Company Name: Pricol Ltd

Quarter under review: Q1-FY27

Pricol Ltd– Q1-FY27/ Concall Highlights:

Pricol Ltd (Consolidated)					
INR In Mn	**Q1-FY27**	**Q1-FY26**	**Y-o-Y**	**Q4-FY26**	**Q-o-Q**
Operational Income	11,054	8,953	23.5%	10,992	0.6%
EBITDA	1,244	990	25.7%	1,310	-5.0%
EBITDA M (%)	11.25%	11.05%	20 bps	11.92%	-67 bps
PAT	670	499	34.3%	732	-8.5%
PAT M (%)	6.06%	5.57%	49 bps	6.66%	-60 bps
Diluted EPS	5.50	4.09	34.5%	6.00	-8.3%

Operational Highlights:

- Announced a demerger to give the driver information/connected vehicle business more agility to raise capital and onboard technology or scale partners.
- Demerger driven by rapid convergence of human-machine interface features, requiring large investment and technology partnerships, and expected to make it easier to attract investors given differing investment appetites across business verticals.
- Demerger timeline expected to take a minimum of 4 quarters, potentially longer, given multiple regulatory/statutory approvals, but the internal operations to function as separate demerged entities from October, fully so by December.
- Margin pressure this quarter attributed to external headwinds like Polymer and LPG price spikes, higher freight, and minimum wage increases in three of the main operating states, but these are just delayed earnings and not lost earnings, which are recoverable via indexation over the next two quarters.
- Overall industry grew at 22% versus on a weighted average the company grew at 26% across divisions, outperforming the industry.
- Ongoing INR 700 crore capex program over the next 18–24 months: INR 400 crore for the Polymer vertical which includes the exit from the current TVS plants as the lock-in period ends with them, INR 150–180 crore for DICVS, and INR 120 crore for ACFMS.
- New Polymer capacity expected to roughly double addressable turnover potential once operational.
- New/expanding customer wins in the Polymer business include Ather, River, Simple Energy, Raptee, Honda, Royal Enfield, with Yamaha in final stages. Secured the first order in the switches-business from Suzuki.
- Engagement initiated with Mahindra on the DICVS front.
- M&A activity paused for about a year to focus management bandwidth on capacity expansion, the demerger process, and the BOE backlight-module partnership, though the company remains open to high-quality opportunities.
- Multiple new manufacturing facilities coming online or under construction, including plants in Hosur, Mysore, Aurangabad (greenfield), Sanand (Gujarat), and Bhiwadi (NCR region).
- Export push initiated across verticals, with results expected to build over the next two to three years and some committed volumes already secured from export customers.

Key Questions & Answers discussed during the Concall:

- **What is the thinking behind the proposed de-merger of the DIS/connected vehicles business?** The human-machine interface in vehicles is converging rapidly across infotainment, climate control and driver information, and staying ahead of multinational competition will require large investment and potential technology partners. As a combined entity, we found it difficult to attract the right investors since each business has a different investment appetite. De-merging gives this business more agility to raise capital and onboard partners while keeping our lead.
- **With global partnerships in mind, and given past experience with Denso, what gives confidence this time will be different?** Denso was an old relationship from the 80s-90s when we lacked technology altogether; today we already have DIS technology but need to integrate infotainment and climate control, so we're not in a hurry. We're evaluating partners to fill technology gaps or give us global scale, partly because Indian OEMs are expanding overseas and need international presence. DIS growth will hold at recent levels, ACFMS should see a stronger clip on new product ramp-up, and Polymer growth stays muted for 9-12 months until new capacity matures, after which we expect 20%+ growth.
- **How did you limit the gross margin decline to just 160 bps this quarter, and what's the outlook?** Ideally we should have done 1.5-2% better since fixed costs get amortized on a larger base, and Polymer was hit harder than DIS. About 75% of our revenue gets indexation benefit from Q2 and the rest by Q3 under our half-yearly indexation cycle. A ~21 crore per annum minimum wage increase is still being negotiated with customers, so I expect improved margins in Q2 and Q3, provided the rupee and crude don't weaken further.
- **What would the annualized margin level be if current conditions persist?** Our steady-state margin target for normal operations remains 12.5-13%, calibrated so we don't lose market share by pushing margins too high and inviting competitor undercutting. That is what we aim to deliver quarter on quarter, and this quarter we lost about 1.5% of EBITDA margin versus that level.
- **What was the YoY growth in ACFMS, DIS and specifically two-wheelers this quarter?** Both DIS-CVS and ACFMS grew around 25% since they largely serve the same customer base. In two-wheelers, the industry grew about 23% while we grew 28%, outperforming on the back of multiple new product introductions during the quarter.
- **How is the Honda relationship ramping up, and what wallet share do you expect in FY28?** Our business with Honda is quite robust, and we recently won a good share of plastics business from them. We've actually put some Honda plastics business on hold because we don't yet have the capacity, taking it in phases instead, but I see Honda as a high-value, high-growth customer over the next three years.
- **Where do you stand on e-cockpits given the industry's pivot toward premiumization?** E-cockpits are unlikely to happen in two-wheelers since there's no real estate for them, but we have developed and proven the technology to customers. Adoption in India will remain limited, and multinational competitors like Nippon Seiki, Continental (Aumovio), Denso and Visteon will have a cost edge from far higher volumes. We'll continue focusing on two-wheelers, commercial and off-road vehicles where e-cockpit adoption isn't relevant.
- **What technology partnerships are needed for the DIS business, and what can be done in-house?** Building infotainment and climate-control integration in-house would take many years we don't have, so we'll likely pursue technology tie-ups. We also currently manufacture only in India and Indonesia, so as OEMs like Honda look at overseas markets such as Mexico and Europe, a manufacturing partner makes more sense than us setting up plants ourselves. It's a two-pronged approach — technology on one side, geographic reach on the other.

- **What value addition is planned in the Precision Products division, and what ROCE can ACFMS expect?** We're developing higher-technology products, including work for the new Tata Tiago, and setting up a Polymer center of excellence to be fully operational by May 2027. We're investing in 2K molding, self-healing plastics and fiber-reinforced plastics, and building our own tool room. ROCE will stay muted through this investment cycle before settling back to a steady-state 16-18%.

- **What's the revenue contribution across verticals, and is there an update on new PV customers?** We've now engaged with Mahindra on the passenger vehicle side. In Polymer, we've added two-wheeler customers including Ather, River, Simple Energy, Raptee, Honda and Royal Enfield, with Yamaha in final stages, and we've won our first switches order from Suzuki. We're also engaging with Mahindra on the DICVS side as an early-stage relationship.

- **Are the three-year growth targets for Polymer, DICVS and ACFMS still intact given capacity constraints?** For Polymer, our target remains two-and-a-half times the FY25 base, and I'm confident we'll hit it as our plants are coming up on schedule with only minor delays. DIS will maintain at least a 5% growth delta over the market, while ACFMS is targeting a more aggressive 10% delta given new verticals like switches and disc brakes. Exports are a growing focus too, with committed volumes already won from a few customers.

- **What is the current TFT penetration and market share across two-wheelers, PV and CV segments?** In two-wheeler DICVS, we hold the largest share in India at 30-35% by volume, nearly two-thirds in commercial and off-road vehicles, and about 8-9% in passenger vehicles where we're currently dependent mainly on Tata Motors. TFT penetration in two-wheelers is still around 7-8% of production today, concentrated more in EVs, but we expect this to roughly double over the next 2-3 years, with hybrid LCD-TFT clusters also emerging for cost optimization.

- **What is the disc brake revenue this quarter, and how is capacity ramping up?** Disc brakes are still in early stages, and meaningful revenue will only start flowing from FY28 — this has been consistent across the last four quarters and remains the case. Switches will follow a similar timeline before becoming relevant to overall numbers.

- **Revenue looks strong YoY but flattish sequentially — which businesses drove or held back growth?** This is entirely in line with industry seasonality, where Q4 is typically strong, Q1 dips, and Q2 picks up again ahead of the festive season. We haven't lost any share of business in any division — the EBITDA impact was purely from external geopolitical factors and government-mandated minimum wage increases, which we're working to recover.

Key Participants:

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