PG ELECTROPLAST (PGELEC)

CMP: ₹631 | Target ₹ 780 (24%) | Target Period: 12 months | BUY

August 10, 2026

Building scale, Deepening integration, Diversifying Product Basket...

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.

Q1FY27 performance: PGEL reported strong revenue growth of 35.2% YoY and 18.5% QoQ to ₹2034 crore, led by strong growth across segments. RAC revenue: up 38.1% YoY (69% of revenue) vs industry growth of ~25% YoY, washing machine: 67.2% YoY (10% of revenue), electronics: 65.3% YoY (5% of revenue) while plastic moulding grew at steady 7.5% YoY (15% of revenue). Gross margins declined by 140 bps YoY and 122 bps QoQ mainly owing to elevated commodity prices and rupee depreciation. EBITDA came in at ₹148 crore with EBITDA margins of 7.3% which declined by 78 bps YoY however inched up sequentially by 37 bps.

Investment Rationale:

- **Revenue growth to remain robust driven by capacities expansion:** PGEL's Q1 revenue grew at a strong pace, backed by broad-based growth. RAC growth (up 38.1% YoY) was aided by extended summer and low base effect of Q1FY26. RAC demand continues to benefit from low household penetration and rising income levels, while the company is gaining share through increasing outsourcing by brands. Further washing machine category is ramping up (+67% YoY), wherein new capacity is being commissioned, taking overall capacity to ~3mn from 1.8mn. Also, refrigerator segment expansion is underway with commercial production expected by Q4FY27 with annual capacity of 1.2mn units. Management indicated it can comfortably grow 25-30% for next 2-3 years given low base of FY26 and forthcoming expansion across product categories.
- **Backward integration into compressors to play key role:** PGEL compressor project is on schedule to commence production from Dec'26/Jan'27. Its annual capacity of ~2mn compressors annually shall mainly have captive use and thus aid in backward integration. Currently ~50-60% of India's compressors demand is estimated to be fulfilled through imports, while government has capped the same to 30% of the manufacturer's FY25 import volume for RAC < 2 tonne. Such other measures shall aid in government's aim to enhance domestic manufacturing. As PGEL's compressors production commences, it will be the only listed contract manufacturer with almost 100% BOM in house, reducing external complications and garnering higher customer stickiness. Also, with this PGEL has potential to garner higher per unit EBITDA along with increasing realisation. We expect PGEL to pass on the elevated commodity cost going ahead and shall steadily improve its EBITDA margin which we estimate at 8.8% for FY28E.

Rating and Target Price:

After a tough FY26 which had a wash out summer, PGEL is back on track and slated to deliver strong topline and profit growth. Management intends to steadily reduce RAC contribution to 50-55% over next 2-3 years. Inventory levels have near normalised and balance sheet is now net cash at ₹74 crore. We increase our growth estimates and target price on optimistic outlook. Maintain BUY rating on the stock with a target price of ₹780, valuing it at PE of 48x FY28E EPS.

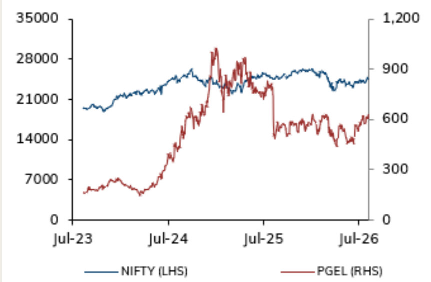
Particulars

Particular	Amount
Market Cap (₹ Crore)	18,084
Q1FY27 Debt (₹ Crore)	417
Q1FY27 Cash (₹ Crore)	491
EV (Rs Crore)	18,992
52 Week H/L (₹)	645/ 437
Equity Capital (₹ Crore)	28.6
Face Value	1

Shareholding pattern

	Sep-25	Dec-25	Mar-26	Jun-26
Promoter	43.6	43.4	43.4	43.4
FII	11.5	10.6	9.8	9.9
DII	18.8	22.7	24.5	23.9
Public	26.1	23.1	22.4	22.7

Price Chart



Key risks

(i) Seasonality risk

(ii) Execution delays

(iii) Geopolitical uncertainties

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Result Update

ICICI Securities – Retail Equity Research

Key Financial Summary

(₹ crore)	FY23	FY24	FY25	FY26	3 Year CAGR	FY27E	FY28E	2 Year CAGR
Net Sales	2,148	2,747	4,870	5,288	35.0	6,847	8,827	29.2
EBITDA	164	262	484	387	33.0	506	776	41.6
EBITDA margin (%)	7.6	9.5	9.9	7.3		7.4	8.8	
Net Profit	66	135	288	197	44.2	289	489	57.6
Diluted/Adjusted EPS (₹)	2.9	5.2	10.2	6.8		9.8	16.3	
P/E(x)	218.7	121.6	62.0	92.6		64.2	38.8	
EV/EBITDA (x)	90.6	63.7	35.7	47.6		36.6	24.5	
RoCE (%)	13.2	15.0	13.8	9.5		11.0	15.2	
RoE (%)	16.6	13.0	10.2	6.5		8.7	13.0	

