

PG Electroplast : Average Issue : Invest at lower level after listing

IPO Note: Diversified products base in the consumer electronics business will drive growth

Rating**

Issue details

Price band (Rs)	Rs. 190-210
IPO Opening Date	07/09/11
IPO Closing Date	12/09/11
Issue Size	Rs.109.16-120.65 Crore

Valuations & Recommendation

The company is offering shares in a price band of Rs 190-210 per equity share and based on the EPS of Rs 16.78 for the year ended March 31, 2011 the P/E at the lower price band comes at 11.32x while at the higher price band it comes at 12.51x. The low value addition results in low profitability margin, also the cut-throat competition in the industry may impact the profitability going further.

The fundamentals of the company is average but the issue has been priced slightly on upper side, The shares of well established companies in the segment, with strong brand equity, like Videocon (8 PE) and Mirc Electronics (10 PE) are available at much cheaper valuation. Being a consumer durable company and demand will be high of the company in coming years hence we recommend to invest this issue looking after 2-3 quarterly numbers at lower level after listing for long term.

Highlights

- ◆ PG Electroplast is an Electronic Manufacturing Services (EMS) provider for Original Equipment Manufacturers (OEMs) of consumer electronic products in India.
- ◆ The company had negative cash flow in FY 2011.
- ◆ BV of shares as on 31-03-11 is Rs 41.
- ◆ IPO carries grade 3 assigned by CARE.
- ◆ However this Rs 121cr expansion project has not been appraised / funded by any bank.
- ◆ The company derives 54% of the revenue from few customers / related party group.

Company Introduction

Company Profile

PG Electroplast is an Electronic Manufacturing Services (EMS) provider for Original Equipment Manufacturers (OEMs) of consumer electronic products in India. It manufacture and/or assemble a comprehensive range of consumer electronic components and finished products such as colour television (CTV) sets & components, air conditioners (ACs) sub-assemblies, DVD players, water purifiers and Compact Fluorescent Lamps (CFL) for third parties. As backward integration, it also do plastic injection moulding and manufacture Printed Circuit Boards (PCB) assemblies for CTVs, DVD players and CFL. Some of its clients include leading brands in the electronic products market.

Manufacturing facilities



www.pgel.in

Particulars	Mar2011	Mar2010	Mar2009
Net Sales	448.09	371.12	135.34
PBIT	28.81	17.18	3.97
PAT	17.9	0	1.14
EPS (Rs)	16.78	9.55	1.27

Rs. in Crore

RANKING METHODOLOGY

WEAK	*
AVERAGE	**
GOOD	***
VERY GOOD	****
EXCELLENT	*****

It has four operational manufacturing facilities located at Greater Noida in Uttar Pradesh (Unit I and Unit III), at Roorkee in Uttarakhand (Unit II), and at Ahmednagar in Maharashtra (Unit IV). It commenced manufacturing operations at Unit I in Greater Noida facility in FY 2002-03, at Unit II in Roorkee facility in FY 2007-08, at Unit III in Greater Noida in FY 2011-12 and at Unit IV in Ahmednagar in FY 2010-11. At present, it has a consolidated installed capacity of manufacturing 16,00,000 pieces p.a. of PCB assemblies for CTVs and DVD players; 16,056 tonnes p.a. for plastic injection moulding; 16,05,000 sets p.a. of CTVs; 30,00,000 pieces p.a. of PCB assemblies for CFL; 30,00,000 pieces p.a. of CFL assemblies; and 3,00,000 pieces of DVD players at its manufacturing facilities in Greater Noida (Unit I and Unit III), Roorkee (Unit II) and Ahmednagar (Unit IV).

Industry Overview

Indian Electronics Industry is a high growth industry which is attracting global attention as apart from a growing market, it also has the potential to deliver high quality product at a lower cost than its western counterparts. Sensing vast opportunity, this has led to many global players setting up their production base in the country. Production by the industry is estimated to account for about 2.5% of the country's GDP in FY 2011, an increase from ~1.74% in FY 2006.

Valuations

PG Electroplast has come up with a public issue of 57,45,000 Equity Shares of Rs. 10 each in a price band of Rs 190-210 per equity share and based on the EPS of Rs 16.78 for the year ended March 31, 2011 the P/E at the lower price band comes at 11.32x while at the higher price band it comes at 12.51x. While, many of its peers are available at lower valuation. The company is mainly engaged in manufacturing and assembly of consumer electrical products. For the FY 2010-11 its total income, as restated, was Rs 427.54 crore, and the profit after tax, was Rs 17.90 crore based on restated audited unconsolidated financial statements.

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