

**BUY** Pricol**Best play on 'Screenification' theme**

Auto &amp; Auto Ancillaries ▶ Initiating Coverage ▶ February 6, 2024

**TARGET PRICE (Rs) : 525**

**We initiate coverage on Pricol with BUY and ~32% upside at 25x Dec-25E PER; we believe the stock price can potentially double in three years. Pricol's strong market position in Driver Information Systems (DIS; ~65% revenue mix; ~50%/~70%/~90% market share in 2Ws/CVs/off-highway) with strong global and local digitization trends (democratization of TFT screens) offers an attractive play on the multi-year premiumization theme. We build-in 22%/34% revenue/EPS CAGR on sustained high growth in content/vehicle; valuations at ~18x FY26E PER (below 1x PEG) are attractive amid i) net cash-positive BS, ii) ~25% return ratios, and iii) transformation to multi-product company via expansion into adjacencies (e-cockpit, heads-up displays, telematics, BMS, disc brakes; not yet built-in) leveraging its strength in electronics/software.**

**Pricol: Financial Snapshot (Consolidated)**

Y/E Mar (Rs mn)	FY22	FY23	FY24E	FY25E	FY26E
Revenue	15,447	19,586	22,969	28,589	35,511
EBITDA	1,806	2,285	2,733	3,631	4,794
Adj. PAT	511	1,150	1,347	1,956	2,751
Adj. EPS (Rs)	4.2	9.4	11.0	16.0	22.6
EBITDA margin (%)	11.7	11.7	11.9	12.7	13.5
EBITDA growth (%)	1.5	26.5	19.6	32.8	32.0
Adj. EPS growth (%)	222.9	125.0	17.1	45.3	40.6
RoE (%)	9.3	18.0	17.7	21.9	25.4
RoIC (%)	8.4	17.1	17.6	21.3	24.6
P/E (x)	95.1	42.2	36.1	24.8	17.7
EV/EBITDA (x)	27.4	21.3	17.8	13.4	10.1
P/B (x)	8.4	6.9	6.0	5.0	4.1
FCFF yield (%)	2.8	1.7	0.7	0.9	1.3

Source: Company, Emkay Research

**Digitization on the rise globally; fast catching up in India even in mass market**

Digital clusters are becoming key consumer purchase decision criteria globally as well as in India. Rapid growth in the number/size/complexity/quality of screens (akin to mobile phones, tablets, etc.) is seen driving strong multi-year growth (global estimates peg >11-inch screens comprising ~25% of the overall market; projected to rise to ~33% by 2027). India is on the cusp of a similar jump, with OEMs offering digital console as a key feature, even in commuter 2Ws and mass-market cars; we highlight the 2W DIS market size could swell ~2x/~4x within ~3/~6 years, resp., with 4Ws being a large white space opportunity for domestic players like Pricol (currently dominated by MNCs).

**Pricol enjoys a strong positioning in DIS (~65% revenue mix)**

Strong R&D focus (4-4.5% of sales), high vertical integration in product development/mfg have strengthened DIS positioning (market share: ~50% in 2Ws, ~4x of closest peer with strong gains in past 5Y; supplies to 80% of e-2W OEMs/~70% in CVs/~90% in off-highway), including its PV re-entry (post end of non-compete clause with erstwhile JV partner; has ~60% wallet share in TTMT; won orders from PSA).

**Strong export tailwinds for value-added pumps business (~35% rev. mix)**

Pricol's fluid management division (key products: fuel pumps, water pumps, oil pumps) has, over the years, transformed, from a 2W-oriented, low value-add business into a specialty/ complex products business (newer products like electrical coolant pumps already being supplied to Tata and AL E-buses) with high exports potential, particularly in off-highway segment serving global majors like Caterpillar.

**EPS likely doubling with ~25% return ratios & net-cash BS; initiate with BUY**

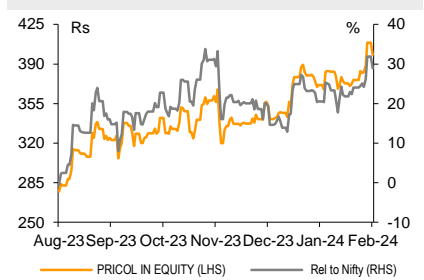
We believe Pricol's valuation is attractive vs. auto ancillary/OEM peers, amid potential doubling of EPS over FY24-26E (below 1x PEG), cash-positive BS, ~25% return ratios, and entry into multiple products via adjacencies (e.g., e-cockpit, connected solutions, BMS, brakes – not built in), given strong capabilities in electronics/software.

Target Price – 12M	Mar-25
<b>Change in TP (%)</b>	<b>NA</b>
Current Reco.	BUY
Previous Reco.	NA
Upside/(Downside) (%)	31.8
CMP (05-Feb-24) (Rs)	398.3

Stock Data	Ticker
52-week High (Rs)	429
52-week Low (Rs)	175
Shares outstanding (mn)	121.9
Market-cap (Rs bn)	49
Market-cap (USD mn)	584
Net-debt, FY24E (Rs mn)	67
ADTV-3M (mn shares)	1
ADTV-3M (Rs mn)	283.3
ADTV-3M (USD mn)	3.4
Free float (%)	61.5
Nifty-50	21,772
INR/USD	83.1
<b>Shareholding, Dec-23</b>	
Promoters (%)	38.5
FPIs/MFs (%)	6.5/6.9

**Price Performance**

(%)	1M	3M	12M
Absolute	7.2	11.4	102.1
Rel. to Nifty	6.9	(1.6)	65.7

**1-Year share price trend (Rs)****Chirag Jain**chirag.jain@emkayglobal.com  
+91 22 6624 2428**Jaimin Desai**jaimin.desai@emkayglobal.com  
+91 22 6612 1334**Vijay Naraharisetty**vijay.naraharisetty@emkayglobal.com  
+91 22 6612 1306

## Voices from the industry

**"Steve Jobs changed the world, and now mankind touches a screen. That fundamentally changes the car as well. The car needs a good interface, not just a wiper switch and turn indicator."**

– **Gorden Wagener, Chief Designer, Mercedes-Benz** ([link](#))

**"The windscreen becomes a single large display with our new BMW Panoramic Vision, opening up completely new possibilities for the design of our vehicles. Whether the driver decides themselves which information they want to display in their own field of vision, or that all occupants can see the entire content. The revolutionary projection and the significantly more clearly structured cockpit give an impressive new feeling of space and driving. We are taking our proven 'eyes on the road – hands on the wheel' slogan to a new level."**

– **Frank Weber, Chief Technology Officer, BMW** ([link](#))

**"We wanted to create something like a loft on wheels ... a cozy seating arrangement, a large flat screen and not much more to be honest. We're not switchless but we definitely have a lot less switches. We've been able to reduce elements by combining them."**

– **Adrian Van Hooydonk, Director of Design, BMW Group talking about the BMW iX** ([link](#))

**"With this BEV platform, we got this opportunity to reimagine and reconfigure the space. We were able to design exactly what we wanted and let the chassis kind of follow. Everything on the Mach-E is digital, even the door handles. We didn't want levers and switches cluttering the interior."**

– **Josh Greiner, senior interior designer, Mustang Mach-E** ([link](#))

**"First of all, this is a philosophical approach, design-wise, where we're like reducing visual clutter, reducing the buttons, I think customers are now more attuned to basically a capacitive or a touch screen thing. So certain functions are mechanical, so we still have certain mechanical switches which are, from a safety point of view, important. Then other ones are the ones which are secondary. I think you need to have just the right amount of screens to communicate, whether it's information for the driver, speed, safety range, things like that, or in the infotainment area, what music, navigation, things like that. But it shouldn't be completely distracting."**

– **Martin Uhlarik, Global Head of Design, Tata Motors** ([link](#))

**"Large displays and automotive specific challenges are now recognized by the industry. The Consumer Electronic Show now has an In-Vehicle entertainment and safety specific award ... we have more than USD3.5bn in new design wins, more than 40% of which we won last year. We won more than 20 large multi-display projects worth more than USD1.5bn. Last year, our revenue from displays was about USD0.5bn and we are well on our way to achieve our target of USD1bn by 2026."**

– **Qais Sharif, Global Vice President of Display Product Lines, Visteon (2023 Investor Day)**

**"Our vision for 2030 is to transform the quality of life of our customers by developing new products and mobility solutions that are exciting, responsible, sustainable, and importantly safe. This is the direction in which we're working and TVS X is really a step in the direction of that vision where we brought together a lot of elements- the connected experience with your smartwatch, making your life much easier, making it more fun to commute, more connected."**

– **Sudarshan Venu, MD, TVSL on the centrality of 'connected' features** ([link](#))

