

PG ELECTROPLAST LTD.

Sector

Oct 28, 2024

Consumer Durables

Buy at CMP: Rs 566 | Target: Rs 649 (15%) | SL: Rs 520

PGEL is a diversified EMS and Plastic Injection Molding company that serves leading OEMs in Consumer Electronics and Automotive industries. They offer turnkey solutions, specializing in PCB assemblies, product assembly, and engineering services for home appliances, automotive parts, lighting, and mobile phones.

Investment Rationale

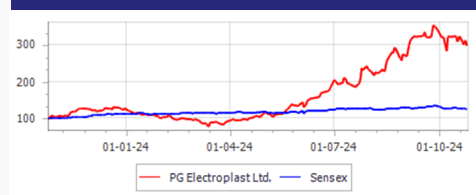
- ◆ **RAC and WM segment remain the key growth driver in the top line:** PG Electro achieved a 3x revenue growth from FY21 to FY24, reaching Rs 2,746 Cr, driven primarily by its product segment, which grew at an impressive 83% CAGR from FY20 to FY24, contributing INR 1,668 Cr. With the product business now forming 60.7% of total revenue in FY25, the company is poised for further growth. The AC and WM segments saw steady growth of 26% and 20%, respectively, and are projected to grow by 59%, with revenue expected to reach INR 2,650 Cr from INR 1,668 Cr in FY24. The growth drivers are strategic capacity expansion, ongoing product innovation, and increased penetration in AC and WM markets, making PG Electro a promising investment in the sector. Revenue is projected to grow by 32.9%, and PAT is expected to grow by 57.7%, reaching INR 216 crore in FY25.
- ◆ **Capex outlay of INR 380 Cr to fuel growth through capacity expansion:** PGEL has outlined a capex plan of INR 380 Cr for FY25, allocating INR 40 Cr for WM product development, INR 125 Cr for RAC, INR 3 Cr for air coolers, with the remaining budget directed to tools and the sanitary segment. The company currently operates a manufacturing capacity of approximately 250,000 indoor and 200,000 outdoor RAC units per month, alongside 100,000 SAWM units and 15,000 FAWM units per month. By Mar 2025, it aims to expand this capacity to 300,000 indoor and outdoor RAC units per month, 200,000 SAWM units, and maintain 15,000 FAWM units monthly. This capex will be funded through internal accruals and is expected to significantly bolster the company's profit growth trajectory.
- ◆ **Debt reduction and improved working capital set the stage for robust growth and capital investments:** In FY24, the company paid off INR 142 crore in debt, benefiting from a significant movement in air conditioning inventory. As a result, working capital improved to 59 days in FY24, down from 77 days in FY22. Management anticipates reducing working capital further to 40-45 days in FY25, which will enhance the cash position on the balance sheet. This improvement will support capital expenditures of INR 3.8 billion and strengthen the balance sheet overall.
- ◆ **Outlook and Valuations:** We model a Revenue/PAT CAGR of 32%/35% and estimate PGEL to clock PAT of Rs 452 Cr by FY27E. PGEL is trading at forward PE (x) of 32.7 and we value at 38(x) FY27E and Recommend BUY on PGEL with Target Price of Rs. 649 (15%) .

Script Details

BSE Group	A
BSE Code	533581
NSE Code	PGEL
Bloomberg Code	PGEL IN
Market Cap (INR Cr.)	14,798
Free Float (%)	46.6%
52wk Low/High	695/146
Beta (1yr Nifty 50)	0.00
Face Value (INR)/ D. Yield (%)	1/0
Total paid Up Shares (Mn.)	261.6

Share Holding Pattern (%)

Promoters	Public	Others
53.4%	46.6%	-

Share Price Relative Performance

Year	Revenue	EBITDA	PAT	PE Ratio (x)	EV/EBITDA (x)
FY24	3,390	237	185	80.1	43.8
FY25E	4,474	447	260	57.0	39.2
FY26E	5,906	591	343	43.2	29.7
FY27E	7,796	780	452	32.7	22.5

Source: Company Data, Ace Equity, GEPL Research

TECHNICAL VIEW

Observation

- PGEL has displayed a robust price structure across higher timeframes, consistently holding its upward trajectory. Recently, the stock found critical support at its 12-week moving average, signaling a potential bullish mean reversion that suggests renewed strength and a setup for further gains.
- Other significant moving averages, including the 26, 50, 100, and 200-week EMAs, are all trending upward, underscoring the stock's sustained bullish momentum. The MACD momentum indicator is also on a steady upward trend, confirming that PGEL's positive price action is supported by strong underlying momentum.
- Further reinforcing this strength, the ratio chart of PGEL versus the Nifty index reveals an impressive upward slope, highlighting the stock's relative strength compared to the broader market.
- Looking ahead, the technical outlook suggests an upside target of 649, with a recommended stop loss at 520 on a closing basis to manage risk effectively. This setup positions PGEL well for continued growth in the weeks to come.



Inference & Expectations

- Considering these factors, it can be inferred that PGEL stock is set to continue uptrend.
- Going ahead we expect the prices to move higher till 649 level.
- The stop loss must be at 520 level, strictly on the closing basis.

Invest Now →

Source: Tradingview.in, GEPL Research



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