



TM

SYSTEMATIX INSTITUTIONAL EQUITIES

Systematix

Institutional Equities

PG Electroplast

23 May 2024

RESULT UPDATE

Sector: EMS **Rating:** BUY
CMP: Rs 2,510 **Target Price:** 2,952

Stock Info

Sensex/Nifty	75,418/22,967
Bloomberg	PGEL IN
Equity shares (mn)	22.7
52-wk High/Low	2,502 /1,453
Face value	Rs 10
M-Cap	Rs 57bn/ USD 686mn
3-m Avg volume	USD 2.2mn

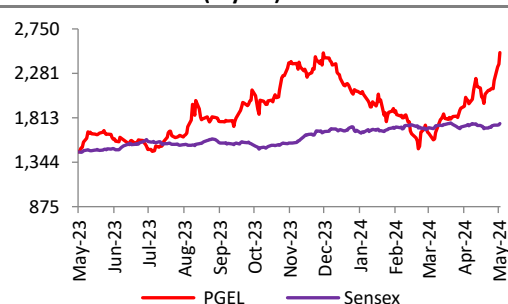
Financial Snapshot (Rs mn)

Y/E Mar	FY24	FY25E	FY26E
Net sales	27,465	32,843	39,405
EBITDA	2,618	2,966	3,559
OPM (%)	9.5	9.0	9.0
PAT (adj.)	1,349	1,763	2,238
EPS (Rs)	63.6	83.1	105.4
PE (x)	39.5	30.2	23.8
P/B (x)	5.5	4.7	4.0
EV/EBITDA (x)	22.5	20.0	16.7
RoE (%)	13.0	14.6	15.8
RoCE (%)	19.0	16.4	17.7
Net-D/E (x)	0.2	0.2	0.2

Shareholding Pattern (%)

	Mar'24	Dec'23	Sep'23
Promoter	53.6	53.6	53.6
- Pledged			
FII	10.8	10.8	9.0
DII	12.4	12.4	12.8
Others	23.3	23.3	24.6

Stock Performance (1-year)



Robust guidance to drive earnings upgrade and valuation re-rating

PG Electroplast's (PGEL) strong 4Q (revenue/EBITDA/PAT up 30%/54%/78% YoY) was driven by healthy rise in revenue of Product business (up 25%, 72% mix) and Consumer electronics (5x, 14% mix) and, 167bps YoY uptick in EBITDA margin at 10.8%. Net debt declined by Rs 3.25bn during FY24 to Rs 1.78bn, despite capex (Rs 2.25bn; commissioned Bhiwadi AC unit, acquisition of NGM), on healthy CFO (Rs 1.86bn) and QIP proceeds. PGEL has given a strong guidance for FY25. It expects Rs 34bn revenue (up 24% YoY, driven by 44% surge in Product business to Rs 24bn). Low channel inventory of RAC and robust order book should aid. Net profit is aimed at Rs 2bn (up 46% YoY). A ~Rs 3.8bn capex will be on 2 new greenfield facilities in North India (Rajasthan, Noida) and on further expansion of Supa facilities. TV business (~2% margin) will shift to new 50% JV Goodworth Electronics in FY25. A greater mix of high margin (10%+) Product business will aid overall margin. We raise our earnings estimates by 16-18% owing to share of profit from the JV and now expect 20%/17%/29% CAGR in revenue/EBITDA/PAT over FY24-26E. The recent Rs 5bn QIP will limit RoCE to ~18% in FY26E with scope of improvement. Maintain BUY with a higher target price of Rs 2,952 (28x FY26E P/E, earlier Rs 2,360). Healthy earnings growth and RoCE expansion will drive further valuation re-rating. ([concall KTAs](#))

4Q - inline revenue (up 30% YoY), strong 10.8% EBITDA margin drove 20% earnings beat; 10 for 1 stock split: Revenue/EBITDA/PAT grew 30%/54%/78% YoY driven by healthy rise in revenue of Product business (up 25%, 72% mix) and Consumer electronics (5x, 14% mix) and 167bps YoY expansion in EBITDA margin at 10.8%.