**"In today's fast-paced world, staying connected has become more than a convenience...the introduction of the all-new TVS Jupiter 125 with SmartXconnect is designed to keep you connected seamlessly on the go"**

– **Aniruddha Haldar, Senior Vice-President of Commuters, Corporate Brand and Dealer Transformation at TVSL** ([link](#))

**"Most of our new vehicles are designed with embedded technology and connected features. This has been made possible due to the steadfast focus on in-house R&D. With the changing technology landscape, the mix of our talent pool is also changing. Now, more than 50% of our new hires are from a non-mechanical background. Software, data & analytics, AI, design, electric & electronics are some of our key focus areas."**

– **Sudarshan Venu, MD, TVSL on the centrality of 'connected' features** ([link](#))

**"Another factor impacting customers' buying decisions in 2024 will be modern gadgetry such as connected technology, large infotainment systems, heads-up displays, sunroofs, and ventilated front seats. We have observed that customers across almost all segments are looking for aspirational technologies and creature comforts rather than mere functionality. This shift in buying preference is expected to considerably impact their decision."**

– **Shashank Srivastava, Senior Executive Officer, Marketing & Sales, MSIL** ([link](#))

**Mercedes' MBUX 'Hyperscreen' combines three separate displays under one 56-inch piece of glass**



*Even in India, screens are emerging as a key purchase criteria for buyers; OEMs are differentiating their products, even in mass segment vehicles...*

**I. Tata Motors highlights driver information & infotainment system as key differentiating offering**

**Aspirational product portfolio**  
Our portfolio has been reimagined with design, safety and technology as core tenets

World class design	Best in class Safety	New Technologies
<ul style="list-style-type: none"> <li>Continuous evolution of new age IMPACT-ful design with focus on improving                             <ul style="list-style-type: none"> <li>Road presence and stance</li> <li>Expressive surfaces</li> <li>Extraordinary Details</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>Upgrade passive / active safety attributes – Enhance structure, crash prevention, post crash assistance</li> <li>Advanced Driver Assist Features (ADAS) – L0→L1→L2</li> </ul>	<ul style="list-style-type: none"> <li>Modern, intelligent &amp; integrated infotainment and driver information system (HMI)</li> <li>Feature upgrade for Connected Car ecosystem</li> <li>Tech upgrades on existing engine portfolio for refinement</li> </ul>

**II. Digital console offering in Hero Splendor (100cc motorcycle)**

**ADVANCED XTEC TECHNOLOGY**

**FULL DIGITAL SPEEDOMETER (1<sup>st</sup> IN SEGMENT)**  
The segment defining full digital speedometer raises the style and tech benchmarks

**BLUETOOTH WITH CALL, SMS ALERT (1<sup>st</sup> IN SEGMENT)**  
Stay connected with the world while on the go! Connect your phone with Splendor XTEC to get instant call, SMS alerts

*Splendor XTEC*

**III. Connectivity being positioned as the main differentiator, even in commuter scooters**

**NEW**

**TVS Jupiter 125**  
with TVS SMART XCONNECT

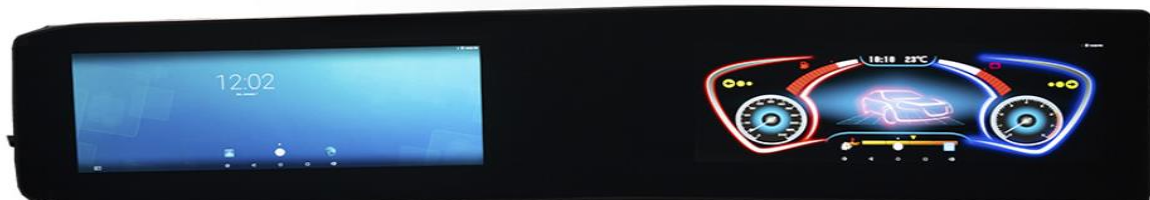
Features: GPS, SOS, Call & Alerts, Bluetooth, 5111, Location

**TVS JUPITER**  
ZYADA KA FAYDA

**IV. 'TVS X' features a 10-inch digital screen**

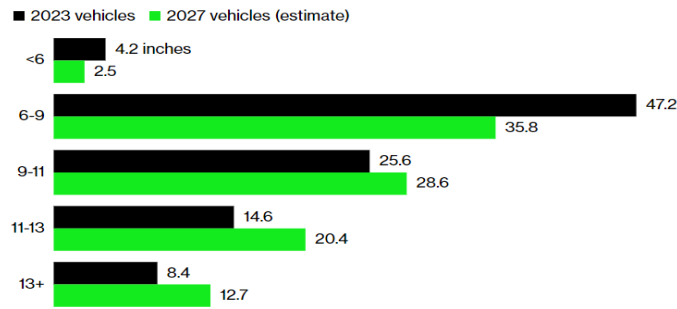


**V. Pricol's integrated E-cockpit solution currently under development with a major customer, to be launched by FY26E**



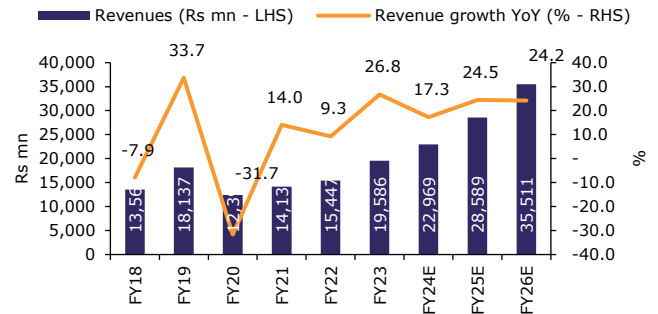
# Story in Charts

**Exhibit 1: Almost 25% of the global cars have a >11-inch screen; share expected to further rise to ~33%**



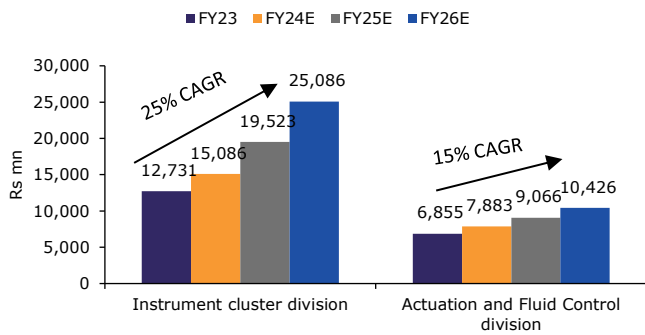
Source: S&P Global Mobility ([link](#))

**Exhibit 2: We build-in ~22% FY23-26E consolidated revenue CAGR**



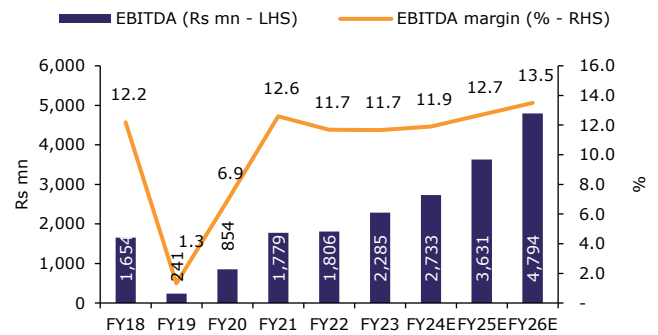
Source: Company, Emkay Research

**Exhibit 3: Instrument cluster revenues to clock ~25% CAGR; ACFMS revenues to register ~15% CAGR**



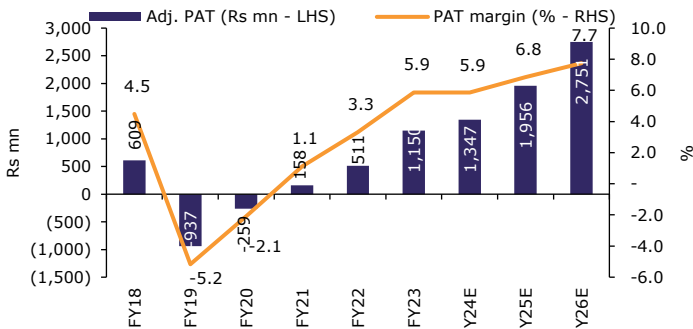
Source: Company, Emkay Research; Note: ACFMS = Actuation, Control and Fluid Management

**Exhibit 4: EBITDA margins to rise to ~13.5% by FY26E, on strong revenue growth, premiumization and moderating chip prices**



