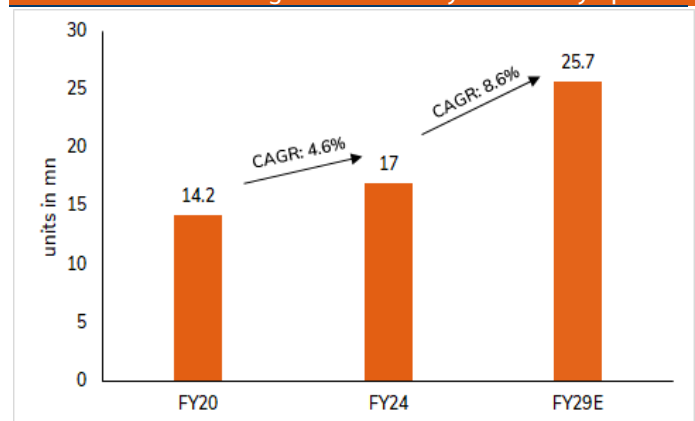
Indian refrigerator market in FY24 was ~₹47,030 crore which is projected to **grow at CAGR of ~10%** over FY24-FY29E. Penetration level of refrigerator in India currently stands at ~35% which is still low when compared to various developed as well as developing economies, offers ample headroom for sustained long-term growth.

Exhibit 10: Low penetration, enough headroom to grow...



Source: PGEL placement document, LG IPO Doc, ICICI Direct Research

Exhibit 11: Indian Refrigerators industry in a steady uptrend

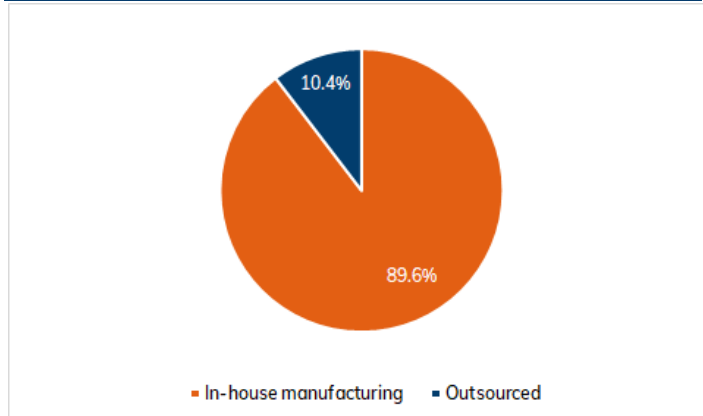


Source: PGEL placement document, ICICI Direct Research

Geographically, western and southern region of India are the major markets for refrigerator with a combined share of ~60% of the total market. Particularly, southern region plays a vital role driven by higher urbanisation levels and hot climatic conditions prevailing throughout most of the year.

Domestic manufacturing is well established, contributing to ~95.3% of the sales while just ~4.7% remains imported. Meanwhile, the industry production is largely in-house while the outsourcing opportunity pie is expected to increase going ahead.

Exhibit 12: In-house vs. Outsourcing mix



Source: PGEL Placement document, ICICI Direct Research

At present, a significant size (~89.6%) of refrigerator in India are been manufactured in-house by large OEMs, with limited involvement of contract manufacturer. However, this dynamic is expected to shift gradually, as ODM and EMS players increasingly add frost-free and premium refrigerators to its portfolio, targeting white-label and emerging brands. Furthermore, rising exports potential alongside supportive government initiatives is likely to incentivize deeper participation from EMS companies in this segment.

In line with this opportunity, PGEL has announced plans to enter refrigerator manufacturing. The company is investing ~₹300 crore to establish a dedicated refrigerator manufacturing plant. The company will start with single-door direct cool refrigerators and later on move to frost free double door. Currently, the company aims to install capacity of ~1.2 mn units which is expected to commence production from Q4FY27. This strategic expansion shall not only expand its product portfolio but also improve overall margins and unlock cross selling opportunities across its existing customer base.