Source: Company, ICICI Direct Research

Q1FY27 Earnings call highlights

(i) Q1FY27 performance

- PGEL's Q1FY27 performance remained strong wherein product business (RAC, Washing machine & coolers) grew healthy 40.7% YoY while electronics division posted strong revenue growth of 65.3% YoY.
- Margins remained impacted due to commodity inflation wherein gross margins moderated to 14.5% while EBITDA margin stood at 7.7%, as copper, aluminium, plastics and rupee depreciation increased input costs. Management highlighted that per-unit margins remained broadly stable, with percentage margins impacted by higher commodity prices.
- **RAC demand remained healthy**, with PGEL's RAC volumes growing ~20-22% YoY in Q1FY27. Management expects structural demand to remain strong, supported by low penetration, rising income levels and increasing outsourcing by brands.
- Outsourcing trend continues to strengthen, as intense competition among RAC brands is prompting companies to increasingly outsource manufacturing instead of adding in-house capacity. Management expects outsourcing penetration to rise further over the next 3-4 years.
- **Washing machine business** witnessed strong growth, with revenue increasing ~67% YoY. The newly commissioned facility has increased total capacity to ~3mn units from 1.8mn, with utilisation expected to reach ~70-80% by FY28E.
- **Refrigerator** expansion is on track, with the Sri City facility expected to commence commercial production by Q4FY27. The facility will have an annual capacity of ~1.2mn units, with an anchor customer already committing ~30-35% of capacity.
- **Compressor project** also remains on track, with the 2mn-unit annual capacity plant at Supa expected to commence mass production by Dec'26/Jan'27. Management may add another 2mn-unit line depending on demand and ramp-up. Further compressor imports restriction could lead to tighter domestic availability and benefit local manufacturers.

(ii) Future outlook

- With strong start to FY27, management expects volume growth at 20%+ for full year, with further potential for market-share gains. If industry growth remains around 15-20%, PGEL expects to outperform the industry by ~4-5%.
- For Q1FY27, margins moderated while management expects improved commodity cost pass-through and better pricing from customers as the next RAC season approaches. PGEL aspires to achieve ~8% EBITDA margin in FY27.
- Capex for FY27 estimated at ~₹400 crore, primarily towards completion of the compressor, refrigerator and consolidation of plastic moulding and select businesses in larger land parcel. Focus is shifting towards sweating existing assets, improving operational efficiency and enhancing ROCE/ROE.
- Going ahead, backward integration remains a key strategic focus, with the company building capabilities in component-level

R&D and manufacturing. This should increase value addition, improve customer stickiness and support margin expansion over the medium term.

Exhibit 1: Variance Analysis

	Q1FY27	Q1FY26	YoY (%)	Q4FY26	QoQ (%)	Comments
Revenue	2,034.0	1,503.9	35%	1,716.7	18%	Strong broad based revenue growth, RAC (+38% YoY), Washing machine (+67% YoY), Electronics (+65% YoY).
Other Income	8.03	18.18	-56%	12.79	-37%	
Total Income	2,042.0	1,522.0	34%	1,729.5	18%	
Gross profit	294.4	238.7	23%	269.5	9%	
Gross margin %	14.5	15.9	-140 bps	15.7	-122 bps	Gross margin decline owing to ongoing commodity inflation and rupee depreciation.
Operating Expenses	57.0	38.9	47%	66.0	-14%	
Employee Expenses	89.2	78.6	13%	84.7	5%	
Total Expenses	146.2	117.5	24%	150.7	-3%	Expenses well contained with focus on operational efficiencies which fairly protected EBITDA margin.
EBITDA	**148.2**	**121.2**	**22%**	**118.8**	**25%**	Strong operational performance supported EBITDA growth
EBIDTA %	**7.3**	**8.1**	**-78 bps**	**6.9**	**37 bps**	YoY EBITDA % decline owing to higher ASP, while per unit EBITDA largely stable.
Depreciation	26.5	20.8	27%	23.7	12%	
Finance cost	35.3	33.9	4%	26.0	36%	
PBT	94.4	84.7	12%	81.8	15%	
Tax	19.1	18.0	6%	17.6	9%	
PAT	75.3	66.7	13%	64.2	17%	Profit growth healthy backed by robust topline growth.