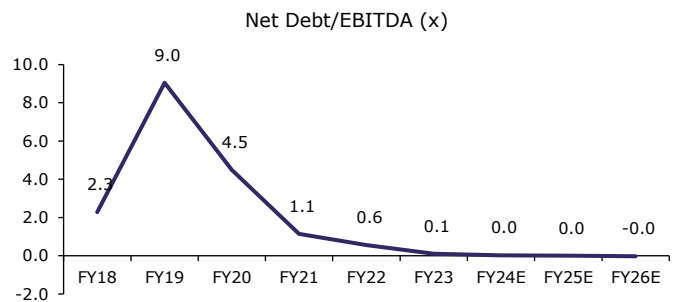
Source: Company, Emkay Research

**Exhibit 5: PAT CAGR expected at ~34% over FY23-26E**



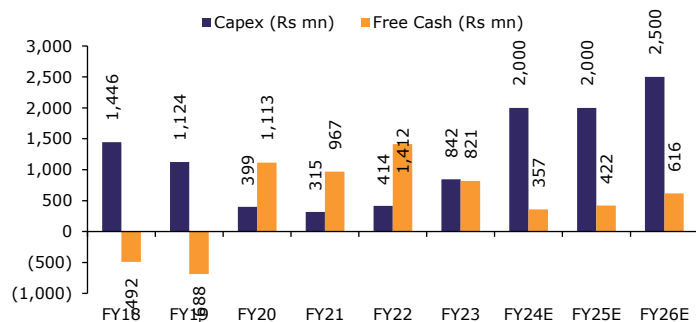
Source: Company, Emkay Research

**Exhibit 6: An already net cash-positive balance sheet, as of end-1HFY24**



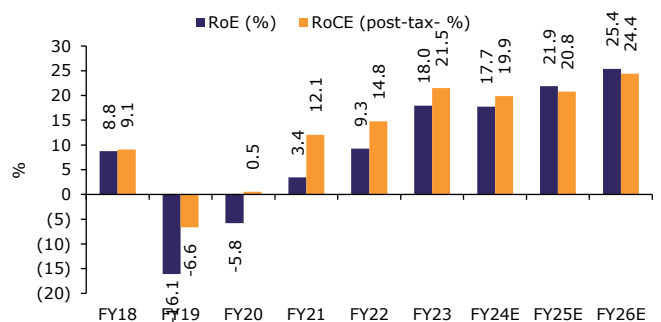
Source: Company, Emkay Research

**Exhibit 7: Strong cash generation on the anvil**



Source: Company, Emkay Research

**Exhibit 8: Return ratios seen at >25%**



Source: Company, Emkay Research



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## Initiate coverage with BUY, ~32% upside

- Digitization increasing globally; catching up fast in India even in mass market:** Digital clusters are becoming key consumer purchase decision criteria globally as well as in India. Rapid growth in number/size/complexity/quality of screens (akin to mobile phones, tablets, etc.) is seen driving strong multi-year growth here (global estimates peg the above-11 inch screens comprising ~25% of the overall market; projected to rise to ~33% by 2027). India is on the cusp of a similar jump, with OEMs offering digital console as a key feature, even in commuter 2Ws & mass-market cars; we highlight that the 2W DIS market size could expand ~2x/~4x within ~3 years/~6 years, respectively, with 4Ws being a large white space opportunity for domestic players like Pricol (currently dominated by MNCs).
- Pricol enjoys a strong standing in DIS (~65% revenue mix):** The company’s sustained R&D focus (4-4.5% of sales) and high vertical integration in product development/manufacturing have strengthened the DIS segment (market share: ~50% in 2Ws, ~4x of the closest peer with strong gains in the past 5Y; supplies to 80% of e-2W OEMs/~70% in CVs/~90% in off-highway), including its re-entry in PVs (post end of the non-compete clause with erstwhile JV partner; has ~60% wallet share in TTMT PVs; won orders from PSA).
- Strong exports tailwinds for value-added fuel pumps business (~35% revenue mix):** Pricol’s fluid management division (key products: fuel pumps, water pumps) has, over the years, transformed from a 2W-oriented, low value-add business into a specialty, complex products play (newer products like electrical coolant pumps already being supplied to Tata and AL E-buses; have ~5x ASPs of current products), with high exports potential, particularly in the off-highway segment serving global majors like Caterpillar and JCB.
- EPS likely doubling with ~25% return ratios and net-cash BS; initiate with BUY:** We believe Pricol’s valuation is attractive vs. auto ancillary/OEM peers, amid potential doubling of EPS over FY24-26E (below 1x PEG), cash-positive BS, ~25% return ratios, and entry into multiple products via adjacencies (e.g., e-cockpit, connected solutions, BMS, brakes – not built in), given strong capabilities in electronics/software.

Exhibit 9: Pricol’s product profile – DIS and Actuation, Control and Fuel Management Systems (ACFMS)

### A. Driver Information and Connected Vehicle Solutions



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



Source: Company

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**Exhibit 10: Revenue model – We expect ~22%/~28%/~34% consolidated revenue/EBITDA/PAT CAGR over FY23-26E**

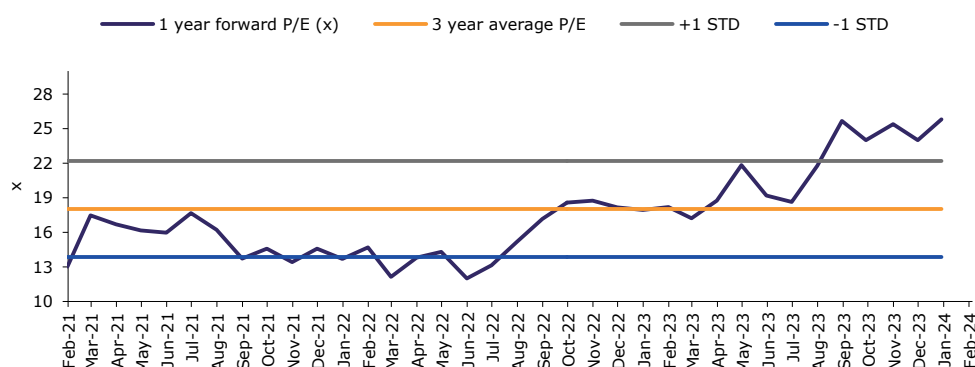
Rs mn	FY19	FY20	FY21	FY22	FY23	FY24E	FY25E	FY26E
<b>Revenue</b>	<b>18,137</b>	<b>12,394</b>	<b>14,131</b>	<b>15,447</b>	<b>19,586</b>	<b>22,969</b>	<b>28,589</b>	<b>35,511</b>
EBITDA	241	854	1,779	1,806	2,285	2,733	3,631	4,794
Growth YoY (%)	-85.4	254.7	108.4	1.5	26.5	19.6	32.8	32.0
<b>EBITDA margin (%)</b>	<b>1.3</b>	<b>6.9</b>	<b>12.6</b>	<b>11.7</b>	<b>11.7</b>	<b>11.9</b>	<b>12.7</b>	<b>13.5</b>
EBIT	(699)	(106)	837	987	1,506	1,902	2,664	3,665
EBIT margin (%)	-3.9	-0.9	5.9	6.4	7.7	8.3	9.3	10.3
PAT	(937)	(259)	158	511	1,150	1,347	1,956	2,751
PAT margin (%)	-5.2	-2.1	1.1	3.3	5.9	5.9	6.8	7.7
<b>EPS (Rs.)</b>	<b>(9.9)</b>	<b>(2.7)</b>	<b>1.3</b>	<b>4.2</b>	<b>9.4</b>	<b>11.0</b>	<b>16.0</b>	<b>22.6</b>
Capex	(1,400)	1,631	315	414	842	2,000	2,000	2,500
As a % of sales	(7.7)	13.2	2.2	2.7	4.3	8.7	7.0	7.0
Net debt	2,178	3,842	2,030	1,006	228	67	193	(128)
Net D/E(x)	0.4	1.0	0.4	0.2	0.0	0.0	0.0	(0.0)
<b>Post-tax ROCE (%)</b>	<b>(6.6)</b>	<b>0.5</b>	<b>12.1</b>	<b>14.8</b>	<b>21.5</b>	<b>19.9</b>	<b>20.8</b>	<b>24.4</b>
<b>ROE (%)</b>	<b>-16.1</b>	<b>-5.8</b>	<b>3.4</b>	<b>9.3</b>	<b>18.0</b>	<b>17.7</b>	<b>21.9</b>	<b>25.4</b>

Source: Company, Emkay Research

**Exhibit 11: Pricol currently trades at an attractive valuation of ~18x FY26 PER; we believe the stock price could potentially double in 3 years**