#### v) Television – JV with Jaina Group (Goodworth Electronics)

In FY24, PGEL formed a JV (50:50) with Jaina Group to manufacture LED Televisions under the banner of 'Goodworth Electronics'. This JV was initially formed with a goal to manufacture Google certified TVs and then later expand to adjacent categories such as Refrigerators, IT hardware, wearables and hearables.

Jaina Group brings considerable strategic value to the partnership. A group with interests in telecom, consumer electronics and mobility solutions, it owns and operates **well-known brands like Karbonn, Gionee, Sansui and Sens**. Notably it is one of only three companies in India **to hold a google ODM license** an asset that significantly enhances the JV's credibility in the Smart TV ecosystem.

Jaina's sourcing capabilities specially in deep supplier relationships in China, offer a competitive advantage by enabling access to high-quality components at cost-efficient prices thereby **improving PGEL's operational efficiency and market competitiveness**.

Television remains one of the most penetrated category among consumer durables market in India with **penetration rate of ~78%**. In FY24, India's TV market stood at ~24.9 mn in volumes and ~1,05,200 crore in value which is expected to grow by ~14.1% over FY24-FY29E reaching ~₹2,03,860 by FY29 driven by rising demand for smart TVs fueled by the surge in OTT consumption and broadband penetration.

Despite strong domestic assembly activity ~99.8% of TV sold in India in FY24 were assembled **locally the value addition remains low**, primarily due to lack of domestic panel manufacturing ecosystem. TV panels, the most critical and expensive component are still imported while local operations are largely focused on assembly.

### Government's Initiatives to promote local manufacturing:

Indian government has been taking various initiatives such as imposing higher tariff duty on fully assembled televisions and display panels while duty on raw material and sub-components like open cells which currently is not manufactured in India, has been reduced to make local manufacturing competitive.

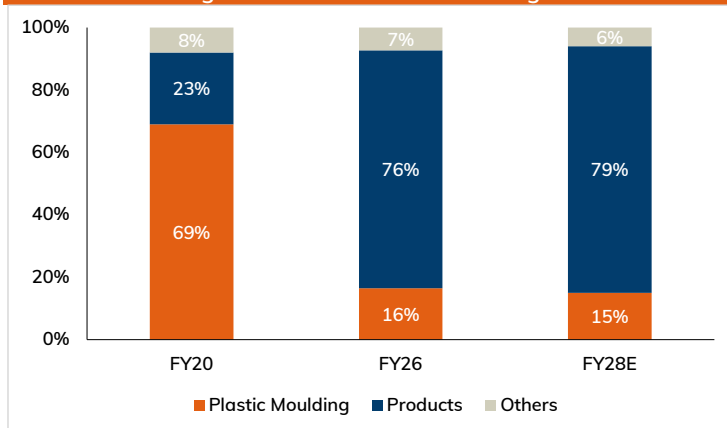
In FY26, Goodworth electronics reported revenue of ₹825 crore, with growth of 50%+ and has recently turned positive at EBITDA level, reflecting operational leverage getting played out. The company targets sustainable margins in the range of 1.5% to 2% over long term.

### B) Plastic Moulding and Others

Historically, PGEL was predominantly a plastic moulding player. Backed by this business, it has strategically shifted its focus to product businesses through categories like RAC, WM and coolers. It serves a **large client base in plastic moulding category**. In recent years, plastic moulding business came down sharply as the company grew aggressively as an OEM/ODM solution provider to consumer durables company. PGEL is still the **largest manufacturer of plastic moulding for consumer durables** and currently manufactures small, medium and large sized, high precision and surface critical injection moulded components for its customers.

The company has **over 300 plastic moulding machines** ranging from 50T to 2100T across 8 manufacturing units located at Greater Noida, Roorkee and Ahmednagar. It serves various industries like consumer durables, consumer electronics, sanitaryware, automotive, etc. Plastic moulding business serves adjacent to its product business and provides customer stickiness along-side improving backward integration.

Exhibit 13: Strategic shift from Plastic moulding business



Source: Company, ICICI Direct Research

Company reported **revenue of ₹872 crores** from its plastic moulding segment with EBITDA margin in single digit. Though revenue has increased from plastic moulding business over years, its overall contribution in total revenue has been declining constantly with higher growth in product segments. However plastic business still remains important as this leads in backward integration and customer stickiness. In FY26, this segment contributed ~16% of the total revenue against its contribution of ~69% in FY20. Plastic moulding business is expected to grow at a steady pace.

