

## Play on 2-W volume recovery and premiumisation...

**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

### 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 (amid low growth envisaged for other auto segments) and premiumisation trend domestically.
- Fluid control segment to grow at steady place, new products avert risk:** Pricol realises healthy ~30% of its topline from actuation and fluid control space including fuel pumps which have both automotive as well as 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 Electric Vehicles) which coupled with its proven capabilities in industrial side bodes well for Pricol in the long run.
- Healthy return ratios profile, growth trajectory warrants a re-rating** Riding on 2-W volume recovery & rise in content/vehicle in instrument cluster space we expect Pricol to deliver healthy 18% Sales & 22% PAT growth over FY23-26E, one of the best in auto ancillary space. This coupled with its 20%+ RoCE & net debt free B/S makes PE multiple re-rating imminent in our view.

### Rating and Target Price

- We assign **BUY** rating on Pricol amid levers to grow ahead of industry (targeting sales of ~₹ 3,600-4,000 crore with margins at 13-14% by FY26E), volume and content rise led growth in topline, healthy RoCE and B/S profile.
- We value Pricol at ₹ 450 i.e. 24x P/E on FY24E EPS

### Key Financial Summary

Key Financials	FY20	FY21	FY22	FY23	5 year CAGR (FY18-23)	FY24E	FY25E	FY26E	3 year CAGR (FY23-26E)
Total Operating Income	1,239	1,413	1,545	1,959	7.6%	2,269	2,716	3,200	17.8%
EBITDA	85	178	181	228	6.7%	268	340	416	22.1%
EBITDA Margins (%)	6.9	12.6	11.7	11.7		11.8	12.5	13.0	
Net Profit	(99)	41	55	125	LP	128	175	228	22.4%
EPS (₹)	(10.4)	3.4	4.5	10.2		10.5	14.3	18.7	
P/E	(36.0)	110.1	83.0	36.6		35.8	26.2	20.0	
RoNW (%)	(24.9)	7.9	9.5	16.5		15.4	17.7	19.1	
RoCE (%)	(1.2)	9.7	12.6	17.7		19.1	21.9	23.3	

## Key slides from recent PPT

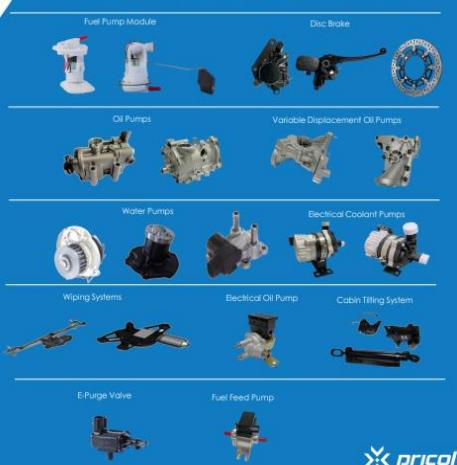
### Exhibit 1: Key product verticals at Pricol

#### Product Vertical

##### A. Driver Information and Connected Vehicle Solutions



##### B. Actuation, Control and Fluid Management Systems



Source: Company, ICICI Direct Research

### Exhibit 2: Pricol Customers – across product categories

#### Our Major Customers



Source: Company, ICICI Direct Research

Company currently supplies TFT instrument cluster to TVS's-Electric Scooter i.e. iQube and Hero's Electric Scooter i.e. Vida. It is also present in electric vehicle profile at Tata Motors

### Exhibit 3: Pricol – new age tech partnerships

#### Key Partnerships



Sibros' connected all-in-one platform will complement Pricol's suite of products on **Telematics** to offer **end-to-end solutions** to the OEMs. The cloud-based platform of Sibros, combined with the next generation products of Pricol, will enable features such as OTA software and firmware updates, vehicle data insights for analytics, diagnostics and troubleshooting for the OEMs to make the best use of the connected solutions.



Entered into an International licensing agreement with BMS PowerSafe,a part of Startec Group to manufacture and sell **Battery Management System (BMS)** for Indian Market. In this partnership, Pricol will be licensing the product and process technology of BMS from Partner and will be manufacturing complete BMS in-house. This partnership has opened up a new arena for Pricol to add a pure play EV product in our portfolio. The company is recognized as the top 3 pure players of BMS suppliers in Europe.