Rs mn	Actual	Emkay estimates						
	FY23	FY24E	FY25E	FY26E	FY27E	FY28E	FY23-26E CAGR (%)	FY23-28E CAGR (%)
Revenues	19,586	22,969	28,589	35,511	42,007	49,381	22%	20%
EBITDA	2,285	2,733	3,631	4,794	5,713	6,765	28%	24%
EBITDAM (%)	11.7	11.9	12.7	13.5	13.6	13.7		
Adj. PAT	1,150	1,347	1,956	2,751	3,296	3,901	34%	28%
Adj. EPS (Rs)	9.4	11.0	16.0	22.6	27.0	32.0	34%	28%
Net debt/EBITDA (x)	0.1	0.0	0.0	(0.0)	0.0	0.1		
RoCE (post-tax, %)	21.5	19.9	20.8	24.4	24.3	24.0		
Target PER (x)						25		
<b>TP (Rs)</b>						<b>802</b>		
<b>TP rounded off (Rs)</b>						<b>800</b>		
<b>Upside (%)</b>						<b>101</b>		

Source: Emkay Research

**Exhibit 12: Pricol's valuation currently above 1SD from the mean, but it is expected to remain high amid robust earnings growth prospects**

Source: Bloomberg, Emkay Research

## Exhibit 13: Valuation – Pricol vs. 2W OEMs and ancillaries

	EPS Growth (%)			ROE (%)			P/E (x)			EV/EBITDA (x)			PEG Ratio		
	FY24E	FY25E	FY26E	FY24E	FY25E	FY26E	FY24E	FY25E	FY26E	FY24E	FY25E	FY26E	FY24E	FY25E	FY26E
Bajaj Auto	35.0	16.5	7.8	29.9	35.9	38.6	28.5	24.5	22.7	21.9	18.5	17.0	0.8	1.5	2.9
Eicher Motors	34.6	11.4	12.8	24.1	23.0	22.3	27.2	24.4	21.6	21.0	17.9	15.2	0.8	2.1	1.7
Hero Motocorp	36.8	12.9	9.0	23.3	24.8	25.4	23.8	21.1	19.3	16.0	14.2	12.8	0.6	1.6	2.1
TVS Motor	46.2	46.1	19.5	31.5	35.8	33.8	44.1	30.2	25.3	27.1	19.0	15.9	1.0	0.7	1.3
<b>Average (2Ws)</b>	<b>34.9</b>	<b>18.2</b>	<b>10.9</b>				<b>29.5</b>	<b>24.9</b>	<b>22.5</b>	<b>21.2</b>	<b>17.5</b>	<b>15.5</b>	<b>0.8</b>	<b>1.4</b>	<b>2.1</b>
Uno Minda	22.7	20.1	17.6	17.8	18.3	18.4	49.2	41.0	34.8	27.0	22.5	19.2	2.2	2.0	2.0
Suprajit Engineering	6.1	64.4	30.7	12.5	18.2	20.4	33.4	20.3	15.5	17.6	12.2	9.4	5.5	0.3	0.5
<b>Pricol</b>	<b>17.1</b>	<b>45.3</b>	<b>40.6</b>	<b>17.7</b>	<b>21.9</b>	<b>25.4</b>	<b>36.1</b>	<b>24.8</b>	<b>17.7</b>	<b>17.8</b>	<b>13.4</b>	<b>10.1</b>	<b>2.1</b>	<b>0.5</b>	<b>0.4</b>
Sansera Engineering*	31.4	37.9	32.0	15.3	16.8	19.5	27.4	19.9	15.1	12.6	10.2	8.4	0.9	0.5	0.5
CIE Automotive *	21.9	16.9	14.9	16.3	16.4	17.0	21.6	18.5	16.1	12.9	11.3	10.1	1.0	1.1	1.0
Endurance Tech *	39.4	32.8	18.1	14.4	16.9	17.1	44.3	33.3	28.2	22.0	17.7	15.5	1.1	1.0	1.6
Varroc *	-128.4	62.0	23.4	18.8	24.8	25.3	39.4	24.3	19.7	13.5	11.1	10.1	-0.3	0.4	0.8
Gabriel *	34.1	20.1	21.6	17.6	17.7	18.7	30.5	25.4	20.9	18.0	15.4	13.5	0.9	1.3	1.0
Sandhar *	47.7	38.8	24.1	11.2	13.8	14.8	25.0	18.0	14.5	10.1	8.6	7.5	0.5	0.5	0.6
Minda Corp *	25.0	-6.3	24.4	19.5	16.0	17.3	27.5	29.3	23.6	19.3	16.0	13.3	1.1	-4.6	1.0
<b>Average (Auto Ancs)</b>	<b>91.7</b>	<b>26.2</b>	<b>20.9</b>				<b>35.4</b>	<b>28.1</b>	<b>23.2</b>	<b>18.4</b>	<b>15.2</b>	<b>13.0</b>	<b>0.4</b>	<b>1.1</b>	<b>1.1</b>

Source: Bloomberg, Emkay Research; Note: \*Bloomberg consensus estimates; Note – based on CMP as of 5<sup>th</sup> Feb, 2024

## Exhibit 14: Valuation comparison of our auto and auto ancillary coverage universe

	EPS Growth (%)			ROE (%)			PE (x)			EV/EBITDA (x)		
	FY24E	FY25E	FY26E	FY24E	FY25E	FY26E	FY24E	FY25E	FY26E	FY24E	FY25E	FY26E
Ashok Leyland	89.8	8.1	0.3	27.6	26.7	24.2	21.4	19.8	19.7	12.2	12.0	11.7
Bajaj Auto	35.0	16.5	7.8	29.9	35.9	38.6	28.5	24.5	22.7	21.9	18.5	17.0
Eicher Motors	34.6	11.4	12.8	24.1	23.0	22.3	27.2	24.4	21.6	21.0	17.9	15.2
Escorts Kubota	114.2	5.7	12.9	14.3	13.6	13.9	26.0	24.6	21.8	20.4	17.2	14.6
Hero Motocorp	36.8	12.9	9.0	23.3	24.8	25.4	23.8	21.1	19.3	16.0	14.2	12.8
Mahindra & Mahindra	29.7	-2.5	8.0	21.9	18.4	17.4	20.5	21.0	19.4	15.3	13.8	12.3
Maruti Suzuki	46.6	2.7	12.5	17.3	14.8	15.1	26.7	26.0	23.1	16.8	15.1	13.1
Tata Motors	2789.5	13.0	20.4	38.1	29.8	27.3	16.7	14.8	12.3	7.0	6.1	5.2
TVS Motor	46.2	46.1	19.5	31.5	35.8	33.8	44.1	30.2	25.3	27.1	19.0	15.9
Amara Raja	14.6	9.5	4.7	15.0	14.5	13.5	17.9	16.4	15.6	9.7	8.7	8.0
Apollo Tyres	72.6	14.2	13.3	13.9	14.5	15.0	18.6	16.2	14.3	8.7	7.7	6.9
Exide Industries	15.2	12.3	15.3	9.0	9.5	10.2	28.3	25.2	21.9	16.3	14.6	13.0
SAMIL	63.5	47.5	17.5	11.2	15.1	16.0	30.4	20.6	17.6	10.9	8.0	7.1
Bharat Forge	27.0	11.7	12.9	17.1	16.9	17.0	42.3	37.8	33.5	25.7	22.7	20.2
Uno Minda	22.7	20.1	17.6	17.8	18.3	18.4	49.2	41.0	34.8	27.0	22.5	19.2
Motherson Sumi Wiring	31.4	36.3	30.2	43.9	50.8	57.9	49.0	36.0	27.6	31.9	24.4	19.0
Suprajit Engineering	6.1	64.4	30.7	12.5	18.2	20.4	33.4	20.3	15.5	17.6	12.2	9.4
JK Tyre	162.6	20.8	16.5	22.3	22.0	21.1	14.3	11.9	10.2	7.7	7.2	6.3
<b>Pricol</b>	<b>17.1</b>	<b>45.3</b>	<b>40.6</b>	<b>17.7</b>	<b>21.9</b>	<b>25.4</b>	<b>36.1</b>	<b>24.8</b>	<b>17.7</b>	<b>17.8</b>	<b>13.4</b>	<b>10.1</b>

Source: Emkay Research



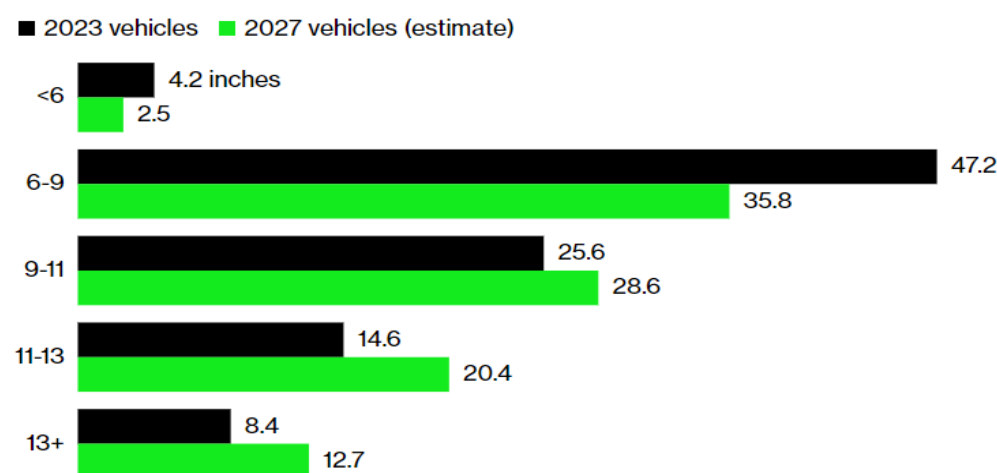
## Strong global trend of digitization of screens

