

# Hot summer, hotter sales

**EMS.** Demand for air-conditioners and diversification into new categories crucial for PG Electroplast stock

**Sai Prabhakar Yadavalli**  
bl. research bureau

PG Electroplast (PGEL) is an electronic manufacturing services company with a strong focus on room air conditioners (RAC). Along with rising RAC penetration in India, it has reported a 39 per cent CAGR growth in revenues during FY16-25 and now accounts for 11-12 per cent of overall RACs manufactured in India.

The RAC market faced weak demand last year owing to early onset of monsoons and the stock of PGEL corrected 30 per cent in the last one year. Resumption of RAC demand on a weak base is crucial for the stock, even as consumer durable growth in the long term is expected. The stock is trading at 43 times one-year forward earnings, which is at a 7 per cent premium to its last five-year average. We recommend investors hold the stock at current valuations when long-term potential must be weighed against resumption of RAC growth momentum in the upcoming Summer season.

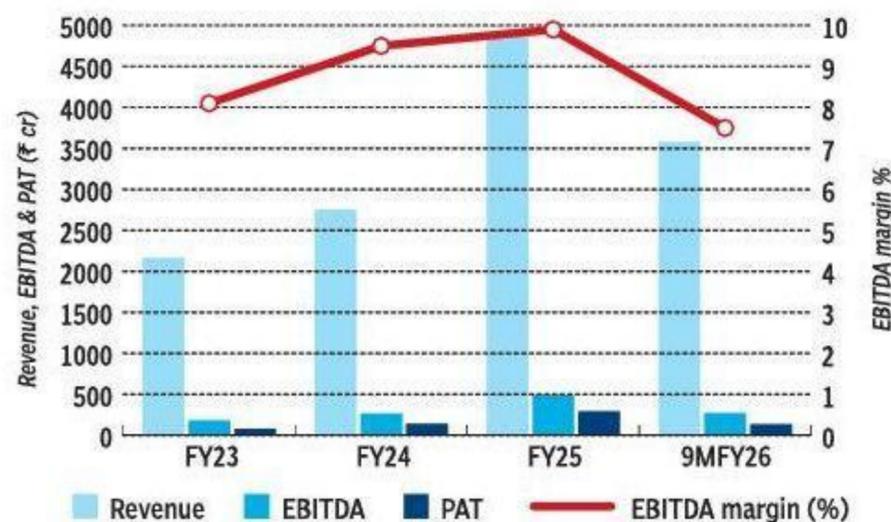
The company reported revenues of ₹1,412 crore in Q3FY26, which is a 45 per cent year-on-year growth. Around ₹1,140 crore or 80 per cent of the revenues are from products and the rest from plastic moulding and electronics. RACs contributed ₹932 crore in the quarter, an 80 per cent growth. Washing machines contributed ₹194 crore, up 45 per cent.

## RAC SECTOR OUTLOOK

As mentioned, RAC sales are coming off a weak base last year. The industry reported strong growth till April 2025 but sales dried up in May 2025 with early onset of the monsoon. The channel inventory was high and



## Financial performance



primary sales (manufacturer to channel) declined significantly. For PGEL, revenue growth in Q1/Q2FY26 of 14 per cent/-2 per cent is in stark contrast to 77 per cent growth in FY25.

Sales growth resumed in Q3FY26 with 46 per cent growth, but this can be ascribed to implementation of new star ratings. New Bureau of Energy Efficiency (BEE) star ratings are effective January 1, 2026, which are stricter norms that rate goods as 5-star to 1-star, based on their energy efficiency. The

older inventory had to be pushed into the channel before the deadline, a move which supported the revenue growth in Q3FY26.

Heading into Q4FY26, the strongest season for RAC, with channel inventory at higher levels (first from weak season and later from older-rated RACs), the demand will be a key monitoring factor.

Over a longer term, rising middle-class affordability, soaring temperatures and local PLI-supported manufacturing

semi-automatic model and expects to scale up in fully-automatic top load and front load machines as well.

For FY26, it has a capex plan of ₹700-750 crore. This includes ₹100 crore towards expanding the washing machine plant in Greater Noida and ₹200 crore towards expanding RAC plants. PGEL is also setting up a refrigerator plant in Sri City, Andhra Pradesh, at ₹300-350 crore. This plant is expected to start commercial production by FY28 with a capacity of 1.2 million units at peak utilisation. With a clientele that more often operates across the three categories (RAC, washing machines and refrigerators), the company should scale up the new division. This addresses its much-needed diversification requirement from the RAC profile now, which is susceptible to weather and demand patterns. It is exploring partnerships to commence compressor production and PCB segment as well.

## FINANCIALS, VALUATION

The stock had corrected 30 per cent on the announcement of Q1FY26 results, which was when the weak demand for RACs and high channel inventory was revealed. The valuation has corrected from 50-52 times to 43 times one-year forward EPS currently.

The company has a strong balance sheet with a marginal net cash position, which should fund the capex programme largely from internal accruals. It has reported an EBITDA margin of 9.5-9.9 per cent in last two fiscals, which has corrected to 7.5 per cent in 9MFY26 owing to weaker topline growth and higher cost of materials. PGEL expects to pass on the higher commodity costs with the resumption of demand.

**● HOLD**

**PG Electroplast ₹608**

### WHY

- AC demand in summer a crucial support
- Portfolio diversification ongoing
- Valuation now factors drivers and risks fairly well after correction

should aid RAC penetration in the country, which stood at 8 per cent as of September 2025, according to ICRA. While GST cuts do not impact RAC purchase decisions, the lower GST rates and lower interest rates should support higher demand in the longer term.

## DIVERSIFICATION

Washing machine sales accounted for 14 per cent of sales in Q3FY26. PGEL aims to grow the segment from a smaller base by adding new clients and increasing their wallet share. The company has a strong presence in the