

Healthy performance, growth to accelerate...

About the stock: Pricol Ltd (Pricol), established in 1974, is a Coimbatore based supplier of diversified auto components like instrument clusters, sensors & switches, pumps and mechanical products, telematics solutions and wiping systems.

- Product mix: - ~65% from 2-W, 3-W, ~15% from CV, ~10% from PV, ~10% from off-road & tractors
- Segment mix: - ~55% from driver information system (instrument cluster), ~30% from actuation & fluid control system, ~15% sensors and others

Q4FY23 Results: Posted a healthy set of Q4FY23 numbers.

- Total operating income came in at ₹ 523.5 crore up 10.4% QoQ
- EBITDA came in at ₹ 61.4 crore with margins at 11.7%, up 90 bps QoQ
- Consequently, PAT came in at ₹ 29.8 crore, up 11.2% QoQ

What should investors do? The company's share price has grown at ~27% CAGR over past five years (from ~₹ 72 levels in May, 2018), outperforming Nifty Auto index.

- We retain our **BUY** rating on Pricol amid fundamental levers of content rise and industry leading growth prospects, ~₹ 4,000 crore sales ambition by FY26E (including inorganic growth) and wider opportunity play in new JVs

Target Price and Valuation: Revising our estimates, we now value Pricol at ₹ 285 i.e. 18x P/E on FY25E EPS of ~₹ 15.7/share (earlier target price ₹ 250).

Key triggers for future price performance:

- Display of futuristic products like HUD, E-Cockpit, TFT smart clusters, electric tilt cabin system in recent Auto Expo 2023. Growing presence in PV space with clients like Tata Motors (SOB ~70%), Citroen, etc. Work in progress with 22 EV players (including big and small) for instrument clusters
- New product launch to help booster sales, PAT to grow at 23%, 24% CAGR, respectively, in FY23-25E. Margins seen improving to 12.5% by FY25E
- Ambitious aimed topline of ₹ 4,000 crore with planned capex of ₹ 600 crore in coming seven to eight quarters of which ~₹ 200 crore for inorganic capex to diversify into industrial clusters to de-risk from cyclical auto business
- Recent technology tie-ups for Battery Management system (BMS) with BMS Powersafe and launch of cloud services with SIBROS in FY24E
- Consistent focus on de-leveraging of b/s amid calibrated capex spends

Alternate Stock Idea: In our auto ancillary coverage, we also like Mahindra CIE.

- Focused on growth capex in India and efficiencies at European operations
- BUY with target price of ₹ 520



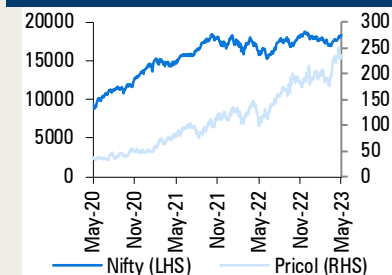
Particulars

Particular	₹ crore
Market Capitalization	2,864.2
Total Debt (FY23P)	89.2
Cash & Investments (FY23P)	87.6
EV (FY22)	2,865.8
Equity capital	12.2
52 week H/L (₹)	259 / 97
Face value	₹ 1

Shareholding pattern

	Jun-22	Sep-22	Dec-22	Mar-23
Promoter	36.5	36.5	36.5	36.5
FII	11.9	12.4	12.5	3.7
DII	3.0	3.0	4.4	6.6
Other	48.6	48.1	46.6	53.2

Price Chart



Recent event & key risks

- Posted healthy Q4FY23 results
- Key Risk:** (i) Slower than expected ramp up at its newer verticals (ii) Continued 2-W focus limiting overall topline growth

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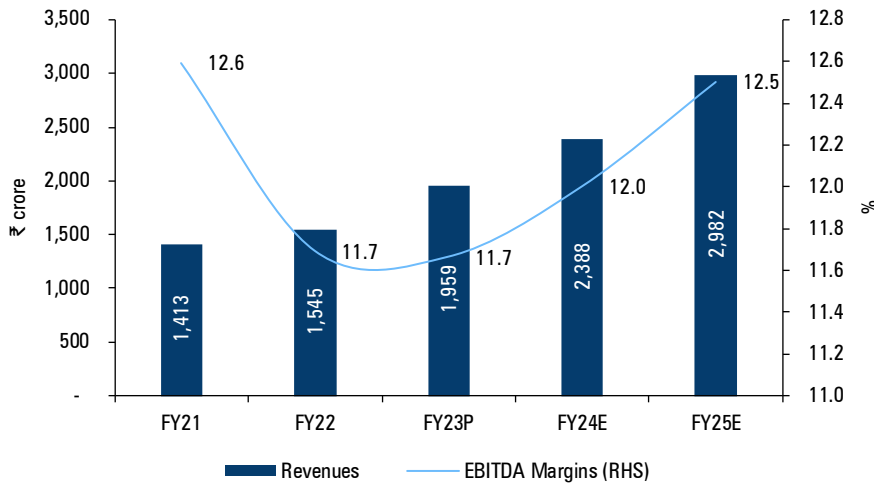
Key Financial Summary