*"Steve Jobs changed the world, and now mankind touches a screen. That fundamentally changes the car as well. The car needs a good interface, not just a wiper switch and turn indicator."*

**- Gordon Wagener, Chief Designer, Mercedes-Benz**

- Globally, as per estimates, ~25% of new vehicle sales have a screen-size larger than 11 inches; such sales are expected to further increase to ~33% by 2027.
- The global 4W instrument cluster/display industry is undergoing rapid premiumization, amid accelerating digitization and increase in size and complexity of screens.
- OEMs are increasingly utilizing car interior design as a key differentiator and elevate customer experience; this, coupled with advancements in technology and functionalities of display screens—which enable modern cars to progressively integrate entertainment, navigation (maps), connectivity as well as comfort & convenience — is driving the 'Screenification' of cars. The future is expected to see the advent of autonomous driving further accelerating the adoption of larger & multi-dimensional display screens.
- Visteon, a leading player in vehicle displays, foresees the addressable 4W market for digital cockpit applications to grow from USD18bn to USD23bn by 2026; further, rising complexity of this technology (and hence its margin-accretive potential) is also seen as a reason for overall expectations of ~300bps improvement in blended margins to 13.5% by then.

**Exhibit 15: Almost 25% of new vehicles now have a screen larger than 11 inches; share only expected to increase in coming years**



Source: S&P Global Mobility ([link](#))

*"The windscreen becomes a single large display with our new BMW Panoramic Vision, opening up completely new possibilities for the design of our vehicles. Whether the driver decides themselves which information they want to display in their own field of vision, or that all occupants can see the entire content. The revolutionary projection and the significantly more clearly structured cockpit give an impressive new feeling of space and driving. We are taking our proven 'eyes on the road – hands on the wheel' slogan to a new level."*

- comment by Frank Weber, Chief Technology Officer, BMW ([link](#))

*"We wanted to create something like a loft on wheels ... a cozy seating arrangement, a large flat screen and not much more to be honest. We're not switchless but we definitely have a lot less switches. We've been able to reduce elements by combining them."*

- comment by Adrian Van Hooydonk, Director of Design, BMW Group ([link](#))

*"With this BEV platform, we got this opportunity to reimagine and reconfigure the space. We were able to design exactly what we wanted and let the chassis kind of follow. Everything on the Mach-E is digital, even the door handles. We didn't want levers and switches cluttering the interior."*

- comment by Josh Greiner, senior interior designer, Mustang Mach-E ([link](#))

*"Large displays and automotive specific challenges are now recognized by the industry. The Consumer Electronic Show now has an In-Vehicle entertainment and safety specific award ... we have more than USD3.5bn in new design wins, more than 40% of which we won last year. We won more than 20 large multi-display projects worth more than USD1.5bn. Last year, our revenue from displays was about USD0.5bn and we are well on our way to achieve our target of USD1bn by 2026."*

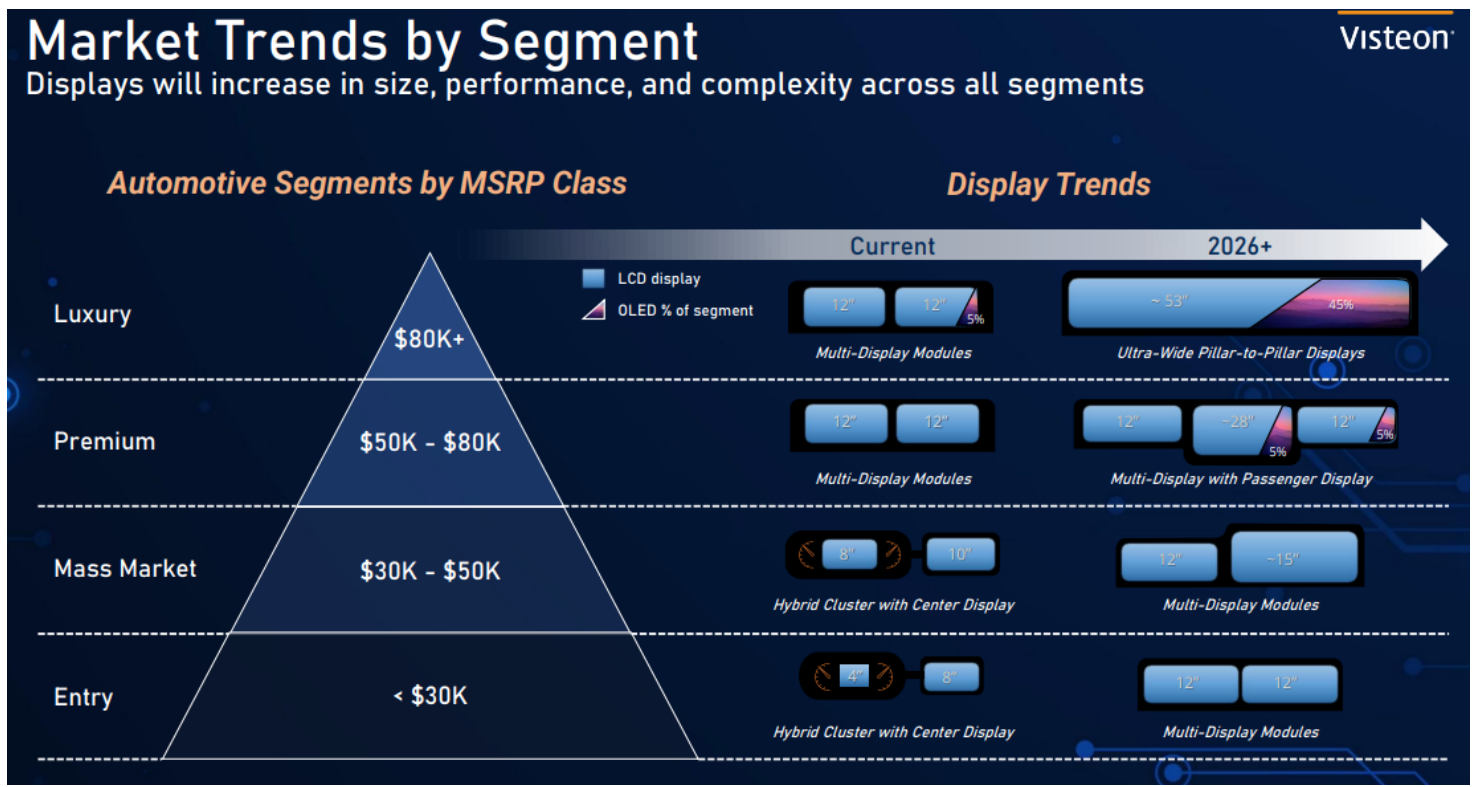
- comment by Qais Sharif, Global Vice President of Display Product Lines, Visteon (2023 Investor Day)

Exhibit 16: Mercedes' MBUX 'Hyperscreen' combines three separate displays under one 56-inch piece of glass