Pricol in partnership with PSG Institutions has launched a **Center of Excellence (CoE)** to develop high efficiency **Micro Motors and Robotics and Artificial Intelligence** based processes and equipment. With Pricol's strong foot print in product domain and customer connect and PSG Institutions' expertise in first principle fundamentals, the CoE will certainly benefit the community at large to come out with world class new technology products and processes



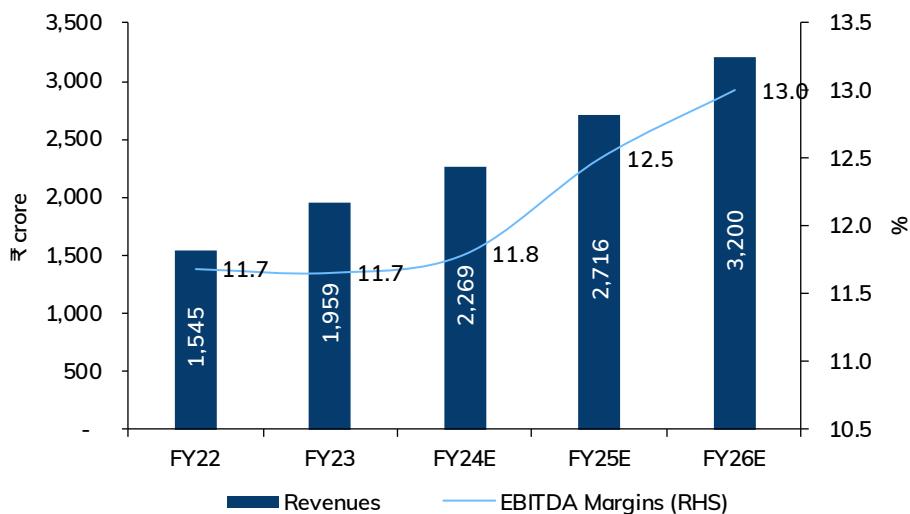
Pricol is partnered with CGI studio for **Human Machine Interface (HMI) Solutions** CANDERA will, help in HMI solutions with shorter lead time, cost effective solutions – all made possible by having a single HMI tool to support Next Generation Display Systems to be built on various Product Platforms which is indigenously developed by Pricol.



Source: Company, ICICI Direct Research

## Financial Story in Charts

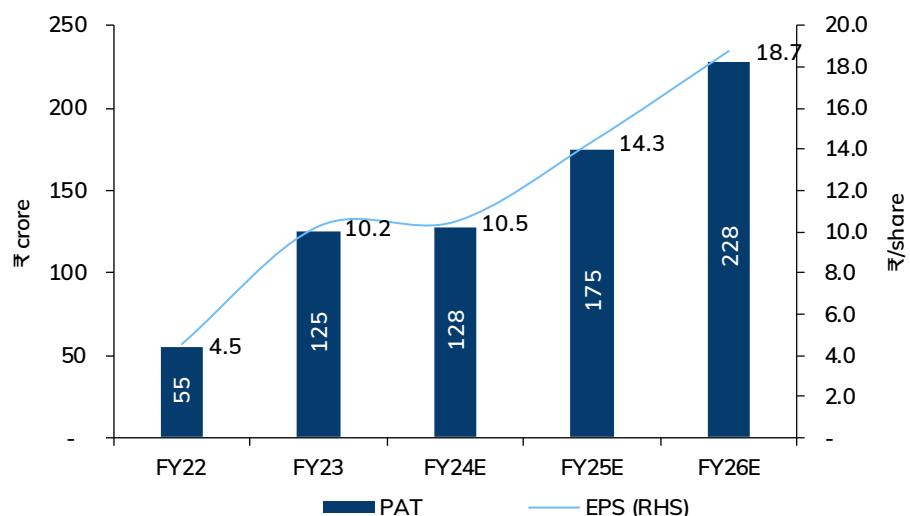
### Exhibit 4: Trend in topline & EBITDA margins



Source: Company, ICICI Direct Research

Net sales are expected to grow at 18% CAGR over FY23-26E to ₹3,200 crore whereas margins are expected to inch to 13% levels in FY26E