Key Financials	FY20	FY21	FY22	FY23P	5 year CAGR (FY18-23P)	FY24E	FY25E	2 year CAGR (FY23P-25E)
Total Operating Income	1,239.4	1,413.1	1,544.7	1,958.6	7.6%	2,388.3	2,982.1	23.4%
EBITDA	85.4	177.9	180.6	228.4	6.7%	286.6	372.8	27.7%
EBITDA Margins (%)	6.9	12.6	11.7	11.7		12.0	12.5	
Net Profit	(98.8)	41.5	55.1	124.6	LP	139.2	191.3	23.9%
EPS (₹)	(10.4)	3.4	4.5	10.2		11.4	15.7	
P/E	(22.6)	69.0	52.0	23.0		20.6	15.0	
RoNW (%)	(24.9)	7.9	9.5	16.5		16.6	18.8	
RoCE (%)	(1.2)	9.7	12.6	17.7		20.5	23.4	

Source: Company, ICICI Direct Research

Financial story in charts

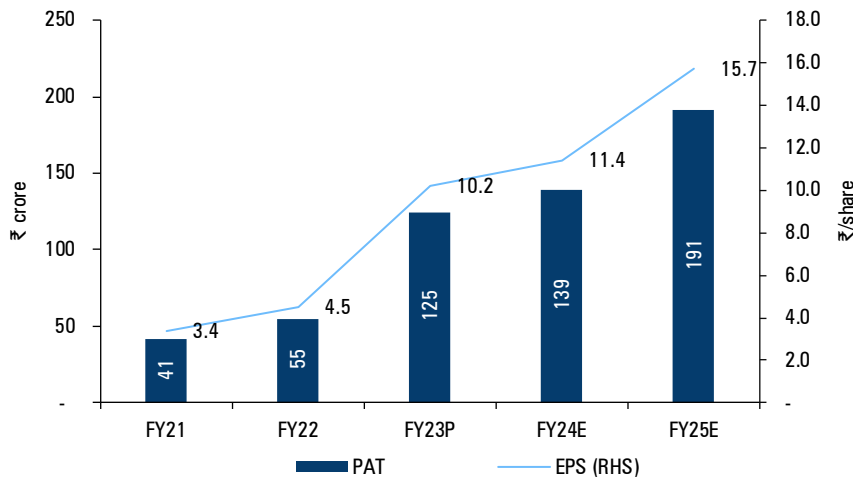
Exhibit 1: Trend in topline & EBITDA margins



Net sales are expected to grow at 23.4% CAGR over FY23-25E to ₹ 2,982 crore whereas margins to inch to 12.5% in FY25E

Source: Company, ICICI Direct Research

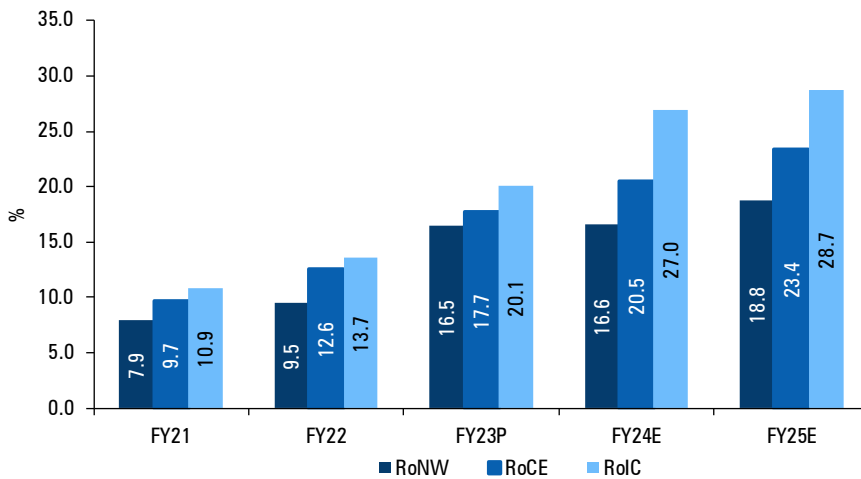
Exhibit 2: Trend in PAT & EPS



PAT is expected to grow at 24% CAGR over FY23-25E

Source: Company, ICICI Direct Research

Exhibit 3: Trend in margins and profitability



Return ratios are expected to reach ~20% mark by FY25E

Source: Company, ICICI Direct Research

Financial Summary

Exhibit 4: Profit and loss statement				
	₹ crore			
(Year-end March)	FY22	FY23P	FY24E	FY25E
Total operating Income	1,544.7	1,958.6	2,388.3	2,982.1
Growth (%)	9.3	26.8	21.9	24.9
Raw Material Expenses	1,069.6	1,373.3	1,683.8	2,102.4
Employee Expenses	191.8	227.5	250.8	298.2
Other Expenses	102.7	129.3	167.2	208.7
Total Operating Expenditure	1,364.1	1,730.1	2,101.7	2,609.3
EBITDA	180.6	228.4	286.6	372.8
Growth (%)	1.5	26.5	25.5	30.1
Depreciation	81.8	77.9	95.5	119.3
Interest	27.3	18.3	9.8	4.6
Other Income	8.8	4.6	4.9	6.9
PBT	80.3	136.8	186.1	255.8
Total Tax	25.2	21.9	46.9	64.5
Reported PAT	55.1	124.6	139.2	191.3
Growth (%)	32.7	126.3	11.7	37.4
EPS (₹)	4.5	10.2	11.4	15.7