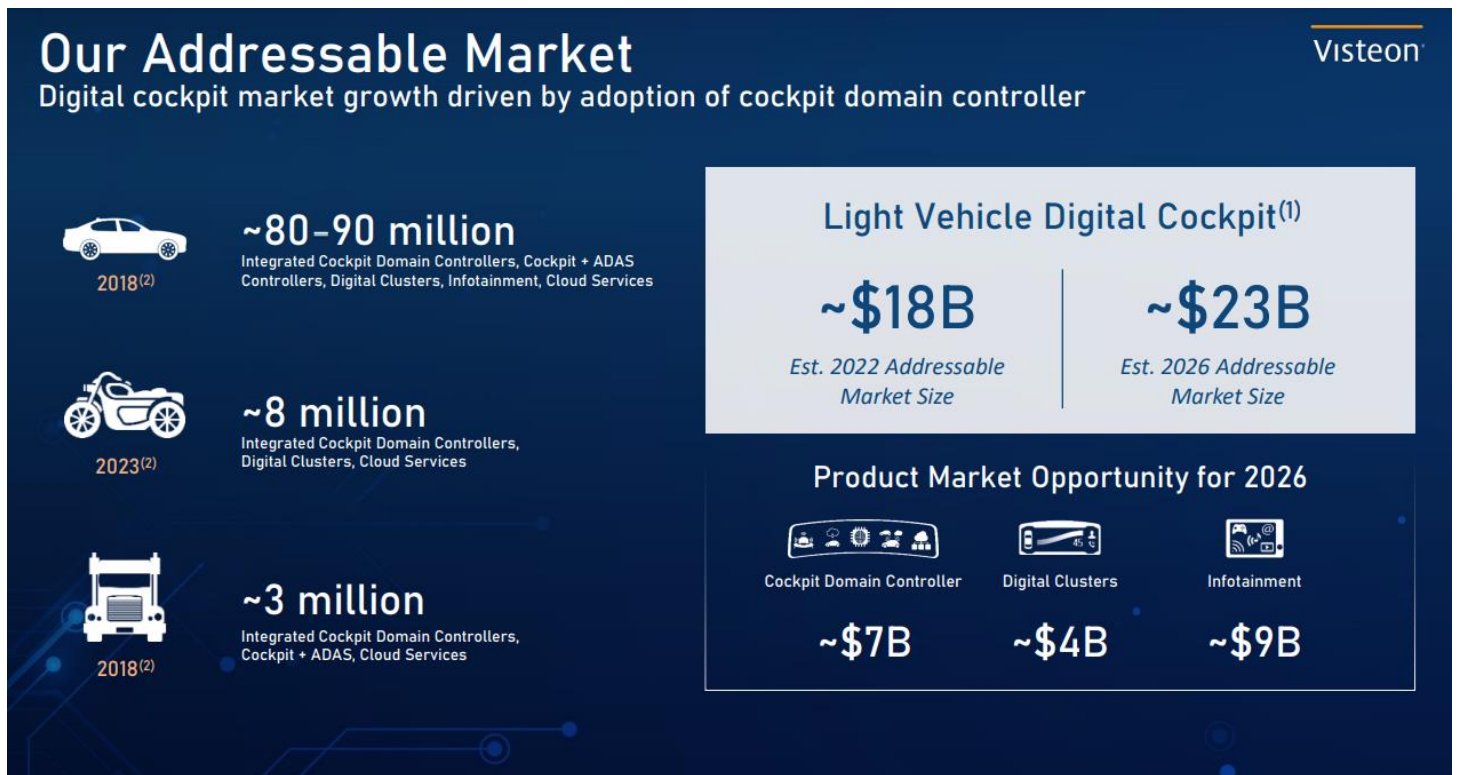
Source: Company

Exhibit 17: Global players expect screens to become bigger and more complex across car segments



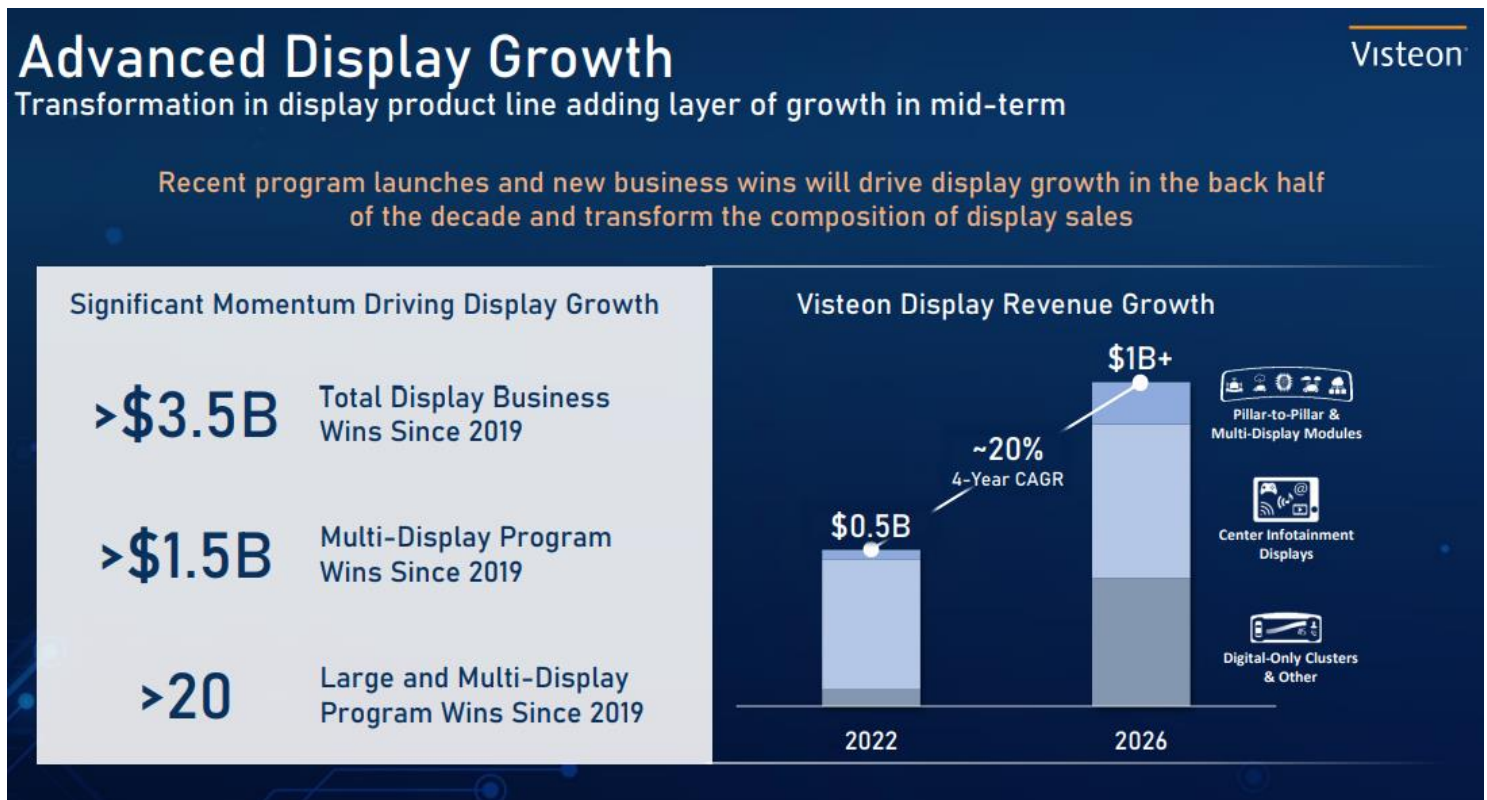
Source: Visteon's 2023 Investor Day presentation

Exhibit 18: Global light vehicle digital cockpit market to grow, from ~USD18bn to ~USD23bn by 2026



Source: Visteon's 2023 Investor Day presentation

Exhibit 19: Visteon expects display segment revenues to more than double by 2026 (~20% CAGR)



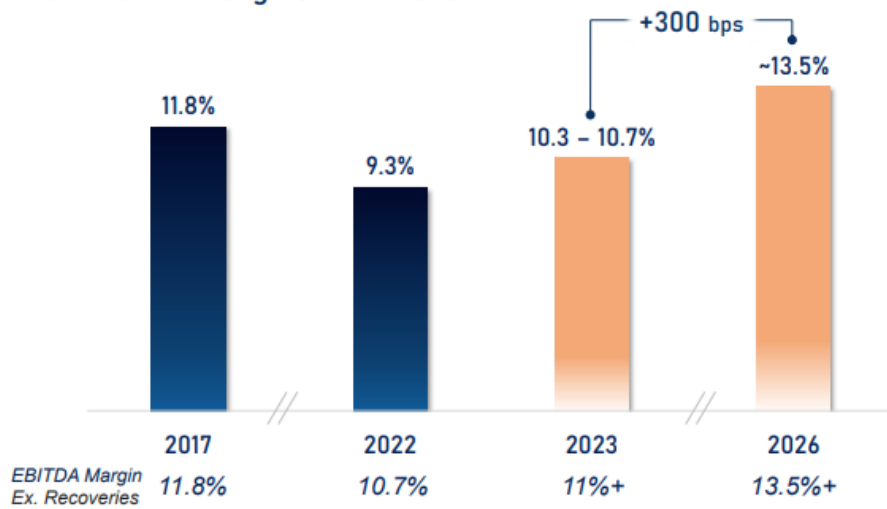
Source: Visteon's 2023 Investor Day presentation

Exhibit 20: Visteon expects overall margins to also rise, by ~300bps to ~13.5% by FY26

### Margin Growth Drivers

- 
**Robust Sales Growth**  
 Further scale supports margin growth by leveraging manufacturing and engineering footprint
- 
**Leveraging Optimized Cost Base**  
 Maintaining discipline to optimize cost base and grow without significantly ramping fixed costs
- 
**Operational Improvements**  
 Constant commercial and operational focus supported by best-cost footprint
- 
**Semiconductor Dilution**  
 Margin headwind from recoveries expected to dissipate as semiconductor supply improves

