

Steady performance, premiumisation theme intact...

About stock: Pricol Ltd (Pricol), is a Coimbatore based supplier of diversified auto components primary across two verticals: (i) Driver Information & Connected Vehicle Sols (instrument clusters), (ii) Actuation, Control & Fluid mgmt. systems (pumps etc.).

- Sales mix: ~65% from 2-W, 3-W, ~15% from CV, ~10% from PV, ~10% from off-road & tractors

Q2FY25 Result: Pricol posted steady performance in Q2FY25. On consolidated basis, total operating income for the quarter came in at ₹669 crore (up 15.7% YoY). EBITDA in Q2FY25 came in at ₹77 crore with corresponding EBITDA margins at 11.5% (down 150 bps QoQ). PAT for Q2FY25 stood at ₹45 crore (up 36% YoY).

Investment Rationale

- **Best placed to play premiumisation trend in instrument cluster domain:** Instrument Cluster is a critical component of an automobile showcasing various real time information with respect to vehicle running parameters. Pricol is one of the industry leaders in this space with ~50% market share in the 2-W category, ~80% in CV's, ~50% in tractor space, ~90% in off-highway segment and ~<10% in PV space (limited to Tata Motors). Pricol realises ~70% of its sales from this segment. Interestingly, this space is undergoing a drastic shift in terms of digitalisation, parameters/optionality available to vehicle drivers including navigation, communication & more vibrant display thereby driving the premiumisation trend. In 2W space for example, the content/vehicle in the Analog to digital to TFT is pegged at x-3-4x-10-15x i.e. a cluster costing Rs x in the Analog format, costs ~3-4x in digital format and ~10-15x in TFT format. It's also a key differentiator and unique selling proposition for OEM's these days. The share of Analog clusters is on decline (~30% currently) with digital clusters on the up-move at ~65% and rest being constituted by TFT clusters i.e. ~5%. Going forward we expect the trend to accelerate further towards digital and TFT clusters domain benefitting Pricol. It is best placed to capture both the 2-W volume recovery as well as premiumisation trend domestically.
- **Fluid control segment to grow at steady pace, new products avert risk:** Pricol realises healthy ~30% of its topline from actuation and fluid control space including fuel pumps which have both automotive & industrial usage. Fuel pumps run the EV risk at Pricol and constitute ~5-6% of its sales, the company however is mitigating this risk by introduction of new products such as electric coolant pumps (used in EV's) which coupled with its proven capabilities in industrial side bodes well for Pricol in long run.

Rating and Target Price

- With net debt free b/s, healthy return ratios profile (~20%) and levers to grow ahead of industry amid premiumisation drive and positive volume growth outlook in 2-W space, we retain our **BUY** rating on Pricol. We value Pricol at **₹ 580 i.e., 25x P/E on FY27E EPS**

Key Financial Summary

Key Financials	FY21	FY22	FY23	FY24	5 year CAGR (FY18-24)	FY25E	FY26E	FY27E	3 year CAGR (FY24-27E)
Total Operating Income	1,413	1,545	1,959	2,272	10.2%	2,676	3,152	3,621	16.8%
EBITDA	178	181	228	273	23.9%	325	394	471	19.9%
EBITDA Margins (%)	12.6	11.7	11.7	12.0		12.2	12.5	13.0	
Net Profit	41	55	125	141	LP	181	228	283	26.3%
EPS (₹)	3.4	4.5	10.2	11.5		14.9	18.7	23.2	
P/E	133.6	100.7	44.5	39.5		30.6	24.3	19.6	
RoNW (%)	7.9	9.5	16.5	16.6		17.8	18.4	18.9	
RoCE (%)	9.7	12.6	17.7	20.4		21.8	22.5	22.9	

Source: Company, ICICI Direct Research



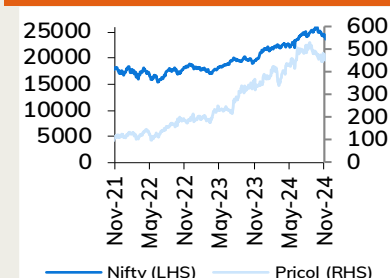
Particulars

Particular	₹ crore
Market Capitalization	5,545.6
Total Debt (FY24)	46.6
Cash & Investments	118.8
EV (FY23)	5,473.4
Equity capital	12.2
52 week H/L (₹)	542 / 329
Face value	₹ 1