FY24 key highlights: Revenue/EBITDA/PAT grew 27%/49%/77% YoY driven by strong revenue in Product business (up 24% led by 26% rise in RAC, ~62% mix) and Consumer electronics (up 132%). EBITDA margin expanded 138bps YoY at 9.5% driven by better gross margin and operating leverage. Net debt declined by Rs 3.25bn during FY24 to Rs 1.78bn, despite capex (Rs 2.25bn; commissioned Bhiwadi AC unit, acquisition of NGM), on healthy CFO (Rs 1.86bn) and QIP proceeds.

Strong guidance for FY25: PGEL has guided for 24% YoY growth in its revenue to Rs 34bn, led by 44% surge in Product business (RAC, WM, Coolers) to Rs 24bn on low channel inventory and robust order book. Net profit is aimed at Rs 2bn (up 46% YoY). It will spend ~Rs 3.8bn in capex on 2 new greenfield facilities in North India (Rajasthan, Noida) and to expand Supa facilities further. TV business (~2% margin) will shift to new 50% JV Goodworth Electronics in FY25. A greater mix of high margin (10%+) Product business will aid overall margin. PGEL works on a fixed absolute margin per AC. Thus, any change in product price will impact % margin.

JV with Jaina Group to boost LED TV business: PGEL aims Rs 6bn revenue in FY25E from the JV, Goodworth Electronics, by selling 700k+ TV units (FY24: 350k). Jaina Group will help in better RM sourcing, attract many brands and is among three Google ODM licensees. Jaina has the option to convert 1/3rd stake to PGEL's equity.

Incentives inflow: In FY24, PGEL received Rs 150mn PLI + Rs 47mn state incentives for earlier period. In FY25E, it expects ~Rs 350mn state + Rs 300mn PLI incentives. It books incentives as part of operating revenue.

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Concall key highlights (4QFY24)

Corporate Action

- 10 for 1 stock split

Strong guidance for FY25

- PGEL guides revenue of Rs 34bn, up 24% YoY
- Product business to grow 44% to Rs 24bn (including washing machine, RAC, Air Coolers) on robust order book
- **RAC channel inventory at low level** hence will boost primary sales in FY25
- Net profit guidance of Rs 2bn, up 46% YoY
- **Capex of ~Rs 3.8bn** on 2 new greenfield facilities in North India and to further expand Supa facilities
- Product business will continue to drive PG's growth (70%+ mix)
- **Margin profile:** Product business 10%+, Plastic Moulding 7.5%, Electronics 2%
- **Margin will improve** on greater mix of Product business
- **Business model:** works on fixed amount per AC rather than on % margin

Jaina JV (Goodworth Electronics)

- FY25E revenue guidance at Rs 6bn, taking group revenues to Rs 40bn, up 46% YoY
- Jaina JV will help in better raw material sourcing. It is among three Google ODM licensees, and will help attract many brands
- Jaina has the option to convert 1/3rd stake in JV into PG's equity at the same P/E valuation
- Aims 700k+ TVs unit sales in FY25 from 350k unit in FY24

Incentives outflow

- FY24: received Rs 150mn PLI + Rs 47mn state incentives for earlier period
- FY25E: expects Rs 350-400mn state incentives + Rs 300mn PLI
- Incentives are accounted as part of operating revenue

4Q and FY24 key highlights

- 4Q: Inline revenue (up 30% YoY); strong 10.8% EBITDA margin drove 20% earnings beat
- FY24: Revenue up 27% YoY despite the ASPs falling sharply across product categories
- RAC revenue at Rs 13.17bn, up 26% YoY
- Washing Machines revenue grew 20% YoY
- **Margins improved due to** cost control, softer commodity prices and operating leverage
- **Net debt declined by Rs 3.25bn during FY24 to Rs 1.78bn**, despite Capex and acquisition of NGM, on healthy CFO (Rs 1.86bn) and QIP proceeds
- FY24 capex: Rs 2.25bn; commissioned Bhiwadi AC unit during the year