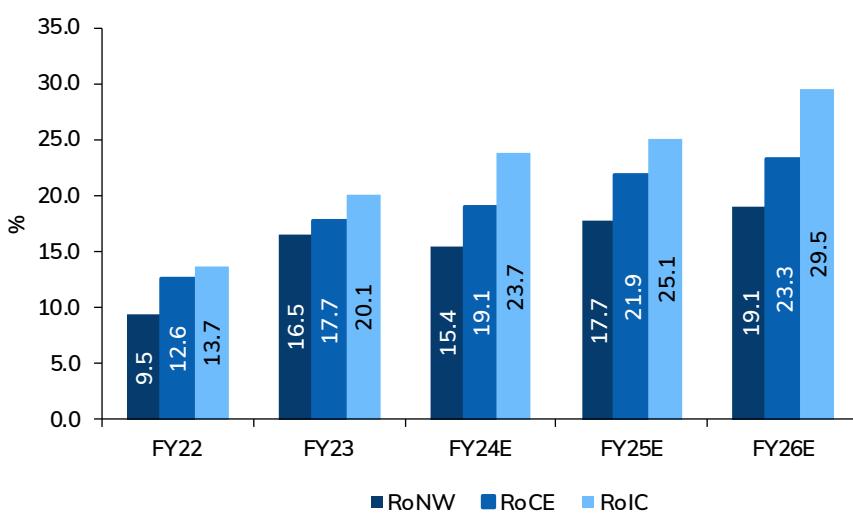
### Exhibit 5: Trend in PAT & EPS



Source: Company, ICICI Direct Research

PAT is expected to grow at 22% CAGR over FY23-26E

### Exhibit 6: Trend in Return ratios



Source: Company, ICICI Direct Research

RoCE is seen surpassing 20% mark starting FY25E

## Financial Summary

Exhibit 7: Profit and loss statement				
(Year-end March)	₹ crore			
	FY23	FY24E	FY25E	FY26E
Total operating Income	1,958.6	2,268.6	2,716.2	3,199.7
Growth (%)	26.8	15.8	19.7	17.8
Raw Material Expenses	1,373.3	1,548.3	1,860.6	2,191.8
Employee Expenses	227.5	266.6	298.8	336.0
Other Expenses	129.3	186.0	217.3	256.0
Total Operating Expenditure	1,730.1	2,000.9	2,376.6	2,783.7
EBITDA	228.4	267.7	339.5	416.0
Growth (%)	26.5	17.2	26.8	22.5
Depreciation	77.9	87.3	103.2	121.6
Interest	18.3	19.3	13.7	9.2
Other Income	4.6	9.4	11.0	20.2
PBT	136.8	170.5	233.6	305.4
Total Tax	21.8	43.0	58.9	77.0
Reported PAT	124.7	127.5	174.7	228.5
Growth (%)	126.5	2.3	37.0	30.7
EPS (₹)	10.2	10.5	14.3	18.7

Source: Company, ICICI Direct Research

Exhibit 8: Cash flow statement				
(Year-end March)	₹ crore			
	FY23	FY24E	FY25E	FY26E
Profit after Tax	124.7	127.5	174.7	228.5
Add: Depreciation & Interest	96.2	106.6	116.9	130.8
(Inc)/dec in Current Assets	-65.8	-89.6	-131.3	-141.4
Inc/(dec) in CL and Provisions	37.5	83.8	102.3	110.5
CF from operating activities	180.1	240.2	261.6	327.3
(Inc)/dec in Investments	0.0	0.0	0.0	0.0
(Inc)/dec in Fixed Assets	(100.2)	(200.0)	(200.0)	(90.0)
Others	12.8	-3.0	-5.0	-180.0
CF from investing activities	(87.4)	(203.0)	(205.0)	(270.0)
Inc/(dec) in loan funds	-38.9	-25.0	-30.0	-25.0
Dividend paid & dividend tax	0.0	-6.1	-12.2	-18.3
Interest Expense & Others	-20.5	-19.3	-13.7	-9.2
CF from financing activities	(59.3)	(50.4)	(55.9)	(52.5)
Net Cash flow	33.4	(13.2)	0.8	4.8
Opening Cash	50.7	84.0	70.9	71.6
Closing Cash	84.0	70.9	71.6	76.5