### C) Consumer Electronics Segment

Under this segment, PGEL assembles PCBs for wide range of applications on turnkey basis (including procurement, assembly, testing, packing & shipping) for leading TV manufacturers. It encompasses a wide range of products from televisions to other electronic devices providing end-to-end solutions to leading OEMs. PGEL's capabilities in PCB assembly have positioned it as a preferred partner for high-quality electronic components. Further, company has entered into various strategic collaborations with leading electronics brands strengthening its overall market presence.

In FY26, consumer electronics segment reported revenue of ₹367 crores which contributed limited proportion to overall revenue of PGEL (~7%).

**Government reform measures that are being taken to boost the sector -**

Under Make in India, Government aims to make India a global manufacturing hub.

**a) PLI scheme** - The scheme was initially announced in the year 2019 by the Government of India to incentivise the incremental sales of manufactured goods. The scheme has witnessed considerable success specifically in mobile phones. The government has extended PLI schemes to other segments including white goods (Air conditioners, LED lighting, etc.) including their components, telecom, IT hardware, automobiles, etc. The scheme makes Indian manufacturers more competitive and encourages investment in that respective segment. At macro level, import substitution and increase in export competitiveness are the positive outcomes alongwith job creation.

**b) Component PLI scheme** – Government recently announced a significant production linked incentive scheme aimed at bolstering domestic manufacturing of electronic components with budget outlay of ₹22,919 crore aiming to reduce reliance on imports and enhancing local value addition through incentivizing the production of resistors, capacitors, inductors, transistors, PCBs, diodes, camera modules, display assemblies, etc. aiming to support various segments including mobile phone, consumer electronics, automotive, telecom, etc. helping India to strengthen India's position in global electronics supply chain.

**c) Custom duty optimization** – Government has been proactively optimizing custom duty at component and finished goods level to make Indian manufacturers more competitive. For instance, in the recent budget, the government had increased custom duty on interactive flat panel display which is a finished good but reduced import duty on open cells which India will still take a while to produce in-house. Thus, optimizing Indian manufacturers competitiveness.

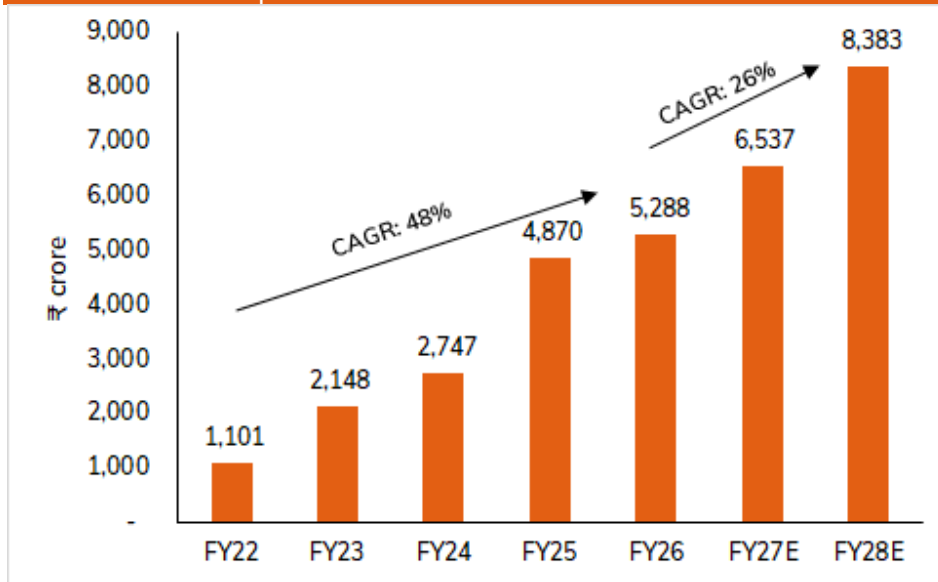
## Key Financial Summary

### Revenue expected to grow ~26% CAGR over FY26-28E

PGEL reported revenue of ₹5288 crore in FY26 reporting YoY growth of ~9% owing to subdued demand for summer related categories which caused industry de-growth of ~10-15% while PGEL's RAC division remained resilient and reported growth of ~9% in FY26, outperforming industry due to its client diversification and execution. On the other hand, washing machine category grew ~45% over FY26.