### Robust margin progression with ~20% incremental margins from 2023



Source: Visteon's 2023 Investor Day presentation



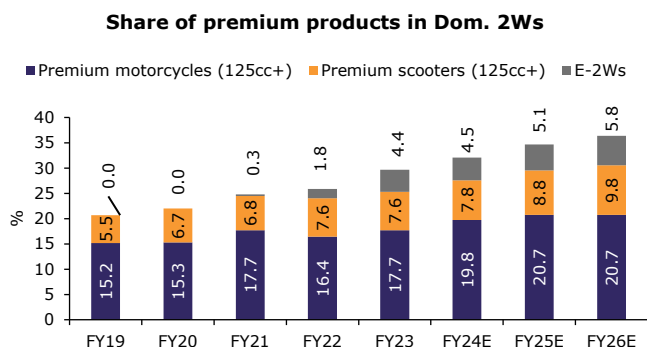
"Our vision for 2030 is to transform the quality of life of our customers by developing new products and mobility solutions that are exciting, responsible, sustainable, and importantly safe. This is the direction in which we're working and TVS X is really a step in the direction of that vision where we brought together a lot of elements- the connected experience with your smartwatch, making your life much easier, making it more fun to commute, more connected."

- Sudarshan Venu, MD, TVSL

## Screenification gaining rapidly in India as well

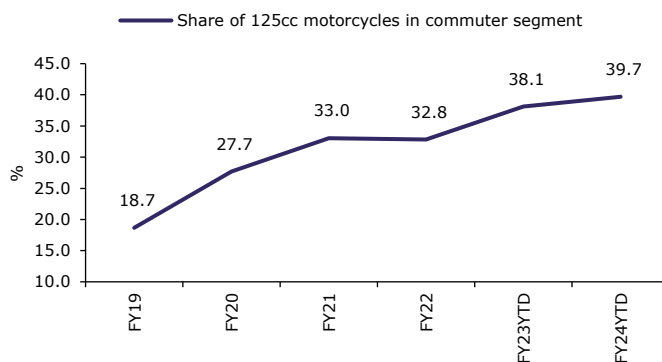
- We highlight that India is following in the footsteps of global peers, with respect to 2Ws and 4Ws, amid: i) improving underlying industry mix (premiumization), ii) differentiation efforts by OEMs in their products, and iii) evolving customer preferences, with larger, more feature-rich infotainment screens/instrument clusters increasingly emerging as a key purchase consideration across vehicle segments.
- We estimate that the 2W instrument cluster (IC) market size would potentially be ~2x/~4x in ~3 years/~6 years, respectively, given the: i) shift in industry production mix towards easily-penetrable segments like premium motorcycles, premium scooters and e-2Ws (already under way; combined contribution to industry production could rise to ~45% in FY30E vs. ~30% in FY23), and ii) rising adoption of digital and TFT screens, even in price-sensitive segments like entry-level motorcycles (e.g. HMCL's Splendor Plus Xtec now features a fully digital speedometer).
- Mass market carmakers like MSIL have highlighted screens/infotainment as a key customer purchase decision; the 4W instrument cluster space is also as large as the 2W market's, but is currently dominated by imports and, thus, represents an important white space for players like Pricol.

**Exhibit 21: Contribution of premium products within the 2W industry to rise to ~36% by FY26E vs. ~30% as of FY23**



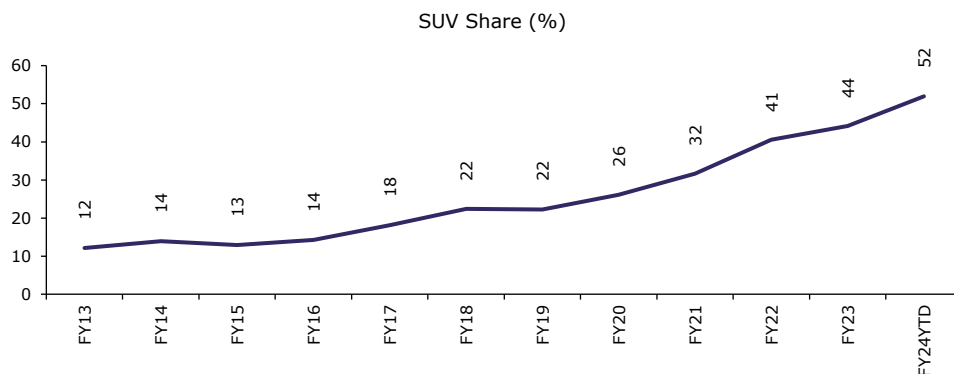
Source: SIAM, Emkay Research

**Exhibit 22: The 125cc category share in commuter bikes is growing**



Source: SIAM, Emkay Research

**Exhibit 23: Premiumization in PVs – Share of UVs over 50% at present**



Source: SIAM, Emkay Research

### India set to follow the global example in screens across 4Ws and 2Ws

"Another factor impacting customers' buying decisions in 2024 will be modern gadgetry such as connected technology, **large infotainment systems, heads-up displays, sunroofs, and ventilated front seats.** **We have observed that customers across almost all segments are looking for aspirational technologies and creature comforts rather than mere functionality.** This shift in buying preference is expected to considerably impact their decision."




- Comments by Shashank Srivastava, Senior Executive Officer, Marketing & Sales, MSIL [\(link\)](#)



"What we see is that those 10-inch displays will get larger. Imagine two or even three 12-inch displays nicely done under one cover lens, giving the appearance of a single large display. That's going to be one of the first things that's going to happen in the Indian context ... we believe these larger displays are going to be in at least 50 percent of the vehicles sold in the market. I believe that in the very first wave, we will see larger, relatively flat displays resulting in a tremendous shift away from knobs, switches and buttons, even at the lower end. Now, what's even more exciting for me, in particular, is many of the trends that we've talked about already - increased processing capabilities, connectivity, ADAS - are also coming into two-wheelers. With a lot of connectivity, with the phone, with the cloud and we are now looking at how we bring ADAS functionality for two-wheelers. The technology is actually very similar."

- Comments by Sachin Lawande, President & CEO, Visteon ([link](#))

**Exhibit 24: TFT penetration in the Indian 2W market currently at ~4%; pricing over 10x/4x of analog/digital clusters**

2W instrument cluster	Analog	Digital and semi-digital incl. LCD	TFT (touchscreen)
Product			
Price (Rs/unit)	300-400	1,000-1,500	5,000
Current penetration (%)	30%	67%	4%
Cluster as % of 2W ASP	~0.5%	1-2%	~4% (EV), up to 6-7% (ICE)

Source: Emkay Research

**Exhibit 25: Today TFT screens form 3-4% of 2W ASPs vs. 1-2% in case of digital/semi-digital clusters (incl. LCD) and ~0.5% in case of analog clusters**

Rs/unit	TVS iQube (EV)	TVS Raider SmartXconnect	TVS Raider Standard	Hero Splendor+ Xtec	Hero Splendor+
<b>Ex-factory cost</b>	<b>145,565</b>	<b>74,378</b>	<b>69,637</b>	<b>57,834</b>	<b>55,355</b>
GST @5%/28%	7,278	22,481	21,048	17,481	16,731
Pre-transport costs	152,843	96,859	90,684	75,315	72,087
Transport costs @1%	1,528	1,018	953	791	757
Pre-dealer margins	154,371	97,876	91,637	76,106	72,844
Dealer margins @5%	7,719	4,894	4,582	3,805	3,642
<b>Ex-showroom price (Delhi)</b>	<b>162,090</b>	<b>102,770</b>	<b>96,219</b>	<b>79,911</b>	<b>76,486</b>
Price of cluster					
TFT cluster	5,000	5,000			
Digital cluster			1,500	800	
Analog cluster					300
<b>Cluster as a % of ex-factory cost</b>	<b>3.4</b>	<b>6.7</b>	<b>2.2</b>	<b>1.4</b>	<b>0.5</b>

Source: Online portals, Emkay Research

Exhibit 26: TVSL's premium EV, TVS X, has a 10-inch TFT screen...