Source: Company, ICICI Direct Research

Financial summary

Exhibit 2: Profit and loss statement ₹ crore

(Year-end March)	FY25	FY26	FY27E	FY28E
Revenue	**4,870**	**5,288**	**6,847**	**8,827**
% Growth	77.3	8.6	29.5	28.9
Other income	35	55	54	57
Total Revenue	**4,905**	**5,343**	**6,901**	**8,884**
Employee Expenses	273	297	349	441
Other expenses	4,113	4,604	5,991	7,610
Total Operating Expenditure	4,385	4,901	6,340	8,051
Operating Profit (EBITDA)	**484**	**387**	**506**	**776**
% Growth	84.8	-20.1	30.9	53.2
Interest	89	102	94	93
PBDT	395	285	413	683
Depreciation	66	88	112	136
PBT before Exceptional Items	330	197	301	548
Total Tax	74	58	71	116
PAT before MI	288	197	289	489
Adjusted PAT	**288**	**197**	**289**	**489**
% Growth	113.2	-31.7	47.1	68.8
EPS	**10.2**	**6.8**	**9.8**	**16.3**

Source: Company, ICICI Direct Research

Exhibit 3: Cash flow statement ₹ crore

(Year-end March)	FY25	FY26	FY27E	FY28E
Profit after Tax	291	194	284	465
Depreciation	66	88	112	136
Interest	89	102	94	93
Cash Flow before WC changes	446	383	490	693
(Inc)/dec in Current Assets	-1,551	-654	-205	-787
Changes in creditors	728	383	340	414
Other current liabilities	346	11	153	161
Inc/(dec) in CL and Provisions	1,074	393	493	575
Net CF from Operating activities	**-31**	**123**	**777**	**481**
(Purchase)/Sale of Fixed Assets	**-430**	**-733**	**-400**	**-400**
Others	-3	-3	-8	-10
Net CF from Investing activities	**-433**	**-735**	**-408**	**-410**
Dividend	-23	-7	14	23
Others	-137	111	-65	-56
Net CF from Financing Activities	**-160**	**104**	**-51**	**-33**
Net Cash flow	-624	-509	318	38
Opening Cash/Cash Equivalent	182	980	389	665
Closing Cash/ Cash Equivalent	**980**	**385**	**665**	**625**

Source: Company, ICICI Direct Research

Exhibit 4: Balance sheet ₹ crore

(Year-end March)	FY25	FY26	FY27E	FY28E
Equity Capital	28	29	29	29
Reserve and Surplus	2,800	3,020	3,290	3,732
Total Shareholders' funds	2,828	3,049	3,318	3,760
Minority Interest	-	-	-	-
Total Debt	384	597	625	661
Other liabilities	26	48	57	69
Total Liabilities	**3,239**	**3,692.9**	**4,000**	**4,490**
Gross Block	1,357	1,848	2,461	2,861
Acc: Depreciation	221	309	421	556
Net Block	1,136	1,540	2,040	2,304
Capital WIP	74	312	100	100
Total Fixed Assets	1,210	1,852	2,140	2,404
Non-Current Assets	157	277	300	343
Inventory	1,316	1,601	1,812	2,161
Debtors	980	1,184	1,438	1,765
Other Current Assets	477	643	383	494
Cash	980	389	665	625
Total Current Assets	3,754	3,818	4,298	5,045
Current Liabilities	1,882	2,254	2,738	3,302
Net Current Assets (Ex Cash)	2,851	1,953	2,225	2,368
Total Assets	**3,239**	**3,693.0**	**4,000**	**4,490**

Source: Company, ICICI Direct Research

Exhibit 5: Key ratios

(Year-end March)	FY25	FY26	FY27E	FY28E
Per Share Data				
Adj. EPS	10.2	6.8	9.8	16.3
Cash per Share	34.6	13.5	22.6	20.8
BV	99.9	105.6	112.7	125.2
Dividend per share	0.4	0.4	0.5	0.8
Dividend payout ratio (%)	3.9	5.9	5.1	4.8
Operating Ratios (%)				
EBITDA Margin	9.9	7.3	7.4	8.8
PAT Margin	5.9	3.7	4.2	5.5
Return Ratios (%)				
RoE	10.2	6.5	8.7	13.0
RoCE	13.8	9.5	11.0	15.2
Valuation Ratios(x)				
EV/EBITDA	35.7	47.6	36.6	24.5
P/E	62.0	92.6	64.2	38.8
Market Cap/Sales	3.6	3.4	2.7	2.1
Price to Book Value	6.3	6.0	5.6	5.0
Working Capital Management Ratios				
Inventory Days	97.9	109.4	95.8	88.8
Debtors Days	73.0	80.9	76.0	72.5
Creditors Days	102.3	120.0	110.9	103.2
Asset turnover	3.6	2.9	2.8	3.1
Solvency Ratios(x)				
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

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