Source: Company, ICICI Direct Research

Exhibit 5: Cash flow statement				
	₹ crore			
(Year-end March)	FY22	FY23P	FY24E	FY25E
Profit after Tax	55.1	124.6	139.2	191.3
Add: Depreciation & Interest	109.1	96.2	105.3	123.9
(Inc)/dec in Current Assets	-22.2	-65.8	-123.4	-172.5
Inc/(dec) in CL and Provisions	36.6	37.5	111.2	135.6
CF from operating activities	179.2	180.0	244.2	277.4
(Inc)/dec in Investments	0.0	0.0	0.0	0.0
(Inc)/dec in Fixed Assets	-63.5	-100.3	-200.0	-200.0
Others	5.4	12.8	-3.0	-25.0
CF from investing activities	(58.0)	(87.4)	(203.0)	(225.0)
Inc/(dec) in loan funds	-119.9	-38.9	-50.0	-30.0
Dividend paid & dividend tax	0.0	0.0	-6.1	-12.2
Interest Expense & Others	-25.4	-20.5	-9.8	-4.6
CF from financing activities	(145.3)	(59.3)	(65.9)	(46.8)
Net Cash flow	-24.1	33.2	-24.7	5.6
Opening Cash	74.8	50.7	83.9	59.2
Closing Cash	50.7	83.9	59.2	64.8

Source: Company, ICICI Direct Research

Exhibit 6: Balance Sheet				
	₹ crore			
(Year-end March)	FY22	FY23P	FY24E	FY25E
Liabilities				
Equity Capital	12.2	12.2	12.2	12.2
Reserve and Surplus	569.6	692.1	825.2	1,004.4
Total Shareholders funds	581.8	704.3	837.4	1,016.6
Total Debt	128.1	89.2	39.2	9.2
Deferred Tax Liability	50.7	41.1	41.1	41.1
Minority Interest / Others	23.9	15.7	15.7	15.7
Total Liabilities	796.8	865.1	948.2	1,097.4
Assets				
Gross Block	790.8	885.5	935.5	1,185.5
Less: Acc Depreciation	377.3	455.2	550.7	670.0
Net Block	413.5	430.3	384.8	515.5
Capital WIP	8.4	14.0	164.0	114.0
Total Fixed Assets	422.0	444.3	548.8	629.5
Investments	362.9	276.4	254.7	222.1
Inventory	236.5	271.7	327.2	408.5
Debtors	234.3	267.7	327.2	408.5
Loans and Advances	0.0	0.0	0.0	0.0
Cash	50.7	83.9	59.2	64.8
Other current assets	58.6	21.3	26.9	23.7
Total Current Assets	580.1	644.7	740.5	905.5
Creditors	270.4	282.6	359.9	449.4
Provisions	5.8	11.1	14.2	17.7
Other current liabilities	0.0	0.0	0.0	0.0
Total Current Liabilities	276.2	293.7	374.0	467.0
Net Current Assets	303.9	350.9	366.4	438.5
Others	430.3	70.3	44.4	29.2
Application of Funds	796.8	865.1	948.2	1,097.4

Source: Company, ICICI Direct Research

Exhibit 7: Key ratios				
(Year-end March)	FY22	FY23P	FY24E	FY25E
Per share data (₹)				
EPS	4.5	10.2	11.4	15.7
Cash EPS	11.2	16.6	19.3	25.5
BV	47.7	57.8	68.7	83.4
DPS	0.0	0.0	0.5	1.0
Cash Per Share	4.2	6.9	4.9	5.3
Operating Ratios (%)				
EBITDA Margin	11.7	11.7	12.0	12.5
PBT / Net sales	6.4	7.7	8.0	8.5
PAT Margin	3.6	6.4	5.8	6.4
Inventory days	55.9	50.6	50.0	50.0
Debtor days	55.4	49.9	50.0	50.0
Creditor days	63.9	52.7	55.0	55.0
Return Ratios (%)				
RoE	9.5	16.5	16.6	18.8
RoCE	12.6	17.7	20.5	23.4
RoIC	13.7	20.1	27.0	28.7
Valuation Ratios (x)				
P/E	52.0	24.6	20.6	15.0
EV / EBITDA	16.3	12.5	9.9	7.5
EV / Net Sales	1.9	1.5	1.2	0.9
Market Cap / Sales	1.9	1.5	1.2	1.0
Price to Book Value	4.9	4.1	3.4	2.8
Solvency Ratios				
Debt/EBITDA	0.7	0.4	0.1	0.0
Debt / Equity	0.2	0.1	0.0	0.0
Current Ratio	1.8	1.9	1.8	1.8
Quick Ratio	0.9	1.0	0.9	0.9

Source: Company, ICICI Direct Research

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Hold: -5% to 15%;

Reduce: -15% to -5%;

Sell: <-15%



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