

November 26, 2025

## PG Electroplast Limited: [ICRA]A+(Stable)/[ICRA]A1; assigned

### Summary of rating action

Instrument*	Current rated amount (Rs. crore)	Rating action
Long Term – Fund Based	40.00	[ICRA]A+ (Stable); assigned
Short Term – Non-fund Based	63.00	[ICRA]A1; assigned
<b>Total</b>	<b>103.00</b>	

\*Instrument details are provided in Annexure I

### Rationale

The ratings assigned to PG Electroplast Limited (PGEL) reflect its strong operating profile as a leading original design manufacturer (ODM) of room air conditioners (RACs) and semi-automatic washing machines in India, the Group's established operational track record and extensive promoter experience of over two decades in the electronic manufacturing services (EMS) industry. This coupled with integrated operations has enabled the company to establish a wide customer base which includes reputed names including Godrej, Whirlpool, Blue Star, and Voltas, among others. Over the years, the company has undertaken significant capacity expansion and strengthened its position through backward integration into key RAC and electronic components, enhancing cost competitiveness and profitability. Despite sizeable capex in the RAC segment, PGEL's financial risk profile remains healthy, aided by timely equity infusions, low reliance on external borrowings, and healthy cash flow generation, resulting in comfortable credit metrics. While the RAC segment remains the key revenue driver (accounting for 60-62% of revenues), other segments such as washing machines (9%) and plastic injection moulding (20%) provide revenue stability and mitigate seasonality risks to some extent.

ICRA notes the company's ongoing capital expenditure towards establishing a new facility at Sricity with an initial estimated outlay of around Rs. 300 crore, funded through surplus liquidity. The facility, expected to be commissioned by FY2027, will initially cater to contract manufacturing of refrigerators, with plans to add more products subsequently. Once operational, it is likely to enhance product and geographic diversification and support medium-term revenue growth. However, timely commissioning and successful ramp-up of operations will remain critical for sustaining healthy return indicators and will be a key monitorable.

The ratings are, however, constrained by the intense competition within the industry, which coupled with contract manufacturing nature of operations results in moderate operating margins for PGEL. Further, with import of 45-50% of the required raw materials, its margins remain exposed to volatility in input prices, foreign exchange fluctuations, and supply chain risks. However, these risks are partly mitigated through forward-contract hedging and lag in customer price revisions. As around 60% of the company's revenue is generated from the RAC segment, PGEL's operations remain exposed to the inherent seasonality in the business. Nonetheless, ICRA has noted the company's initiatives to enhance its non-RAC business revenues, which are expected to gradually scale up over the medium term.

The Stable outlook on the long-term rating reflects ICRA's expectation that PGEL will maintain healthy credit metrics, supported by its strong business profile, comfortable capital structure and adequate liquidity position.

## Key rating drivers and their description

### Credit strengths

**Established operational track record and healthy market share as a contract manufacturer in the domestic RAC industry** – PGEL, the flagship entity of the PG Group, benefits from its long operational track record in the electronic manufacturing services (EMS) industry. The PG Group, established in 1977 by Late Promod Gupta, initially commenced operations as a component manufacturer and gradually diversified into television, washing machine, and air-conditioner manufacturing, along with PCB assembly and injection moulding. Over the past five years, PGEL has evolved into a prominent domestic EMS player, particularly in the RAC and washing machine segments. PGEL holds a strong market position as a leading ODM for RACs and semi-automatic washing machines in India. The company is managed by Mr. Anurag Gupta (Chairman and Executive Director), who has over two decades of experience in the EMS industry.

**Diversified and reputed client base** – PGEL's business profile is supported by a diversified and reputed customer base comprising leading OEMs and MNCs such as Godrej & Boyce, Whirlpool, Blue Star, Haier, Reliance Retail, Flipkart, and Voltas. The company benefits from strong client relationships, repeat business, and proven execution capabilities, augmented by cost-efficient manufacturing. Moreover, the entry of multiple brands in the RAC segment and increasing preference for outsourcing have supported PGEL's growth over the past five years. RAC continues to be the dominant revenue contributor, accounting for 60-62% of revenues. Nevertheless, the company's ongoing initiatives to expand its washing machine and refrigeration segments are expected to enhance diversification and strengthen its business profile over the medium term.