Post weaker FY26, RAC industry is expected to recover in FY27 with mid teen volume growth while Q1FY27 is expected to deliver ~20%+ volume growth, albeit on a low base. We expect PGEL to report growth at ~26% CAGR over FY26-FY28E supported by under penetration in RAC category, capacity expansion & entry into new product categories such as refrigerators.

Exhibit 14: Trend in Topline

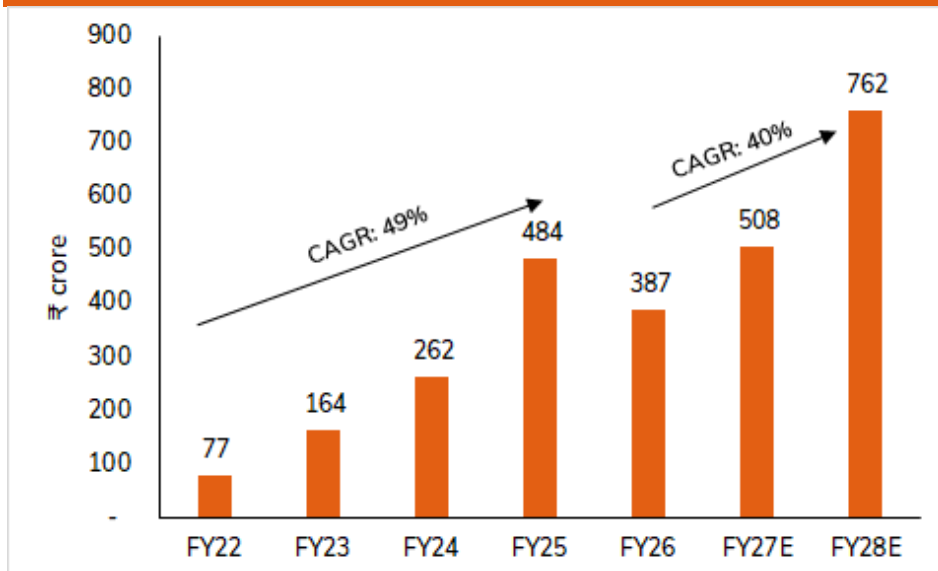


Source: Company, ICICI Direct Research

### EBITDA to grow at ~ 40% CAGR over FY26-28E

PGEL operates at the industry leading EBITDA margins because of its operational excellence and execution. It operates one of the largest integrated facilities for RAC in Ahmednagar which helps in cost efficiency.