Shareholding pattern

	Dec-23	Mar-24	Jun-24	Sep-24
Promoter	38.5	38.5	38.5	38.5
FII	6.5	14.4	15.0	15.7
DII	6.9	16.6	16.5	15.7
Other	48.1	30.5	30.0	30.1

Price Chart



Recent Event & Key risks

- Reports steady performance in Q2FY25. O/p margins at 11.5%
- Key Risk: (i) slower than built in topline growth at the company amid industry level slowdown (ii) expensive/unfit inorganic buyout hampering overall profitability as well as B/S strength

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Key slides from recent PPT

Exhibit 1: Key product verticals at Pricol

Product Vertical

A. Driver Information and Connected Vehicle Solutions

Connected Vehicle Solutions

B. Actuation, Control and Fluid Management Systems

Source: Company, ICICI Direct Research

Key Concall highlights: Q2FY25

- Exports are currently lower than projected due to external factors, including US elections and policy changes. Management remains cautious about the EV market, indicating slow adoption and asserting that their products are propulsion agnostic.
- Gross margin softness during the quarter is attributed to product mix changes. It expects EBITDA margin to remain stable around current levels, with potential improvement of 50 bps as exports resume.

Exhibit 2: Pricol Customers – across product categories

Our Major Customers

TWO / THREE WHEELERS

TRACTORS

OFF ROAD VEHICLE

PASSENGER VEHICLES

INDUSTRIAL

COMMERCIAL VEHICLES

NEW AGE EV CUSTOMERS

Source: Company, ICICI Direct Research

Exhibit 3: Pricol – new product launches (TVS Jupiter & Raider – LCD Type)



Source: Company, ICICI Direct Research

- Exports share in Q2FY25 is 6.5% down from ~9% in Q2FY24.

- It has unchanged planned Capex of ₹600 crore over three years; ₹200 crore expected this year. ₹150-180 crores for next year. Investments include expanding existing plants, creating new facilities, and upgrading production lines.

- Pricol is exploring opportunities via acquisition route to enter the railway and defence segments in India, aiming for higher margins and growth. It is also exploring targets in automotive space.

- New products like E-cockpit, Telematics, and Battery Management Systems (BMS) are ready but revenue contribution is expected in 18 to 24 months.

- Disc brakes have started commercial production, with supplies initiated to six manufacturers; ramp-up phase expected in FY26. With this the company is in line to attain target of ₹3,200 crore of revenue by FY26.

- Long-term borrowings at a consolidated level are nil, with comfortable cash reserves as of H1FY25.

- In the instrument cluster space, the market is growing in a way where Pricol's average product value moved from ₹300, 10-12 years ago to ₹1200 now, and they see it jumping to about ₹ 2500 in next 2 to 3 years for a two-wheeler.

Financial Summary

Exhibit 4: Profit and loss statement				
	₹ crore			
(Year-end March)	FY24	FY25E	FY26E	FY27E
Total operating Income	2,272	2,676	3,152	3,621
Growth (%)	16.0	17.8	17.8	14.9
Raw Material Expenses	1,555	1,860	2,183	2,498
Employee Expenses	263	297	347	389
Other Expenses	181	194	228	262
Total Operating Expenditure	1,999	2,351	2,758	3,150
EBITDA	273	325	394	471
Growth (%)	19.5	19.1	21.2	19.5
Depreciation	82	86	101	112
Interest	18	11	7	5
Other Income	13	13	18	24
PBT	186	242	304	378
Total Tax	45	60	76	94
Reported PAT	141	181	228	283
Growth (%)	12.7	29.1	25.8	24.1
EPS (₹)	11.5	14.9	18.7	23.2