Source: Company, ICICI Direct Research

Exhibit 9: Balance Sheet				
(Year-end March)	₹ crore			
	FY23	FY24E	FY25E	FY26E
<b>Liabilities</b>				
Equity Capital	12.2	12.2	12.2	12.2
Reserve and Surplus	692.1	813.5	976.1	1,186.3
Total Shareholders funds	704.3	825.7	988.3	1,198.5
Total Debt	89.2	64.2	34.2	9.2
Deferred Tax Liability	41.1	41.1	41.1	41.1
Minority Interest / Others	15.7	15.7	15.7	15.7
<b>Total Liabilities</b>	<b>865.1</b>	<b>961.5</b>	<b>1,094.1</b>	<b>1,279.3</b>
<b>Assets</b>				
Gross Block	830.4	930.4	1,180.4	1,320.4
Less: Acc Depreciation	400.1	487.4	590.6	712.2
<b>Net Block</b>	<b>430.3</b>	<b>443.0</b>	<b>589.8</b>	<b>608.2</b>
Capital WIP	14.0	114.0	64.0	14.0
Total Fixed Assets	444.3	557.0	653.8	622.2
Investments	276.4	254.7	222.1	200.4
Inventory	271.7	310.8	372.1	438.3
Debtors	267.7	310.8	372.1	438.3
Loans and Advances	0.0	0.0	0.0	0.0
<b>Cash</b>	<b>84.0</b>	<b>70.9</b>	<b>71.6</b>	<b>76.5</b>
Other current assets	21.3	26.9	23.7	20.7
<b>Total Current Assets</b>	<b>644.7</b>	<b>719.3</b>	<b>839.5</b>	<b>973.8</b>
Creditors	282.6	341.8	409.3	482.1
Provisions	11.1	13.4	16.1	19.0
Other current liabilities	0.0	0.0	0.0	0.0
<b>Total Current Liabilities</b>	<b>293.7</b>	<b>355.3</b>	<b>425.4</b>	<b>501.1</b>
<b>Net Current Assets</b>	<b>351.0</b>	<b>364.0</b>	<b>414.1</b>	<b>472.7</b>
Others	70.3	44.4	29.2	43.7
<b>Application of Funds</b>	<b>865.1</b>	<b>961.5</b>	<b>1,094.1</b>	<b>1,279.3</b>

Source: Company, ICICI Direct Research

Exhibit 10: Key ratios				
(Year-end March)				
	FY23	FY24E	FY25E	FY26E
<b>Per share data (₹)</b>				
EPS	10.2	10.5	14.3	18.7
Cash EPS	16.6	17.6	22.8	28.7
BV	57.8	67.7	81.1	98.3
DPS	0.0	0.5	1.0	1.5
Cash Per Share	6.9	5.8	5.9	6.3
<b>Operating Ratios (%)</b>				
EBITDA Margin	11.7	11.8	12.5	13.0
PBT / Net sales	7.7	8.0	8.7	9.2
PAT Margin	6.4	5.6	6.4	0.0
Inventory days	50.6	50.0	50.0	50.0
Debtor days	49.9	50.0	50.0	50.0
Creditor days	52.7	55.0	55.0	55.0
<b>Return Ratios (%)</b>				
RoE	16.5	15.4	17.7	19.1
RoCE	17.7	19.1	21.9	23.3
RoIC	20.1	23.7	25.1	29.5
<b>Valuation Ratios (x)</b>				
P/E	39.3	35.8	26.2	20.0
EV / EBITDA	20.0	17.0	13.3	10.4
EV / Net Sales	2.3	2.0	1.7	1.4
Market Cap / Sales	2.3	2.0	1.7	1.4
Price to Book Value	6.5	5.5	4.6	3.8
<b>Solvency Ratios</b>				
Debt/EBITDA	0.4	0.2	0.1	0.0
Debt / Equity	0.1	0.1	0.0	0.0
Current Ratio	1.9	1.8	1.8	1.8
Quick Ratio	1.0	0.9	0.9	0.9