Exhibit 15: EBITDA Trend

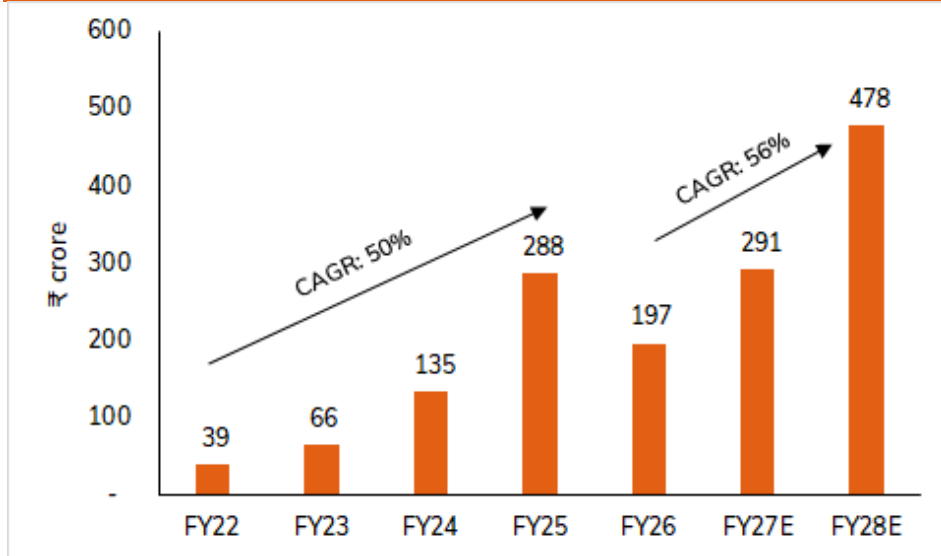


Source: Company, ICICI Direct Research

**PAT expected to grow ~56% CAGR over FY26-28E**

PGEL's PAT grew by ~50% CAGR over FY22-FY26 backed by strong revenue growth. We expect PGEL to continue healthy growth momentum with PAT expected to grow by ~56% over FY26-FY28E backed by industry recovery and contribution from other product categories.

Exhibit 16: PAT Trend

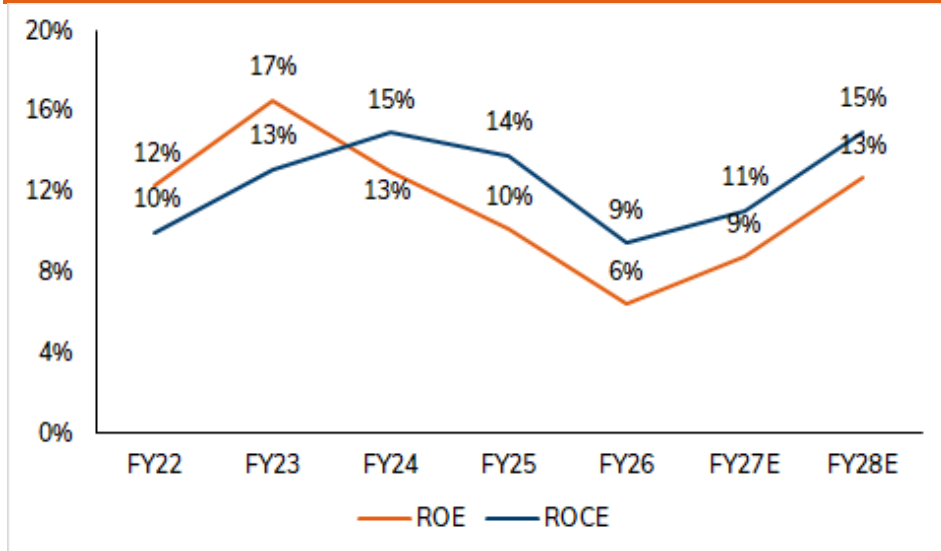


Source: Company, ICICI Direct Research

**Return ratios expected to improve**

Return ratios are expected to improve as company scales. FY26 witnessed weak demand for cooling related products while going ahead, RAC and other consumer durable products in combination shall aid business growth, profitability and return ratios.

Exhibit 17: Trend in Return Ratios



Source: Company, ICICI Direct Research

## Risk and Concerns

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### **Exposure to seasonality factors**

PG's major business comes from cooling products such as RAC & air coolers which remains highly exposed to seasonal uncertainty. To tackle this, the company has added washing machine to its portfolio and also in the process to further expand its portfolio including refrigerators. Also, the company has expanded its broad clientele providing diversification among customers and reducing dependence on few large customers. However, any uncertain weather disturbances shall have an impact on PG's overall business performances.

### **Execution delay if any**

PG is expanding its product portfolio to refrigerators wherein it aims to manufacture both single door and double door. Also, the company aims to manufacture air compressors on its own without a JV partner, wherein execution needs to be watched out.

### **Supply chain management esp. amidst Geopolitical tensions**

Geopolitical tensions, trade restrictions, or conflicts in key regions can impact raw material prices used in appliance manufacturing. In addition, fluctuations in fuel costs and freight rates may increase logistics expenses and affect supply chain efficiency. Any significant volatility in global supply chains or input costs may affect operating margins and production schedules.