Source: Company, ICICI Direct Research

Exhibit 5: Cash flow statement				
	₹ crore			
(Year-end March)	FY24	FY25E	FY26E	FY27E
Profit after Tax	141	181	228	283
Add: Depreciation & Interest	100	96	107	117
(Inc)/dec in Current Assets	(60)	(94)	(129)	(128)
Inc/(dec) in CL and Provisions	45	67	97	96
CF from operating activities	239	249	302	367
(Inc)/dec in Investments	-	-	-	-
(Inc)/dec in Fixed Assets	(163)	(200)	(180)	(220)
Others	14	(6)	(72)	(102)
CF from investing activities	(149)	(206)	(252)	(322)
Inc/(dec) in loan funds	(43)	(20)	(10)	(5)
Dividend paid & dividend tax	-	(6)	(12)	(18)
Interest Expense & Others	(18)	(11)	(7)	(5)
CF from financing activities	(61)	(37)	(29)	(28)
Net Cash flow	29	6	21	17
Opening Cash	84	113	120	141
Closing Cash	114	120	141	159

Source: Company, ICICI Direct Research

Exhibit 6: Balance Sheet				
	₹ crore			
(Year-end March)	FY24	FY25E	FY26E	FY27E
Liabilities				
Equity Capital	12.2	12.2	12.2	12.2
Reserve and Surplus	833	1,008	1,224	1,489
Total Shareholders funds	845	1,021	1,237	1,501
Total Debt	47	27	17	12
Deferred Tax Liability	35	36	36	36
Minority Interest / Others	11	13	15	17
Total Liabilities	957	1,116	1,325	1,588
Assets				
Gross Block	969	1,156	1,346	1,546
Less: Acc Depreciation	482	568	669	781
Net Block	487	588	677	765
Capital WIP	38	51	41	61
Total Fixed Assets	525	639	718	826
Investments	255	222	200	172
Inventory	320	367	432	496
Debtors	287	330	389	446
Loans and Advances	0	0	0	0
Cash	114	120	141	159
Other current assets	27	24	21	16
Total Current Assets	748	840	982	1,117
Creditors	326	367	432	496
Provisions	27	30	36	41
Other current liabilities	0	0	0	0
Total Current Liabilities	353	397	467	537
Net Current Assets	395	443	515	580
Others	44	29	44	22
Application of Funds	957	1,116	1,325	1,588

Source: Company, ICICI Direct Research

Exhibit 7: Key ratios				
(Year-end March)	FY24	FY25E	FY26E	FY27E
Per share data (₹)				
EPS	11.5	14.9	18.7	23.2
Cash EPS	18.3	21.9	27.0	32.4
BV	69.4	83.7	101.5	123.2
DPS	0.0	0.5	1.0	1.5
Cash Per Share	9.3	9.8	11.6	13.0
Operating Ratios (%)				
EBITDA Margin	12.0	12.2	12.5	13.0
PBT / Net sales	8.4	8.9	9.3	9.9
PAT Margin	6.2	6.8	7.2	7.8
Inventory days	51.5	50.0	50.0	50.0
Debtor days	46.1	45.0	45.0	45.0
Creditor days	52.3	50.0	50.0	50.0
Return Ratios (%)				
RoE	16.6	17.8	18.4	18.9
RoCE	20.4	21.8	22.5	22.9
RoIC	24.4	26.2	28.1	30.7
Valuation Ratios (x)				
P/E	39.5	30.6	24.3	19.6
EV / EBITDA	20.0	16.7	13.6	11.1
EV / Net Sales	2.4	2.0	1.7	1.4
Market Cap / Sales	2.4	2.1	1.8	1.5
Price to Book Value	6.6	5.4	4.5	3.7
Solvency Ratios				
Debt/EBITDA	0.2	0.1	0.0	0.0
Debt / Equity	0.1	0.0	0.0	0.0
Current Ratio	1.8	1.8	1.8	1.8
Quick Ratio	0.9	0.9	0.9	0.9

Source: Company, ICICI Direct Research

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Buy: >15%

Hold: -5% to 15%;

Reduce: -15% to -5%;

Sell: <-15%



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