**Strong focus on cost competitiveness, aided by backward integration and integrated facilities** – PGEL has established strong capabilities to offer end-to-end product development solutions under its ODM model. Strategic backward integration for components such as plastic moulding, sheet metal, PCB assemblies, and heat exchangers enable in-house manufacturing of RAC parts, enhancing cost competitiveness. Vertical integration within facilities and access to low-cost contract labour further support operational efficiency. These factors have resulted in stable operating margins of 8-8.5% during FY2023-FY2025. The company is also expected to benefit from production-linked incentive (PLI) and state-level schemes.

**Healthy financial risk profile** – PGEL has reported a strong revenue growth with CAGR of 47% over the past five years to Rs. 4,859.7 crore in FY2025, aided by robust RAC demand and increasing penetration of cooling solutions with smaller and private players entering the RAC market with contract manufacturing preference. However, its revenue growth moderated to 8.4% on an YoY basis in H1 FY2026 due to a relatively weaker season for the RAC industry, impacting margins, amid high fixed costs and low utilisation. Nevertheless, demand is expected to recover in H2, aided by festive sales and GST rate cuts, supporting revenue growth and margins for the entire fiscal. The company has undertaken significant capacity expansion and backward integration over the years. Despite this, debt remains moderate at Rs. 590.5 crore as of September 30, 2025, with capacity expansions largely funded through equity, including Rs. 2,000 crore raised via QIP over FY2023-25, resulting in a net worth of Rs. 2,902.1 crore as on September 30, 2025. The leverage levels and coverage indicators remain healthy, with a gearing of 0.1 times, total debt/OPBITDA of 0.8 times and an interest coverage of 5.0 times for FY2025. ICRA expects the financial risk profile to remain healthy despite sizeable capex plans, backed by healthy cash flow generation, adequate liquidity, and low reliance on external borrowings. Accordingly, PGEL's leverage levels are expected to remain low with Total Debt/ OPBDITA below 1 times over the near-to-medium term.

**Favourable demand outlook for the Indian AC industry supports long-term growth prospects** – Structural drivers such as rising temperature, increasing RACs per household, urbanisation, higher disposable incomes, easier consumer financing and goods and service tax (GST) rate reduction are expected to support long-term growth in the AC industry. Additionally, replacement demand, driven by a preference for energy-efficient models due to higher usage and energy costs, remains a key factor. ICRA expects the Indian RAC industry volumes to register a healthy growth of 10-12% over the medium term, supported by favourable demand drivers. However, volumes in FY2026 are likely to contract owing to subdued demand during the recent summer season along with a high base effect with FY2025 volumes estimated to have reached an all-time high of 12.5-13.0 million units.

## Credit challenges

**High import dependence exposes profitability to forex fluctuation risks and volatility in raw material prices** – PGEL imports 45-50% of its raw material requirements, including aluminium foil, copper tubes, compressors, motors, and chips from China, Vietnam, and Thailand, exposing it to foreign exchange fluctuation risk, commodity price volatility, and supply-chain disruptions. These risks are partly mitigated through hedging of payables via forward contracts and periodic price revisions with customers, though with some lag.

**Susceptible to inherent seasonality in the AC business** – The company derives a significant portion of its revenues from room air conditioners (RACs) and related components, which exposes it to the inherent seasonality of the RAC industry, with sales peaking during January to June. The operations are moderately working capital intensive as the company procures a substantial portion of its inventory at the beginning of the year, while sales gradually ramp up between March and June. Therefore, adverse weather conditions can lead to inventory build-up and cash flow pressure. This was evident in Q1 FY2026, when unseasonal rains and early monsoon arrival resulted in weak demand, leading to elevated inventory level. Inventory remained high in Q2 FY2026, a lean quarter, further impacted by delays in implementation of the GST rate cut, which deferred purchases. These factors increased working capital requirements, which were met partly through internal accruals and the rest via short-term borrowings. ICRA expects the company's inventory level to moderate over the subsequent quarters, with the onset of the next peak sales season.

**Exposed to intense competition in the AC business** – The Indian RAC industry remains highly competitive, with large OEMs increasingly focusing on in-house manufacturing, which may pose challenges for contract manufacturing. However, contract manufacturers continue to benefit from smaller brands' preference for outsourcing, supported by strong backward integration and cost efficiency. Additionally, off-season sales through e-commerce and modern retail channels help ODMs mitigate seasonality risks and sustain margins.