## Financial Summary

| Exhibit 18: Profit and loss statement |              |              |              |              | Exhibit 19: Cash flow statement         |             |             |             |             |
|---------------------------------------|--------------|--------------|--------------|--------------|---|-------------|-------------|-------------|-------------|
| ₹ crore                               |              |              |              |              | ₹ crore                                 |             |             |             |             |
| (Year-end March)                      | FY25         | FY26         | FY27E        | FY28E        | (Year-end March)                        | FY25        | FY26        | FY27E       | FY28E       |
| Revenue                               | 4,870        | 5,288        | 6,537        | 8,383        | Profit after Tax                        | 291         | 194         | 286         | 457         |
| % Growth                              | 77.3         | 8.6          | 23.6         | 28.2         | Depreciation                            | 66          | 88          | 112         | 136         |
| Other income                          | 35           | 55           | 54           | 57           | Interest                                | 89          | 102         | 93          | 91          |
| <b>Total Revenue</b>                  | <b>4,905</b> | <b>5,343</b> | <b>6,591</b> | <b>8,440</b> | Cash Flow before WC changes             | 446         | 383         | 491         | 684         |
| Employee Expenses                     | 273          | 297          | 356          | 453          | (Inc)/dec in Current Assets             | -1,551      | -654        | -30         | -730        |
| Other expenses                        | 4,113        | 4,604        | 5,673        | 7,168        | Changes in creditors                    | 728         | 383         | 228         | 380         |
| Total Operating Expenditure           | 4,385        | 4,901        | 6,029        | 7,620        | Other current liabilities               | 346         | 11          | 121         | 149         |
| <b>Operating Profit (EBITDA)</b>      | <b>484</b>   | <b>387</b>   | <b>508</b>   | <b>762</b>   | Inc/(dec) in CL and Provisions          | 1,074       | 393         | 350         | 529         |
| % Growth                              | 84.8         | -20.1        | 31.2         | 50.1         | <b>Net CF from Operating activities</b> | <b>-31</b>  | <b>123</b>  | <b>810</b>  | <b>484</b>  |
| Interest                              | 89           | 102          | 93           | 91           | <b>(Purchase)/Sale of Fixed Assets</b>  | <b>-430</b> | <b>-733</b> | <b>-400</b> | <b>-400</b> |
| PBDT                                  | 395          | 285          | 415          | 671          | Others                                  | -3          | -3          | -7          | -10         |
| Depreciation                          | 66           | 88           | 112          | 136          | <b>Net CF from Investing activities</b> | <b>-433</b> | <b>-735</b> | <b>-407</b> | <b>-410</b> |
| PBT before Exceptional Items          | 330          | 197          | 303          | 535          | Dividend                                | 23          | 10          | 14          | 23          |
| Total Tax                             | 74           | 58           | 71           | 114          | Others                                  | -137        | 111         | -70         | -58         |
| PAT before MI                         | 288          | 197          | 291          | 478          | <b>Net CF from Financing Activities</b> | <b>-114</b> | <b>121</b>  | <b>-56</b>  | <b>-35</b>  |
| <b>Adjusted PAT</b>                   | <b>288</b>   | <b>197</b>   | <b>291</b>   | <b>478</b>   | Net Cash flow                           | -578        | -492        | 347         | 39          |
| % Growth                              | 113.2        | -31.7        | 48.1         | 64.1         | Opening Cash/Cash Equivalent            | 182         | 980         | 389         | 706         |
| <b>EPS</b>                            | <b>10.2</b>  | <b>6.8</b>   | <b>9.9</b>   | <b>15.9</b>  | <b>Closing Cash/ Cash Equivalent</b>    | <b>980</b>  | <b>385</b>  | <b>706</b>  | <b>670</b>  |