Exhibit 1: PG Electroplast (Consolidated) – Quarterly results

(Rs mn)	4QFY23	1QFY24	2QFY24	3QFY24	4QFY24	YoY (%)	QoQ (%)	FY24	FY23	YoY (%)
Revenue	8,282	6,776	4,604	5,319	10,766	30	102	27,465	21,599	27
Raw material costs	6,820	5,551	3,653	4,238	8,621	26	103	22,063	17,645	25
Employee costs	406	356	362	395	550	36	39	1,663	1,229	35
Other expenses	299	211	214	266	430	44	62	1,122	965	16
EBITDA	757	658	376	420	1,165	54	178	2,618	1,760	49
Depreciation	105	107	111	113	136	30	20	466	350	33
Finance costs	176	140	122	97	158	(10)	62	517	479	8
Other income	12	13	33	50	34	190	(33)	130	44	197
PBT	489	424	176	260	905	85	248	1,765	976	81
Tax	87	86	52	68	189	118	180	395	201	97
PAT (after JV share)	402	338	124	192	716	78	272	1,370	775	77
EPS (Rs)	15.4	13.0	4.8	7.4	26.7	73	263	51.8	29.8	74
As % Revenue						YoY (bps)	QoQ (bps)			YoY (bps)
Gross margin	17.7	18.1	20.7	20.3	19.9	227	(39)	19.7	18.3	136
Employee costs	4.9	5.3	7.9	7.4	5.1	21	(231)	6.1	5.7	37
Other expenses	3.6	3.1	4.6	5.0	4.0	39	(101)	4.1	4.5	(39)
EBITDA margin	9.1	9.7	8.2	7.9	10.8	167	293	9.5	8.2	138
Depreciation	1.3	1.6	2.4	2.1	1.3	(0)	(86)	1.7	1.6	8
Finance costs	2.1	2.1	2.7	1.8	1.5	(66)	(37)	1.9	2.2	(34)
Other income	0.1	0.2	0.7	0.9	0.3	17	(63)	0.5	0.2	27
PBT	5.9	6.3	3.8	4.9	8.4	251	352	6.4	4.5	191
Effective tax rate	17.8	20.2	29.6	26.0	20.9	313	(507)	22.4	20.6	180
PAT	4.8	5.0	2.7	3.6	6.6	180	303	5.0	3.6	140
Segment Revenues						YoY (%)	QoQ (%)			YoY (%)
Product Business	6,195	4,420	1,748	2,754	7,758	25	182	16,680	13,469	24
Plastic Moulding	1,746	1,850	2,087	1,517	1,486	(15)	(2)	6,940	6,420	8
Consumer electronics	240	490	749	1,031	1,460	508	42	3,730	1,609	132
Mould Manufacturing	101	20	20	17	62	(39)	259	119	101	18
Segment Rev Mix (%)										
Product Business	75	65	38	52	72			61	62	
Plastic Moulding	21	27	45	29	14			25	30	
Consumer electronics	4	7	16	19	14			14	7	
Mould Manufacturing	0	0	0	0	1			0	0	