## Environmental and social risks

**Environmental considerations** – RAC manufacturers remain exposed to tightening Government regulations because of the transition towards a low carbon economy and a consequent push towards energy-efficient products. Further, the manufacturing process entails generation of pollutants and waste products, which exposes the sector to the impact of any penalty/litigation. Thus, the company may need to invest materially to minimise the environmental impact of its facilities.

**Social considerations** – PGEL has healthy dependence on human capital with technological expertise. Thus, retaining human capital and maintaining healthy relationships with employees and suppliers remain essential for disruption-free operations of the entity. The social risk pertaining to demographics and consumer trend remains generally low, given the increasing demand for air conditioners. The company's ability to scale operations and onboard new clients remains contingent on its ability to attract and retain experienced professionals, particularly at managerial levels.

## Liquidity position: Adequate

PGEL's liquidity position is adequate, supported by cash and liquid investments of around Rs. 630 crore and unutilised bank limits of approximately Rs. 300 crore as on September 30, 2025. The company also has access to sales invoice discounting facilities against receivables from key customers. The company is expected to incur sizeable capex of Rs. 700-750 crore in FY2026 and Rs. 300-350 crore in FY2027, along with repayment obligations of Rs. 30 crore and Rs. 42 crore, respectively, all of which are expected to be comfortably met through operating cash flows and available liquidity.

## Rating sensitivities

**Positive factors** – The ratings may be upgraded if PGEL reports a healthy growth in revenue and earnings, aided by increasing business diversification, while maintaining adequate liquidity and comfortable credit metrics on a sustained basis.

**Negative factors** – Pressure on PGEL’s ratings could arise if pressure on revenue and profitability, an increase in working capital intensity and/or any large debt-funded capex, result in material weakening of the company’s liquidity and credit metrics. Specific credit metrics that could exert pressure on the ratings include Total Debt/OPBDITA of more than 1.8 times on a sustained basis.

## Analytical approach

Analytical approach	Comments
Applicable rating methodologies	<a href="#">Corporate Credit Rating Methodology</a>
Parent/Group support	Not applicable
Consolidation	For arriving at the ratings, ICRA has considered the consolidated financials of PGEL. Refer to the Annexure II for the list of entities considered for consolidation as of March 31, 2025.

## About the company

Incorporated in FY2003, PGEL, the flagship entity of the PG Group, is one of the leading electronic manufacturing service (EMS) providers in India. The PG Group, established in 1977 by Late Promod Gupta, initially commenced operations as a component manufacturer and gradually diversified into television, washing machine, and air-conditioner manufacturing, along with PCB assembly and injection moulding. PGEL is a leading contract manufacturer of air conditioners, primarily RACs and semi-automatic washing machines. PGEL operates eleven manufacturing facilities across Greater Noida in Uttar Pradesh, Roorkee in Uttarakhand, Bhiwadi in Rajasthan and Ahmednagar in Maharashtra and serves major brands such as Godrej, Whirlpool, Blue Star, and Voltas.

## Key financial indicators (audited)

PGEL – Consolidated	FY2024	FY2025	H1 FY2026*
Operating income	2,746.5	4,869.5	2,159.2
PAT	137.0	290.9	69.1
OPBDIT/OI	9.4%	9.6%	7.0%
PAT/OI	5.0%	6.0%	3.2%
Total outside liabilities/Tangible net worth (times)	1.2	0.8	0.6
Total debt/OPBDIT (times)	1.7	0.8	2.0
Interest coverage (times)	5.0	5.3	3.0

Source: Company, ICRA Research; \*Results; All ratios as per ICRA’s calculations; Amount in Rs. crore; PAT: Profit after tax; OPBDIT: Operating profit before depreciation, interest, taxes and amortisation

**Status of non-cooperation with previous CRA: Not applicable**

**Any other information: None**

## Rating history for past three years

Instrument	Type	Current (FY2026)		Chronology of rating history for the past 3 years					
		Amount rated (Rs. crore)	Nov 26, 2025	FY2025		FY2024		FY2023	
				Date	Rating	Date	Rating	Date	Rating
<b>Fund Based facilities</b>	Long term	40.00	<b>[ICRA]A+ (Stable)</b>	-	-	-	-	-	-
<b>Non Fund Based facilities</b>	Short term	63.00	<b>[ICRA]A1</b>	-	-	-	-	-	-

## Complexity level of the rated instruments

Instrument	Complexity indicator
<b>Long Term – Fund Based</b>	Simple
<b>Short Term – Non Fund Based</b>	Very Simple

