PG ELECTROPLAST (PGELEC)

CMP: ₹536 | Target ₹ 720 (34%) | Target Period: 12 months | BUY

October 28, 2026

Capacity expansion to sustain growth, profitability set to improve...

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.

Q2FY27 performance: PGEL reported in line set of results with Q2 being seasonally modest quarter. Revenue was recorded at ₹934 cr, up 43% YoY (down 54% QoQ). Gross margins declined by 389 bps YoY to 17.8% owing to elevated commodity prices while it improved by 327 bps QoQ as price hikes were being passed on. EBITDA margin came at 6.4%, up 181 bps YoY while down 89 bps QoQ. However, EBITDA per unit largely remained stable.

Investment Rationale:

- **Revenue growth to remain robust, driven by capacity expansion and strong order book:** PGEL's strong Q2FY27 performance was supported by both volume growth and realisation increase. RAC revenue grew at decent 22% YoY, though lower than expected as primary sales was modest in Q2 vs secondary sales while strong order book for PG is slated for H2. For the full year, management expects RAC volumes to grow ~20%+ YoY to 2.1 to 2.2 mn units along with price hikes of ~15% taken since January. Washing machine business grew by strong 61% YoY in Q2 and is on track for 40-50% growth for FY27E. Besides, Q2 growth was specifically boosted by low margin electronics segment that had sharp spike in realisation owing to memory component. Going ahead, upcoming facilities and entry into refrigerator segment shall also aid revenue growth. We expect revenue to grow ~30% CAGR over FY26-FY28E backed by healthy order book, low channel inventory and capacity expansion across product categories.
- **Backward integration and operating leverage shall support profitability:** PGEL's all capacity expansions are in line and are expected through FY27E, majority part being the refrigerator and AC compressor manufacturing. Trial production at compressor facility is planned by November and mass production expected by January-February 2027. The initial capacity is expected to be ~1.5mn compressors annually, primarily for captive consumption, strengthening backward integration and reducing dependence on imports. Separately, the refrigerator plant is expected to scale up in FY28E, while the company continues to focus on R&D, product development and operational efficiency. Q2FY27 margins came at 6.4% owing to higher growth from electronics business (low margin) however EBITDA per unit remained largely stable. We expect gradual profitability improvement as pricing adjustments, capacity utilisation and backward integration benefits materialise.

Rating and Target Price:

PGEL's overall business is expected to remain healthy with ~30% revenue CAGR along with margin improvement. As company implements price hike which coupled with operating leverage and backward integration shall aid profitability. We expect 51.4% PAT CAGR over FY26-28E. Maintain BUY rating on the stock with a target price of ₹720, valuing it at PE of 48x FY28E EPS.

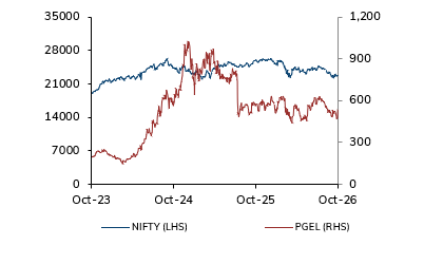
Particulars

Particular	Amount
Market Cap (₹ Crore)	15,382
Q2FY27 Debt (₹ Crore)	714
Q2FY27 Cash (₹ Crore)	423
EV (₹ Crore)	15,673
52 Week H/L (₹)	645/ 437
Equity Capital (₹ Crore)	28.6
Face Value	1

Shareholding pattern

	Dec-25	Mar-26	Jun-26	Sep-26
Promoter	43.4	43.4	43.4	43.2
FII	10.6	9.8	9.9	8.7
DII	22.7	24.5	23.9	26.6
Public	23.1	22.4	22.7	21.4

Price Chart



Key risks

(i) Seasonality risk

(ii) Execution delays

(iii) Geopolitical uncertainties

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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	6,933	8,893	29.7
EBITDA	164	262	484	387	33.0	501	750	39.2
EBITDA margin (%)	7.6	9.5	9.9	7.3		7.2	8.4	
Net Profit	66	135	288	197	44.2	259	451	51.4
Diluted/Adjusted EPS (₹)	2.9	5.2	10.2	6.8		8.8	15.0	
P/E(x)	185.8	103.3	52.7	78.7		61.0	35.7	
EV/EBITDA (x)	77.5	54.2	30.1	40.5		32.0	21.8	
RoCE (%)	13.2	15.0	13.8	9.5		10.4	14.4	
RoE (%)	16.6	13.0	10.2	6.5		7.9	12.2	