Source: Company, Systematix Institutional Research

Exhibit 2: Revenue mix trend

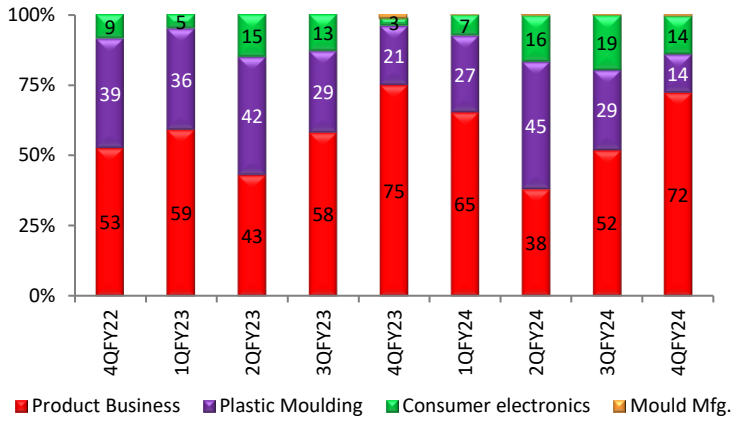


Exhibit 3: Revenue - quarterly trend

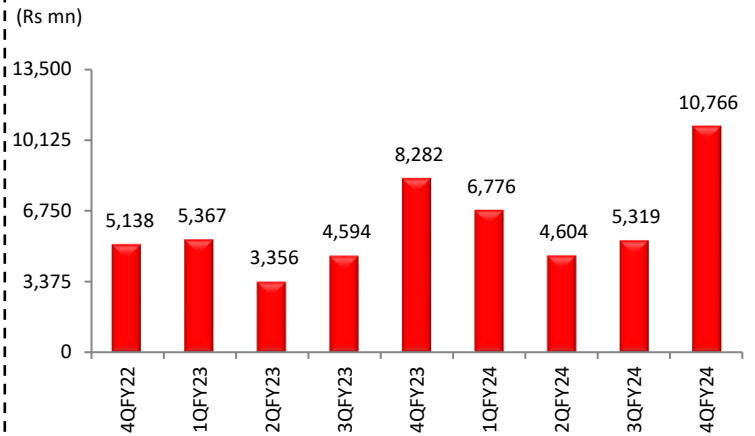


Exhibit 4: Expenses as % Revenue - quarterly trend