The Complexity Indicator refers to the ease with which the returns associated with the rated instrument could be estimated. It does not indicate the risk related to the timely payments on the instrument, which is rather indicated by the instrument's credit rating. It also does not indicate the complexity associated with analysing an entity's financial, business, industry risks or complexity related to the structural, transactional or legal aspects. Details on the complexity levels of the instruments are available on ICRA's website: [Click here](#)

**Annexure I: Instrument details**

ISIN	Instrument name	Date of issuance	Coupon rate	Maturity	Amount rated (Rs. crore)	Current rating and outlook
NA	Long Term – Fund Based	NA	NA	NA	40.00	[ICRA]A+ (Stable)
NA	Short Term – Non Fund Based	NA	NA	NA	63.00	[ICRA]A1

Source: Company

[Please click here to view details of lender-wise facilities rated by ICRA](#)

**Annexure II: List of entities considered for consolidated analysis**

Company name	PGEL's ownership	Consolidation approach
PG Electroplast Limited	(rated entity)	-
PG Technoplast Private Limited	100%	Full consolidation
PG Plastronics Private Limited	100%	Full consolidation
Next Generation Manufacturing Private Limited (w.e.f. March 02, 2025)	100%	Full consolidation
Joint venture		
Goodworth Electronics Private Limited	50%	Equity method

Source: Q2 results FY2026

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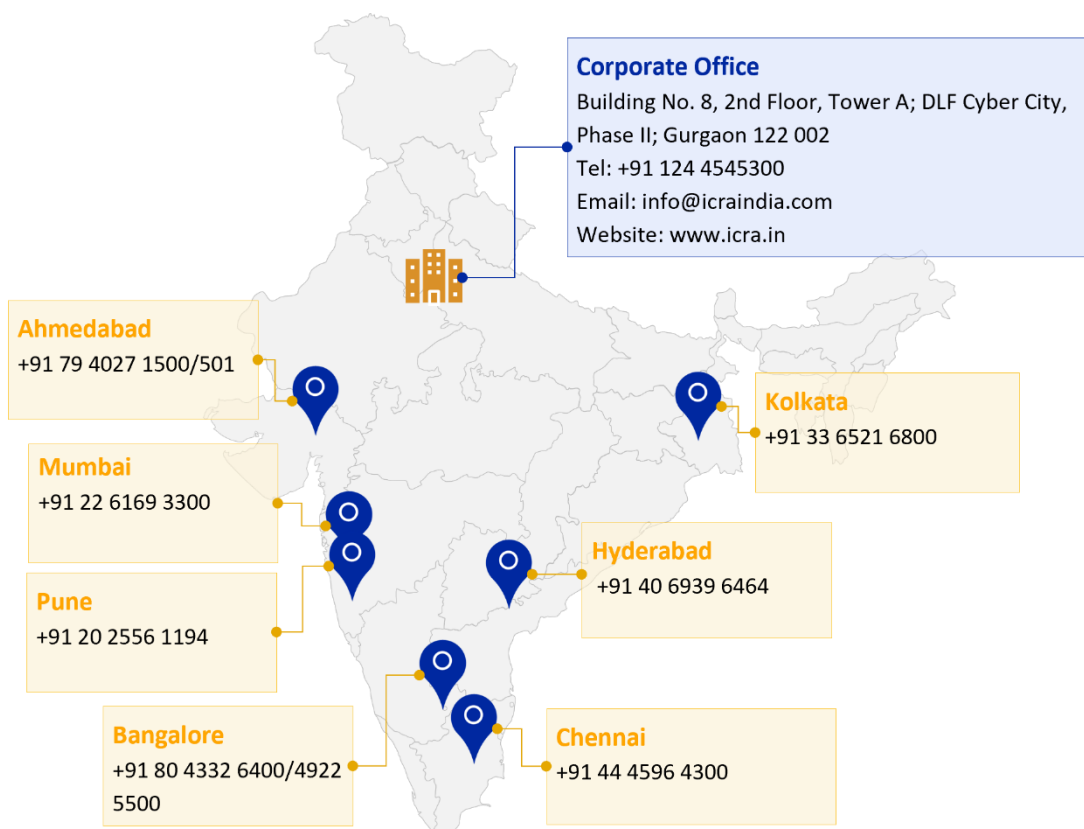
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