Source: Company, ICICI Direct Research

Result Update

ICICI Securities – Retail Equity Research

Q2FY27 & H1FY27 Earnings call highlights

(i) Q2FY27 performance

- PGEL's Q2FY27 performance remained in line with Q2 being a seasonally modest quarter. Revenue grew by 43% YoY to ₹ 934 crore, while EBITDA margin came at 6.4%, up 181 bps YoY while down 88 bps QoQ. However, EBITDA per unit largely remained stable.
- Products business (ACs, washing machines and coolers) reported growth ~43% YoY to ₹454 crore, while electronics segment reported strong growth ~140% YoY to ₹251 crore and lastly others (plastic moulding) segment remained flat YoY at ₹225 crore.
- Margins remained impacted by elevated commodity prices and rupee depreciation, with higher copper, aluminium, plastics and semiconductors costs being passed on to customers. Additionally, the higher contribution from electronics business, particularly TV motherboards, impacted the gross margins due to rising memory prices and a relatively lower margin profile. Management reiterated that per-unit EBITDA remained broadly stable, as the company earns a fixed conversions margin per unit rather than a percentage of sales.
- **RAC** volumes grew ~20-22% YoY in H1FY27, while full year volume growth is expected at ~20-25%. Although Q2 volume growth remained largely flat YoY, secondary sales across the industry were strong and channel inventory remained lower than last year. Management highlighted a healthy order book for second half, with volume growth expected to improve in H2FY27, including early teens growth in Q3 and a stronger Q4.
- **Washing machine business** witnessed strong growth, with H1FY27 revenue increasing ~60.7% YoY to ₹ 500 crore. Management expects full year growth of ~40-50%, supported by strong order book visibility and ramp up of the newly commissioned Greater Noida facility.
- **Refrigerator** expansion at Sri City remains on track, with trial production expected to commence in Jan-Feb'27 and commercial production target from Q4FY27. The facility will have an annual capacity of ~1.2mn units in Phase-1, covering direct-cool and side-by-side refrigerators, followed by frost-free and multi-door models in Phase-2. Management is targeting production of ~0.7mn units in FY28, supported by an anchor customer and soft commitments from additional customers.
- **Compressor project** at Supa, Maharashtra is progressing as planned, with trial production expected by end-Nov'26 and mass production targeted for Jan-Feb'27. The initial capacity of 2mn units will primarily cater to in-house requirements, with production targeted at ~1.5mn units in CY27. Management may consider adding a second line in Apr-May'27, depending on demand and ramp-up. Further, restrictions on

compressor imports beyond March 2027 are expected to support domestic manufacturing and localisation.

- **Goodworth Electronics**, the company's JV, reported H1FY27 revenue of ₹623.8 crore versus ₹483.4 crore in H1FY26, with EBITDA increasing to ₹22.7 crore from ₹10.3 crore. Growth was largely driven by the TV business, with higher component prices contributing to revenue growth. Management expects full-year revenue of ~₹800–900 crore, although TV demand remains sensitive to price increases.

(ii) Future outlook

- Management remains confident about H2FY27, supported by a strong order book across RAC, washing machines and electronics. Full-year RAC volume growth is expected at ~20–25%, with deliveries targeted at ~2.1-2.2mn units versus ~1.7mn units in FY26.
- Commodity cost pass-through remains an ongoing process, with price increases implemented in January, April and October 2026, and another increase planned from January 2027 based on average commodity costs for October-December. Management expects cumulative average price increases of ~15% by January, largely reflecting higher input costs and rupee depreciation. EBITDA margins are expected to improve moderately in H2FY27 due to seasonality, operating leverage and PLI recognition, with management continuing to focus on controlling conversion costs.
- **Capex** for FY27 remains on track at ~₹400 crore, with most expenditure already incurred or paid. Management expects FY28 capex to moderate to ~₹150-200 crore, with the focus shifting towards consolidating existing operations, ramping up recently commissioned facilities, restoring profitability and improving capital efficiency rather than pursuing substantial new projects.
- **Incentive income** is expected to support profitability, with management indicating FY27 PLI incentives of over ₹70 crore. For FY28, total incentives were indicated at approximately ₹105-110 crore, including PLI incentives from PG Technoplast and Next Generation Manufacturers Private Limited (NGM), along with state government incentives. PG Technoplast is expected to receive ~₹60 crore in PLI incentives in FY28, while state incentives of ~₹28-30 crore annually are expected to continue for the next 10 years.

Exhibit 1: Variance Analysis

	Q2FY27	Q2FY26	YoY	Q1FY27	QoQ (%)	Comments
Revenue	933.9	655.4	42%	2,034.0	-54%	AC business grew 22% YoY, washing machine business witnessed strong growth 60% YoY and Electronics division grew by 140% YoY.
Other Income	9.4	14.6	-36%	8.0	17%	
Total Income	943.2	670.0	41%	2,042.0	-54%	
Gross profit	165.7	141.8	17%	294.4	-44%	
Gross margin %	17.7	21.6	-389 bps	14.5	327 bps	Gross margins remained impact owing to commodity cost inflation & segmental mix
Operating Exp.	44.9	56.4	-20%	57.0	-21%	
Employee Exp.	61.1	55.3	10%	89.2	-32%	
Total Exp.	105.9	111.7	-5%	146.2	-28%	
EBITDA	**59.8**	**30.1**	**99%**	**148.2**	**-60%**	
EBIDTA %	**6.4**	**4.6**	**181 bps**	**7.3**	**-89 bps**	EBITDA margins expanded YoY owing to operating leverage kicking in against low base of last year.
Depreciation	28.1	21.6	30%	26.5	6%	
Finance cost	26.1	16.7	56%	35.3	-26%	
PBT	14.9	6.3	136%	94.4	-84%	
Share of JV	4.6	0.4	NM	0.9	NM	Goodworth electronics profitability improved
Tax	5.8	3.9	48%	19.1	-69%	
PAT	13.7	2.8	395%	76.2	-82%	