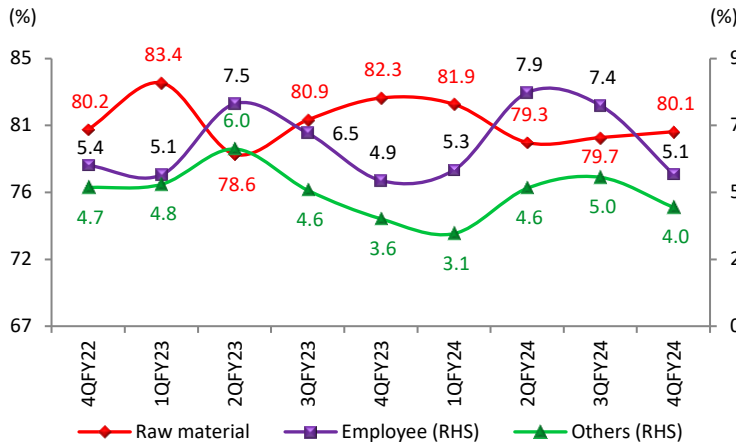


Exhibit 5: EBITDA, PAT & margin trend

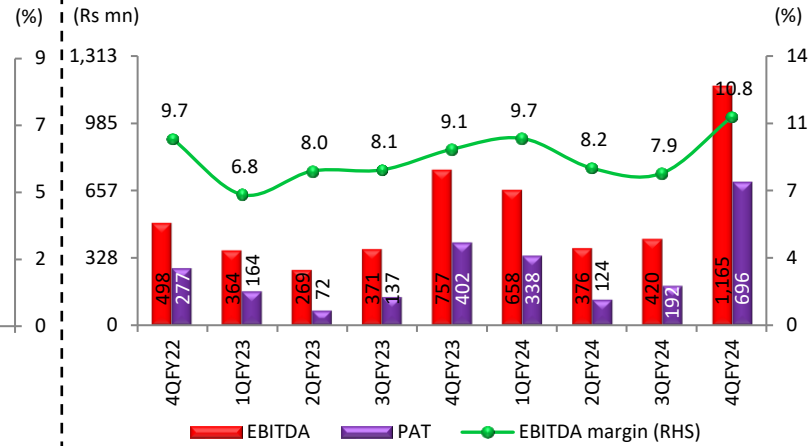


Exhibit 6: Earnings - quarterly trend

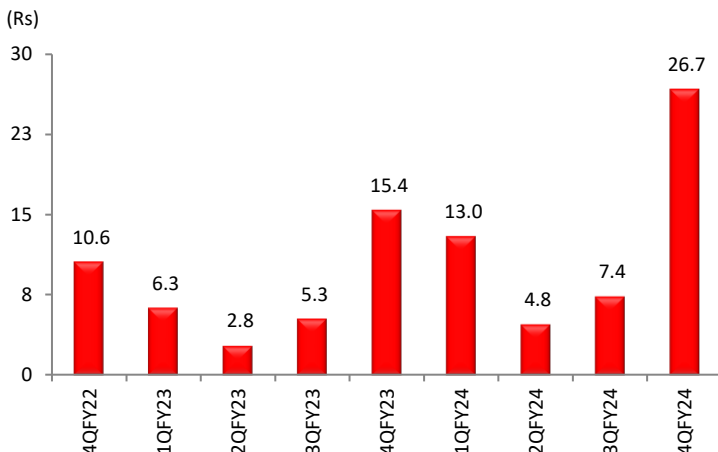
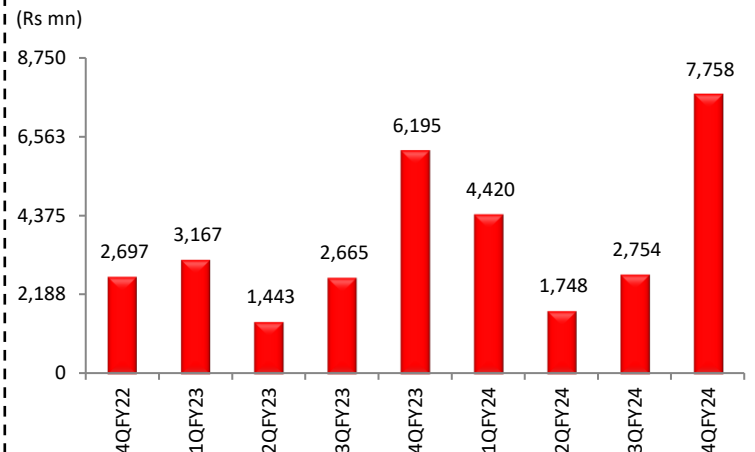