Source: Company, ICICI Direct Research

## RATING RATIONALE

ICICI Direct endeavours to provide objective opinions and recommendations. ICICI Direct assigns ratings to its stocks according -to their notional target price vs. current market price and then categorizes them as Buy, Hold, Reduce and Sell. The performance horizon is two years unless specified and the notional target price is defined as the analysts' valuation for a stock

Buy: >15%

Hold: -5% to 15%;

Reduce: -15% to -5%;

Sell: <-15%



Pankaj Pandey

Head – Research

[pankaj.pandey@icicisecurities.com](mailto:pankaj.pandey@icicisecurities.com)

ICICI Direct Research Desk,  
ICICI Securities Limited,  
Third Floor, Brillanto House,  
Road No 13, MIDC,  
Andheri (East)  
Mumbai – 400 093  
[research@icicidirect.com](mailto:research@icicidirect.com)

## ANALYST CERTIFICATION

I/We, Shashank Kanodia, CFA, MBA (Capital Markets), Research Analysts, authors and the names subscribed to this report, hereby certify that all of the views expressed in this research report accurately reflect our views about the subject issuer(s) or securities. We also certify that no part of our compensation was, is, or will be directly or indirectly related to the specific recommendation(s) or view(s) in this report. It is also confirmed that above mentioned Analysts of this report have not received any compensation from the companies mentioned in the report in the preceding twelve months and do not serve as an officer, director or employee of the companies mentioned in the report.

### Terms & conditions and other disclosures:

ICICI Securities Limited (ICICI Securities) is a full-service, integrated investment banking and is, *inter alia*, engaged in the business of stock brokering and distribution of financial products. ICICI Securities is Sebi registered stock broker, merchant banker, investment adviser, portfolio manager and Research Analyst. ICICI Securities is registered with Insurance Regulatory Development Authority of India Limited (IRDAI) as a composite corporate agent and with PFRDA as a Point of Presence. ICICI Securities Limited Research Analyst SEBI Registration Number – INH000000990. ICICI Securities Limited SEBI Registration is INZ000183631 for stock broker. Registered Office Address: ICICI Venture House, Appasaheb Marathe Marg, Prabhadevi, Mumbai - 400 025. CIN: L67120MH1995PLC086241, Tel: (91 22) 6807 7100. ICICI Securities is a subsidiary of ICICI Bank which is India's largest private sector bank and has its various subsidiaries engaged in businesses of housing finance, asset management, life insurance, general insurance, venture capital fund management, etc. ("associates"), the details in respect of which are available on [www.icicibank.com](http://www.icicibank.com).

**Investments in securities market are subject to market risks. Read all the related documents carefully before investing.**

Registration granted by Sebi and certification from NISM in no way guarantee performance of the intermediary or provide any assurance of returns to investors. None of the research recommendations promise or guarantee any assured, minimum or risk-free return to the investors.

Name of the Compliance officer (Research Analyst): Mr. Atul Agarwal  
Contact number: 022-40701000 E-mail Address: [complianceofficer@icicisecurities.com](mailto:complianceofficer@icicisecurities.com)

For any queries or grievances: Mr. Prabodh Avadhoot Email address: [headservicequality@icicidirect.com](mailto:headservicequality@icicidirect.com) Contact Number: 18601231122

ICICI Securities is one of the leading merchant bankers/ underwriters of securities and participate in virtually all securities trading markets in India. We and our associates might have investment banking and other business relationship with a significant percentage of companies covered by our Investment Research Department. ICICI Securities and its analysts, persons reporting to analysts and their relatives are generally prohibited from maintaining a financial interest in the securities or derivatives of any companies that the analysts cover.

Recommendation in reports based on technical and derivative analysis centre on studying charts of a stock's price movement, outstanding positions, trading volume etc as opposed to focusing on a company's fundamentals and, as such, may not match with the recommendation in fundamental reports. Investors may visit [icicidirect.com](http://icicidirect.com) to view the Fundamental and Technical Research Reports.

Our proprietary trading and investment businesses may make investment decisions that are inconsistent with the recommendations expressed herein.

ICICI Securities Limited has two independent equity research groups: Institutional Research and Retail Research. This report has been prepared by the Retail Research. The views and opinions expressed in this document may or may not match or may be contrary with the views, estimates, rating, and target price of the Institutional Research.