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**	**6,933**	**8,893**
% Growth	77.3	8.6	31.1	28.3
Other income	35	55	54	57
Total Revenue	**4,905**	**5,343**	**6,987**	**8,951**
Employee Expenses	273	297	354	445
Other expenses	4,113	4,604	6,078	7,698
Total Operating Expenditure	4,385	4,901	6,432	8,143
Operating Profit (EBITDA)	**484**	**387**	**501**	**750**
% Growth	84.8	-20.1	29.4	49.8
Interest	89	102	128	114
PBDT	395	285	373	636
Depreciation	66	88	112	136
PBT before Exceptional Items	330	197	261	500
Total Tax	74	58	63	107
PAT before MI	288	197	259	451
Adjusted PAT	**288**	**197**	**259**	**451**
% Growth	113.2	-31.7	31.6	74.1
EPS	**10.2**	**6.8**	**8.8**	**15.0**

Source: Company, ICICI Direct Research

Exhibit 3: Cash flow statement ₹ crore

(Year-end March)	FY25	FY26	FY27E	FY28E
Profit after Tax	291	194	252	427
Depreciation	66	88	112	136
Interest	89	102	128	114
Cash Flow before WC changes	**446**	**383**	**492**	**677**
(Inc)/dec in Current Assets	-1,551	-654	-356	-807
Inc/(dec) in CL and Provisions	1,074	393	346	552
Others	-187	-221	-103	-175
Net CF from Operating activities	**-219**	**-98**	**379**	**247**
(Purchase)/Sale of Fixed Assets	**-430**	**-733**	**-400**	**-200**
Others	-3	-3	-9	-11
Net CF from Investing activities	**-433**	**-735**	**-409**	**-211**
Dividend	-23	-7	13	21
Others	1,471	246	232	-81
Net CF from Financing Activities	**1,448**	**239**	**245**	**-60**
Net Cash flow	797	-595	214	-24
Opening Cash/Cash Equivalent	182	980	389	603
Closing Cash/ Cash Equivalent	**980**	**385**	**603**	**579**

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	3,260	3,665
Total Shareholders' funds	2,828	3,049	3,288	3,694
Minority Interest	-	-	-	-
Total Debt	384	597	854	815
Other liabilities	26	48	59	74
Total Liabilities	**3,239**	**3,693**	**4,201**	**4,583**
Gross Block	1,357	1,848	2,461	2,711
Acc: Depreciation	221	309	421	556
Net Block	1,136	1,540	2,040	2,154
Capital WIP	74	312	100	50
Total Fixed Assets	1,210	1,852	2,140	2,204
Non-Current Assets	157	277	263	334
Inventory	1,316	1,601	1,841	2,188
Debtors	980	1,184	1,456	1,779
Other Current Assets	477	643	487	625
Cash	980	389	603	579
Total Current Assets	3,754	3,818	4,388	5,171
Current Liabilities	1,882	2,254	2,591	3,127
Net Current Assets (Ex Cash)	2,851	1,953	2,401	2,624
Total Assets	**3,239**	**3,693**	**4,201**	**4,583**

Source: Company, ICICI Direct Research

Exhibit 5: Key ratios

(Year-end March)	FY25	FY26	FY27E	FY28E
Per Share Data (₹)				
EPS	10.2	6.8	8.8	15.0
Cash per Share	34.6	13.5	20.5	19.3
BV	99.9	105.6	111.7	123.0
Dividend per share	0.4	0.4	0.5	0.7
Dividend payout ratio (%)	3.9	5.9	5.7	4.7
Operating Ratios (%)				
EBITDA Margin	9.9	7.3	7.2	8.4
PAT Margin	5.9	3.7	3.7	5.1
Return Ratios (%)				
RoE	10.2	6.5	7.9	12.2
RoCE	13.8	9.5	10.4	14.4
Valuation Ratios (x)				
EV / EBITDA	30.1	40.5	32.0	21.8
P/E	52.7	78.7	61.0	35.7
Market Cap / Sales	3.1	2.9	2.3	1.8
Price to Book Value	5.4	5.1	4.8	4.4
Working Capital Management Ratios				
Inventory Days	97.9	109.4	96.2	89.2
Debtors Days	73.0	80.9	76.1	72.5
Creditors Days	102.3	120.0	111.1	103.6
Asset turnover	3.6	2.9	2.8	3.3
Solvency Ratios				
Debt / Equity	0.1	0.2	0.3	0.2
Current Ratio	1.5	1.6	1.5	1.5
Quick Ratio	0.8	0.8	0.8	0.8

Source: Company, ICICI Direct Research

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