Exhibit 7: Product Business - Revenue trend



Source: Company, Systematix Institutional Research

Exhibit 8: Plastic Moulding - Revenue trend

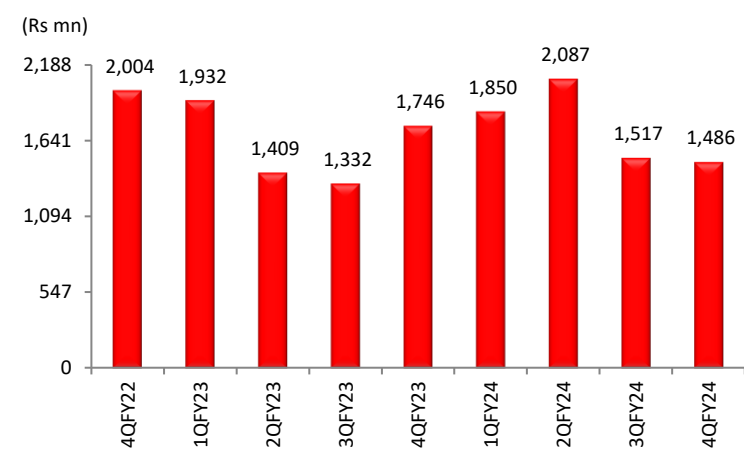


Exhibit 9: Consumer Electronics - Revenue trend

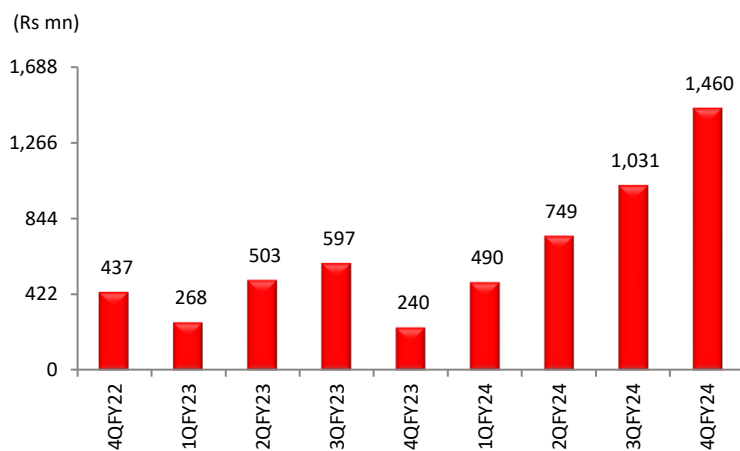


Exhibit 10: Revenue – annual growth trend

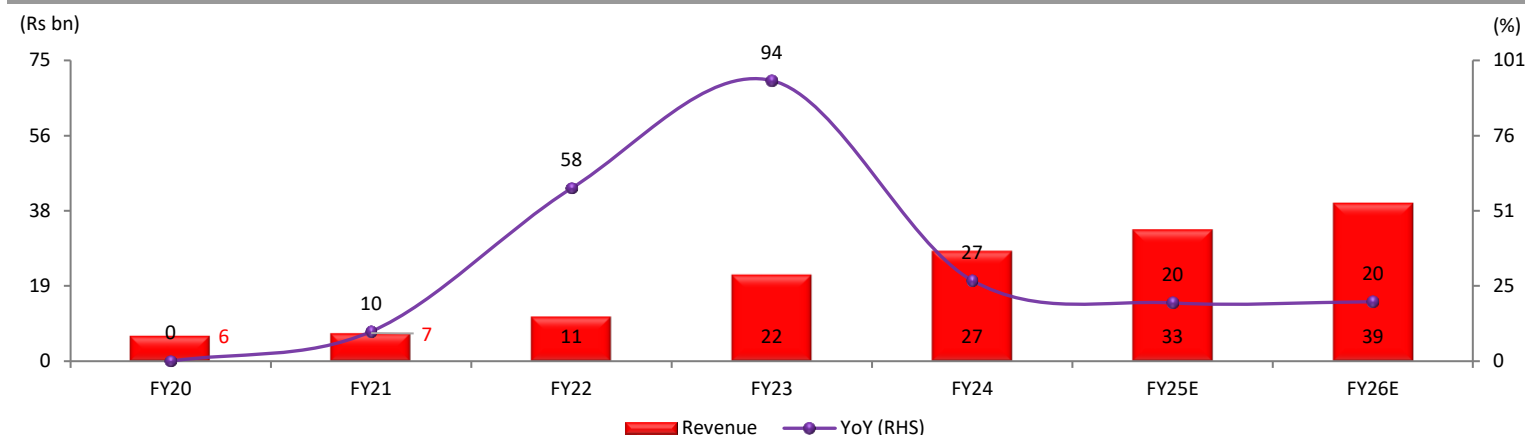
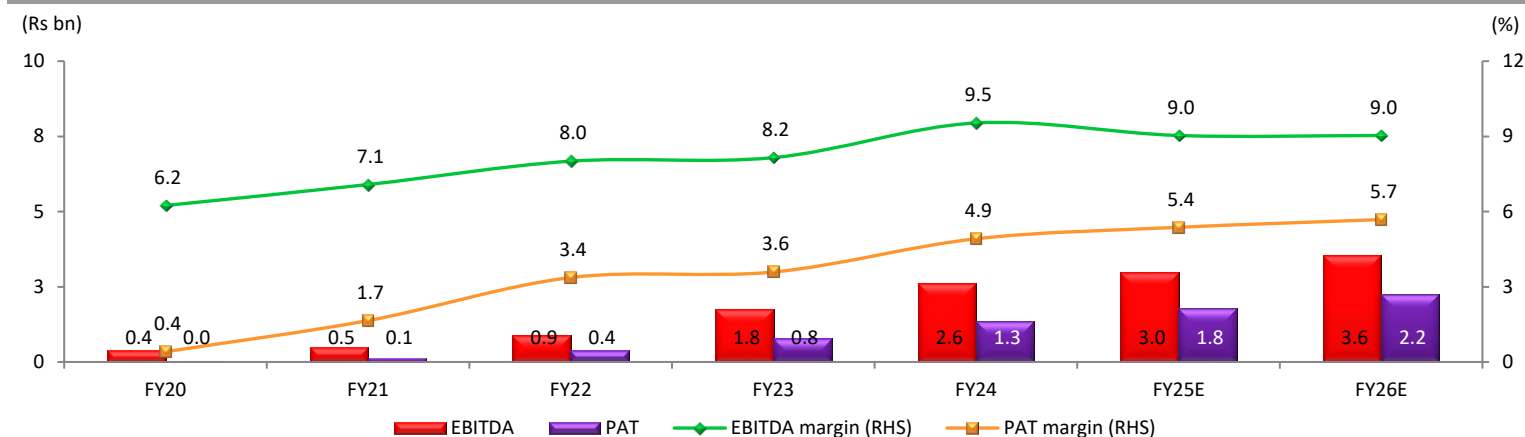