The information and opinions in this report have been prepared by ICICI Securities and are subject to change without any notice. The report and information contained herein is strictly confidential and meant solely for the selected recipient and may not be altered in any way, transmitted to, copied or distributed, in part or in whole, to any other person or to the media or reproduced in any form, without prior written consent of ICICI Securities. While we would endeavour to update the information herein on a reasonable basis, ICICI Securities is under no obligation to update or keep the information current. Also, there may be regulatory, compliance or other reasons that may prevent ICICI Securities from doing so. Non-rated securities indicate that rating on a particular security has been suspended temporarily and such suspension is in compliance with applicable regulations and/or ICICI Securities policies, in circumstances where ICICI Securities might be acting in an advisory capacity to this company, or in certain other circumstances.

This report is based on information obtained from public sources and sources believed to be reliable, but no independent verification has been made nor is its accuracy or completeness guaranteed. This report and information herein is solely for informational purpose and shall not be used or considered as an offer document or solicitation of offer to buy or sell or subscribe for securities or other financial instruments. Though disseminated to all the customers simultaneously, not all customers may receive this report at the same time. ICICI Securities will not treat recipients as customers by virtue of their receiving this report. Nothing in this report constitutes investment, legal, accounting and tax advice or a representation that any investment or strategy is suitable or appropriate to your specific circumstances. The securities discussed and opinions expressed in this report may not be suitable for all investors, who must make their own investment decisions, based on their own investment objectives, financial positions and needs of specific recipient. This may not be taken in substitution for the exercise of independent judgment by any recipient. The recipient should independently evaluate the investment risks. The value and return on investment may vary because of changes in interest rates, foreign exchange rates or any other reason. ICICI Securities accepts no liabilities whatsoever for any loss or damage of any kind arising out of the use of this report. Past performance is not necessarily a guide to future performance. Investors are advised to see Risk Disclosure Document to understand the risks associated before investing in the securities markets. Actual results may differ materially from those set forth in projections. Forward-looking statements are not predictions and may be subject to change without notice.

ICICI Securities or its associates might have managed or co-managed public offering of securities for the subject company or might have been mandated by the subject company for any other assignment in the past twelve months.

ICICI Securities or its associates might have received any compensation from the companies mentioned in the report during the period preceding twelve months from the date of this report for services in respect of managing or co-managing public offerings, corporate finance, investment banking or merchant banking, brokerage services or other advisory service in a merger or specific transaction.

ICICI Securities or its associates might have received any compensation for products or services other than investment banking or merchant banking or brokerage services from the companies mentioned in the report in the past twelve months.

ICICI Securities encourages independence in research report preparation and strives to minimize conflict in preparation of research report. ICICI Securities or its associates or its analysts did not receive any compensation or other benefits from the companies mentioned in the report or third party in connection with preparation of the research report. Accordingly, neither ICICI Securities nor Research Analysts and their relatives have any material conflict of interest at the time of publication of this report.

Compensation of our Research Analysts is not based on any specific merchant banking, investment banking or brokerage service transactions.

ICICI Securities or its subsidiaries collectively or Research Analysts or their relatives do not own 1% or more of the equity securities of the Company mentioned in the report as of the last day of the month preceding the publication of the research report.

Since associates of ICICI Securities and ICICI Securities as a entity are engaged in various financial service businesses, they might have financial interests or actual/ beneficial ownership of one percent or more or other material conflict of interest various companies including the subject company/companies mentioned in this report.

ICICI Securities may have issued other reports that are inconsistent with and reach different conclusion from the information presented in this report.

Neither the Research Analysts nor ICICI Securities have been engaged in market making activity for the companies mentioned in the report.

We submit that no material disciplinary action has been taken on ICICI Securities by any Regulatory Authority impacting Equity Research Analysis activities.

This report is not directed or intended for distribution to, or use by, any person or entity who is a citizen or resident of or located in any locality, state, country or other jurisdiction, where such distribution, publication, availability or use would be contrary to law, regulation or which would subject ICICI Securities and affiliates to any registration or licensing requirement within such jurisdiction. The securities described herein may or may not be eligible for sale in all jurisdictions or to certain category of investors. Persons in whose possession this document may come are required to inform themselves of and to observe such restriction.