Source: Company, ICICI Direct Research

Source: Company, ICICI Direct Research

| Exhibit 20: Balance sheet    |              |                |              |              | Exhibit 21: Key ratios                   |       |       |       |       |
|------------------------------|--------------|----------------|--------------|--------------|--|-------|-------|-------|-------|
| ₹ crore                      |              |                |              |              |  |       |       |       |       |
| (Year-end March)             | FY25         | FY26           | FY27E        | FY28E        | (Year-end March)                         | FY25  | FY26  | FY27E | FY28E |
| Equity Capital               | 28           | 29             | 29           | 29           | <b>Per Share Data (₹)</b>                |       |       |       |       |
| Reserve and Surplus          | 2,800        | 3,020          | 3,292        | 3,726        | EPS                                      | 10.2  | 6.8   | 9.9   | 15.9  |
| Total Shareholders funds     | 2,828        | 3,049          | 3,320        | 3,754        | Cash per Share                           | 34.6  | 13.5  | 24.0  | 22.3  |
| Minority Interest            | -            | -              | -            | -            | BV                                       | 99.9  | 105.6 | 112.8 | 125.0 |
| Total Debt                   | 384          | 597            | 619          | 653          | Dividend per share                       | 0.4   | 0.4   | 0.5   | 0.8   |
| Other liabilities            | 26           | 48             | 54           | 65           | Dividend payout ratio (%)                | 3.9   | 5.9   | 5.1   | 4.8   |
| <b>Total Liabilities</b>     | <b>3,239</b> | <b>3,693.0</b> | <b>3,994</b> | <b>4,473</b> | <b>Operating Ratios (%)</b>              |       |       |       |       |
| Gross Block                  | 1,357        | 1,848          | 2,461        | 2,861        | EBITDA Margin                            | 9.9   | 7.3   | 7.8   | 9.1   |
| Acc: Depreciation            | 221          | 309            | 421          | 556          | PAT Margin                               | 5.9   | 3.7   | 4.5   | 5.7   |
| Net Block                    | 1,136        | 1,540          | 2,040        | 2,304        | <b>Return Ratios (%)</b>                 |       |       |       |       |
| Capital WIP                  | 74           | 312            | 100          | 100          | RoE                                      | 10.2  | 6.5   | 8.8   | 12.7  |
| Total Fixed Assets           | 1,210        | 1,852          | 2,140        | 2,404        | RoCE                                     | 13.8  | 9.5   | 11.1  | 15.0  |
| Non Current Assets           | 157          | 277            | 287          | 326          | <b>Valuation Ratios (x)</b>              |       |       |       |       |
| Inventory                    | 1,316        | 1,601          | 1,719        | 2,042        | EV / EBITDA                              | 31.0  | 41.6  | 31.8  | 21.7  |
| Debtors                      | 980          | 1,184          | 1,373        | 1,677        | P/E                                      | 54.2  | 80.9  | 55.7  | 34.6  |
| Other Current Assets         | 477          | 643            | 366          | 469          | Market Cap / Sales                       | 3.2   | 3.0   | 2.5   | 2.0   |
| Cash                         | 980          | 389            | 706          | 670          | Price to Book Value                      | 5.5   | 5.2   | 4.9   | 4.4   |
| Total Current Assets         | 3,754        | 3,818          | 4,164        | 4,858        | <b>Working Capital Management Ratios</b> |       |       |       |       |
| Current Liabilities          | 1,882        | 2,254          | 2,597        | 3,116        | Inventory Days                           | 97.9  | 109.4 | 95.2  | 88.3  |
| Net Current Assets (Ex Cash) | 2,851        | 1,953          | 2,273        | 2,412        | Debtors Days                             | 73.0  | 80.9  | 76.0  | 72.5  |
| <b>Total Assets</b>          | <b>3,239</b> | <b>3,693.0</b> | <b>3,994</b> | <b>4,473</b> | Creditors Days                           | 102.3 | 120.0 | 110.0 | 102.3 |
|                              |              |                |              |              | Asset turnover                           | 3.6   | 2.9   | 2.7   | 3.0   |
|                              |              |                |              |              | <b>Solvency Ratios</b>                   |       |       |       |       |
|                              |              |                |              |              | Debt / Equity                            | 0.1   | 0.2   | 0.2   | 0.2   |
|                              |              |                |              |              | Current Ratio                            | 1.5   | 1.6   | 1.4   | 1.4   |
|                              |              |                |              |              | Quick Ratio                              | 0.8   | 0.8   | 0.7   | 0.7   |

Source: Company, ICICI Direct Research

Source: Company, ICICI Direct Research

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Reduce: -15% to -5%;

Sell: <-15%

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