Exhibit 11: EBITDA, PAT – Annual growth, margin trend



Source: Company, Systematix Institutional Research

Valuation and View

PGEL specialises in ODM, OEM and Plastic Injection Moulding, catering to 50+ leading Indian and global brands. The flagship company of PG Group (established in 1977), PGEL, was formally set up in 2003. It has 8 manufacturing units across Greater Noida in Uttar Pradesh, Roorkee in Uttarakhand and Ahmednagar in Maharashtra, with more than 3,500 employees. The company is pursuing an organic growth strategy by ramping up the existing capacity and capability in each of its product vertical, with focus on backward integration, value addition and economies of scale. Product business contributed ~62% to its FY24 total revenue.

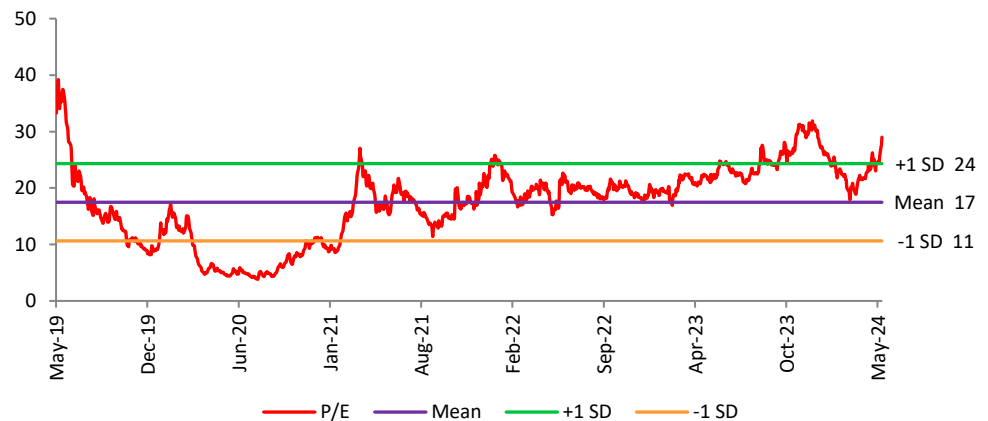
PGEL has shifted its TV manufacturing to the JV company, Goodworth Electronics. We raise our earnings estimates by 16-18% owing to share of profit from the JV and now expect 20%/17%/29% CAGR in revenue/EBITDA/PAT over FY24-26E. The recent Rs 5bn QIP will limit RoCE to ~18% in FY26E with scope of improvement. Maintain BUY with a higher target price of Rs 2,952 (28x FY26E P/E, earlier Rs 2,360). Healthy earnings growth and RoCE expansion will drive further valuation re-rating.

Exhibit 12: Change in estimates

(Rs mn)	Old estimates		New estimates		% Var	
	FY25	FY26	FY25	FY26	FY25	FY26
Revenue	33,984	41,888	32,843	39,405	(3)	(6)
EBITDA	2,878	3,555	2,966	3,559	3	0
EBITDA margin (%)	8.5	8.5	9.0	9.0		
PAT	1,490	1,927	1,763	2,238	18	16
EPS (Rs)	70.2	90.8	83.1	105.4	18	16

Source: Systematix Institutional Research

Exhibit 13: P/E band – 1-year-forward and standard deviation



Source: BSE, Systematix Institutional Research

Key Risks

- Weakness in RAC demand and its components
- Delays in passing on the high input prices

FINANCIALS (CONSOLIDATED)

