



Core Investor Series

Pricol Ltd.

Institutional
Research

Company Overview

Pricol Limited is one of India's leading automotive components and precision-engineered product manufacturers headquartered in Coimbatore. The company commenced its operations in the year 1975 in Coimbatore, South India and has become a reputable global brand in the automotive component and products business, highly recognized by top automotive OEMs across the world. The company carries out business and operations in Driver Information Systems and Sensors, Pumps and Allied Products, Telematics and Wiping Systems catering to leading automotive OEMs in Two / Three-Wheeler, Passenger Vehicles, Commercial Vehicles, Farm Equipment and Off-road Vehicles across India and in international markets (45+countries), with 2,000+ product variants. Today, the company has eight manufacturing plants across Coimbatore, Manesar, Pantnagar, Pune, Satara and Sricity in India, one manufacturing plant in Jakarta, Indonesia, with 3 international offices in Japan, United Arab Emirates and Singapore.

Key Investment Thesis

- Pricol has beautifully transformed itself from a loss-making, debt-laden company to a profit-making debt free and 25% CAGR company.
- Pricol has great technological capabilities and all its products are futuristic and can be used in EVs.
- The management has a clear order vision for the next three years and hence has guided for revenues of Rs. 4,000 crores by FY26E, with EBITDA margins of around 13% which will result in 25% revenue CAGR and 30% PAT CAGR.

Product-wise Revenue Share

- 65% from DIS (Driver Information System)
- 35% from Actuation Control and Fuel Management Systems

Geographical Mix

- 88% domestic
- 12% international

Segment Mix in Q4FY23

- Two-wheeler - 65%
- PV - 35%

Clientele

- 2-wheeler – Hero Moto Corp., TVS, Bajaj Auto, Kawasaki, BMW, Harley Davidson
- PVs and CVs - Ashok Leyland, M&M, Force Motors, Tata Motors

Pricol's Competitive Advantage over Minda Corp.

- BMS (Battery Management System) which is important for EVs is already developed by Pricol whereas Minda Corp. is still in the developing stage.
- Minda Corp. entered late in the TFT segment, which is a higher version of the instrumental cluster, so the first mover advantage is with Pricol. TFT cluster has higher margins than an LCD cluster.
- Pricol has dedicated EV products like electrical coolant pumps, electric oil pumps and BMS.
- Pricol is working with almost 22 small and big EV vehicle makers in the country.
- Pricol is the sole supplier of TVS models like TVS iube and supplies DIS to 70% of Tata Motors vehicles.
- Pricol is the dominant domestic player with great technological capabilities and has 1 or 2 international competitors which have a very rare presence in India.

Stock Rating

BUY	HOLD	SELL
> 15%	-5% to 15%	< -5%

Sector Outlook

Positive

Stock

CMP (INR)	251
Target Price (INR)	335
NSE Symbol	PRICOLLTD
BSE Code	540293
Bloomberg	PRICOL IN
Reuters	PRCO.BO

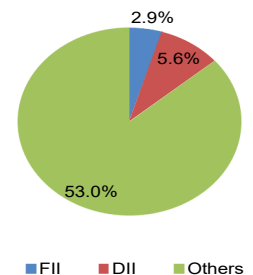
Key Data

Nifty	19,749
52WeekH/L(INR)	258 / 141
O/s Shares (Mn)	122
Market Cap (INR bn)	31
Face Value (INR)	1

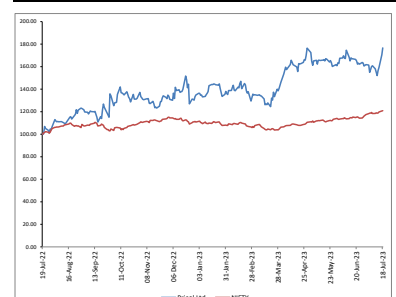
Average volume

3 months	6,94,270
6 months	9,79,560
1 year	9,62,590

Share Holding Pattern (%)



Relative Price Chart



Pricol Ltd.

A Potential Hostile Takeover?

- Pricol's competitor Minda Corp. bought a 15% stake in Pricol at Rs. 210/- per share without the consent of the company.
- Minda has applied to CCI for a 24.5% stake in Pricol.
- Pricol filed an objection. However, the objection was denied by the Madras court but Minda Corp. was not allowed to increase its stake for the next two weeks.
- Pricol promoters bought a 2% stake from the open market at an average price of Rs. 236/- per share in Q1FY24.
- Pricol's management has said that they have kept Rs. 125 crores aside for increasing their stake.
- Pricol's management stands committed to running and growing the business in the coming years and has no intention of seizing control of the business.
- Minda Corp. has recently announced that they want to raise Rs.600 crores.
- This is a very interesting development as Pricol currently has around 36% stake and Minda Corp. has 15% stake and mutual funds and FII's have very less stake. Therefore, in order to buy more stakes, both companies will have to buy from open market which will further reduce the free float.

Valuation and Outlook

Recently, its competitor i.e. Minda Corp. bought a 15% stake in the company and Pricol has also bought a 2% stake from the open market recently at Rs. 236/- per share which makes it all the more interesting to look into the company. Currently, due to a non-binding agreement and competition, Pricol has only a 10% revenue share from PVs. However, going ahead, we feel that with Tesla, BYD other EV cars coming into India, it will be a great opportunity for Pricol (BYD planning to invest USD 1 billion in India to build EVs). Stock is trading at just 12x FY25E earnings. With new-age electronic clusters in the offering, an increase in content in BS VI transitions and an impressive client profile, Pricol is well poised to grow at 25-30% CAGR with a ROCE of 20% where a competitor is buying shares from open market and promoter of Pricol is buying from the open market. We feel that this is the best development for individual investors as both Pricol and Minda Corp. feel that Pricol has huge capabilities and is very undervalued at the current market rate. **Hence, we give a buy on the stock with a target price of Rs. 335 (assigning 18x on FY25E earnings which is still less than the median average P/E multiple and less than 1x PEG).**

Key Financials					
YE March (Rs. crores)	FY19	FY20	FY21	FY22	FY23
Revenue from Operations	1,814	1,178	1,359	1,500	1,903
<i>Growth (Y-oY)</i>		-35.1%	15.3%	10.4%	26.8%
EBITDA	100	103	186	191	236
<i>Growth (Y-oY)</i>		3.6%	80.2%	2.5%	23.4%
PAT	(174)	(259)	158	51	114
<i>Growth (Y-oY)</i>		49.1%	161.0%	(67.7%)	124.9%
EPS	(14.6)	(2.5)	1.5	4.2	10.2
<i>Growth (Y-oY)</i>		82.9%	(158.2%)	189.0%	144.2%
Key Ratios					
EBITDA Margin (%)	(3.1)	8.8	13.7	13.7	12.7
PAT Margin (%)	(9.6)	(22.0)	11.7	3.4	6.0
P/E	(17.2)	(100.8)	173.1	59.9	24.5

Source: Company, BP Equities Research



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Disclaimer Appendix

Analyst (s) holding in the Stock : Nil

Analyst (s) Certification:

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