Profit & Loss Statement

YE: Mar (Rs mn)	FY22	FY23	FY24	FY25E	FY26E
Net revenues	11,116	21,599	27,465	32,843	39,405
Growth (%)	58	94	27	20	20
Raw material expenses	8,840	17,645	22,063	26,514	31,812
Gross Margin (%)	20.5	18.3	19.7	19.3	19.3
Employee & Other exp.	1,386	2,194	2,784	3,362	4,034
EBITDA	890	1,760	2,618	2,966	3,559
EBITDA margins (%)	8.0	8.2	9.5	9.0	9.0
Depreciation	221	350	466	568	630
Other income	43	44	130	82	79
Finance costs	231	479	517	358	347
PBT	491	975	1,765	2,123	2,660
Effective tax rate (%)	23.7	20.6	22.4	24.0	24.0
Associates/(Minorities)	-	-	(21)	150	216
Net Income	374	775	1,349	1,763	2,238
Adjusted net income	374	775	1,349	1,763	2,238
Shares outstanding	21	23	26	26	26
FDEPS (Rs)	17.6	36.5	63.6	83.1	105.4
FDEPS growth (%)	222	107	74	31	27

Balance Sheet

YE: Mar (Rs mn)	FY22	FY23	FY24	FY25E	FY26E
Share capital	212	227	260	260	260
Net worth	3,123	3,959	10,381	12,066	14,199
Total debt	3,839	5,425	3,606	3,506	3,406
Minority interest	-	-	-	-	-
DT Liability/ (Asset)	166	366	339	359	379
Capital Employed	7,127	9,751	14,326	15,931	17,984
Net tangible assets	4,403	5,766	7,813	8,445	9,015
Net Intangible assets	7	12	34	34	34
Goodwill	-	-	-	-	-
CWIP	49	20	632	632	632
Investments (Strategic)	7	22	55	75	95
Investments (Financial)	-	-	-	-	-
Current Assets	5,828	8,866	12,721	15,073	17,898
Cash	392	396	1,824	1,203	1,080
Current Liabilities	3,558	5,331	8,754	9,532	10,769
Working capital	2,270	3,535	3,967	5,541	7,129
Capital Deployed	7,127	9,751	14,326	15,931	17,984
Contingent Liabilities	1,815	6,165	-	-	-

Cash Flow

YE: Mar (Rs mn)	FY22	FY23	FY24	FY25E	FY26E
EBIT (incl. other income)	766	1,482	2,350	2,554	3,150
Non-cash items	221	350	466	568	630
OCF before WC changes	987	1,832	2,816	3,122	3,781
Incr./ (decr.) in WC	1,506	1,640	451	1,574	1,588
Others including taxes	275	(266)	501	495	624
Operating cash-flow	(794)	457	1,863	1,053	1,569
Capex	1,513	1,542	2,258	1,200	1,200
Free cash-flow	(2,307)	(1,084)	(395)	(147)	369
Acquisitions	-	-	-	-	-
Dividend	-	-	-	78	104
Equity raised	441	33	4,918	(0)	-
Debt raised	7	742	(687)	(100)	(100)
Fin Investments	116	218	1,814	20	20
Misc. Items (CFI + CFF)	(2,139)	(375)	1,807	275	269
Net cash-flow	164	(152)	215	(621)	(124)

Ratios @ Rs 2,510

YE: Mar	FY22	FY23	FY24	FY25E	FY26E
P/E (x)	142.4	68.8	39.5	30.2	23.8
EV/EBITDA (x)	68.0	35.3	22.5	20.0	16.7
EV/sales (x)	5.4	2.9	2.1	1.8	1.5
P/B (x)	18.3	14.4	5.5	4.7	4.0
RoE (%)	12.0	19.6	13.0	14.6	15.8
RoCE (%)	13.0	17.2	19.0	16.4	17.7
ROIC (%)	13.3	17.7	20.0	17.8	18.7
DPS (Rs per share)	-	-	2.0	3.0	4.0
Dividend yield (%)	-	-	0.1	0.1	0.2
Dividend payout (%)	-	-	3.1	3.6	3.8
Net debt/equity (x)	1.1	1.3	0.2	0.2	0.2
Receivables (days)	70	74	73	73	73
Inventory (days)	94	60	72	72	72
Payables (days)	88	66	86	76	71
CFO:PAT (%)	(212)	59	138	60	70

Source: Company, Systematix Institutional Research

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