Source: Online portals, Emkay Research

Exhibit 27: ...and it comes with functions like navigation, call & SMS alerts, music & video streaming, geo-fencing, shared digital keys, etc



Source: Online portals

Exhibit 28: Indian OEMs also starting to differentiate their products based on intelligent driver information system/infotainment; becoming key purchase criteria across segments

**Aspirational product portfolio** **TATA MOTORS**

Our portfolio has been reimagined with design, safety and technology as core tenets

World class design	Best in class Safety	New Technologies
<ul style="list-style-type: none"> <li>• Continuous evolution of new age IMPACT-ful design with focus on improving                             <ul style="list-style-type: none"> <li>• Road presence and stance</li> <li>• Expressive surfaces</li> <li>• Extraordinary Details</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>• Upgrade passive / active safety attributes – Enhance structure, crash prevention, post crash assistance</li> <li>• Advanced Driver Assist Features (ADAS) – L0→L1→L2</li> </ul>	<ul style="list-style-type: none"> <li>• Modern, intelligent &amp; integrated infotainment and driver information system (HMI)</li> <li>• Feature upgrade for Connected Car ecosystem</li> <li>• Tech upgrades on existing engine portfolio for refinement</li> </ul>



Source: Company

Exhibit 29: Connectivity being positioned as a key differentiator even in commuter 2Ws



Source: Company

**Exhibit 30: Digital clusters increasingly being introduced in mass-market ICE motorcycles**

	TVS Raider SmartXconnect	TVS Raider Standard
Display	 <b>5-inch TFT</b>	 <b>Digital (LCD)</b>
Mobile App	Yes	No
App features	Calls & Messaging, Navigation Assist	Low battery alert
Service Due Indicator	Yes	Yes
Speedometer	Digital	Digital
Odometer	Digital	Digital
Tripmeter	Digital	Digital
Fuel Gauge	Digital	Digital
Clock	Yes	Yes
Riding Modes	Yes	Yes
Additional Features	TVS SmartXconnect, Voice Assist, Ride Report, ETfi Technology, intelliGO, Ambient Sensor, Human Machine Interface Operation, Weather Updates, Sports Updates	intelliGo, Engine inhibitor, Helmet reminder, Side-stand engine cut-off
Price (Rs; Ex-showroom, Delhi)	1,02,770	96,219
<b>Instrument cluster as % of ex-factory cost</b>	<b>6.7%</b>	<b>2.2%</b>

Source: Online portals, Emkay Research

**Exhibit 31: Digital console now being offered as a differentiating feature, even in entry-level 100cc motorcycles like Hero Splendor Plus Xtec (Xtec versions comprise ~1/3<sup>rd</sup> of HMCL sales)**



**ADVANCED XTEC TECHNOLOGY**

**FULL DIGITAL SPEEDOMETER (1<sup>ST</sup> IN SEGMENT\*)**  
The segment defining full digital speedometer raises the style and tech benchmarks




**BLUETOOTH WITH CALL, SMS ALERT (1<sup>ST</sup> IN SEGMENT\*)**  
Stay connected with the world while on the go! Connect your phone with Splendor+ XTEC to get instant call, SMS alerts

*Splendor+ XTEC*

Source: Company

**Exhibit 32: We expect 2W instrument cluster industry to grow to ~2x/~4x from current levels in ~3 years/~6 years**

<b>Technology split (%)</b>	<b>FY23</b>	<b>FY24E</b>	<b>FY25E</b>	<b>FY26E</b>	<b>FY27E</b>	<b>FY28E</b>	<b>FY29E</b>	<b>FY30E</b>
Analog	30%	28%	21%	14%	10%	5%	0%	0%
Semi digital	40%	40%	39%	38%	35%	34%	28%	20%
Digital	27%	29%	33%	35%	38%	39%	43%	45%
TFT	4%	4%	7%	12%	16%	20%	27%	33%
<b>Total</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>

<b>2W IC Market size (Rs mn)</b>	<b>FY23</b>	<b>FY24E</b>	<b>FY25E</b>	<b>FY26E</b>	<b>FY27E</b>	<b>FY28E</b>	<b>FY29E</b>	<b>FY30E</b>
Analog	2,043	2,167	1,818	1,335	1,027	552	-	-
Semi digital	5,836	6,550	7,142	7,661	7,594	8,037	6,715	4,871
Digital	5,671	7,006	9,054	10,874	12,631	14,093	15,645	16,419
TFT	3,404	3,839	8,824	16,166	23,008	30,143	40,603	50,263
<b>Total</b>	<b>16,954</b>	<b>19,561</b>	<b>26,838</b>	<b>36,036</b>	<b>44,260</b>	<b>52,824</b>	<b>62,963</b>	<b>71,553</b>

Source: Company, Emkay Research; Note – IC = Instrument Cluster



## Pricol enjoys strong position in DIS

- Pricol’s sustained R&D focus (4-4.5% of sales; R&D spends CAGR at ~2x of standalone revenue CAGR since FY17), supported by high vertical integration in product development & manufacturing capabilities, has driven robust market-share gains in instrument clusters over the years (instrument clusters form ~65% of consolidated revenue, as of FY23).
- Company’s market share in 2W instrument clusters stood at ~50% in FY23 (second largest player globally, after Nippon Seiki), with TVSL as its key customer; its share in digital clusters for e-2Ws stands at 80%. Pricol has a dominant presence in CVs and Off-highway vehicles (~70% and ~90% market-share, respectively) – and it also commands a strong position in PV clients like TTMT post its recent re-entry into this segment after the end of its non-compete clause with its erstwhile JV partner; has also recently entered PSA.
- The company has been continuously strengthening its positioning with strong order wins on the digital and TFT cluster fronts across 2W categories over the past 2 years (across commuter & premium motorcycles, scooters and e-2Ws), apart from other cluster wins in 2Ws, 3Ws (including the BJAUT e-3W) as well as PVs (like Tata Nexon) and LCVs (including Tata Ace EV).
- We expect Pricol’s instrument cluster revenue CAGR at ~25% during FY23-26E (including ~30% 2W cluster revenue CAGR), backed by: i) strong order wins, ii) sharp increase in content/vehicle due to increasing digital cluster adoption (Pricol expects average content to rise to ~Rs2,500/unit vs. ~Rs1,200/unit currently) and iii) rebound in underlying OEM industry volumes (particularly in 2Ws, at ~10% CAGR over FY24E-26E).

**Exhibit 33: Product profile in Pricol’s ‘Driver Information & Connected Vehicle Solutions’ vertical**



Source: Company



**Exhibit 34: Pricol leads other auto ancillary companies in terms of R&D exp. as a % of sales**

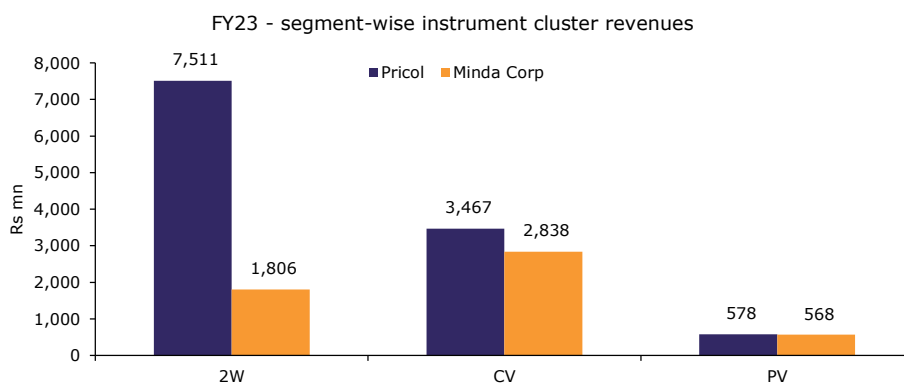
R&D expenditure, as a % of sales	FY20	FY21	FY22	FY23
<b>Pricol</b>	<b>4.2</b>	<b>1.8</b>	<b>2.7</b>	<b>4.0</b>
Minda Corp	1.1	1.4	1.3	1.4
Uno Minda	2.3	1.6	2.3	4.0
Sona BLW	3.9	5.8	2.1	2.7
Bosch	0.5	5.0	3.0	3.0
Samvardhana Motherson	0.3	0.4	NA	NA

Source: Company, Emkay Research

**Exhibit 35: Based on our workings, Pricol has made strong relative market share gains over the past 5 years, particularly in 2W instrument clusters**

Rs mn	2W			Overall		
	FY18	FY22	FY23	FY18	FY22	FY23
<b>Player wise</b>						
Pricol	3,263	5,221	7,511	5,020	8,032	11,556
Minda Corporation	908	1,146	1,806	2,594	3,274	5,160
Nippon Seiki	6,020	5,001	5,600	8,600	7,144	8,000
<b>Total</b>	<b>10,191</b>	<b>11,368</b>	<b>14,917</b>	<b>16,214</b>	<b>18,450</b>	<b>24,716</b>
<b>Relative Market Share (%)</b>						
<b>Pricol</b>	<b>32%</b>	<b>46%</b>	<b>50%</b>	<b>31%</b>	<b>44%</b>	<b>47%</b>
Minda Corporation	9%	10%	12%	16%	18%	21%
Nippon Seiki	59%	44%	38%	53%	39%	32%

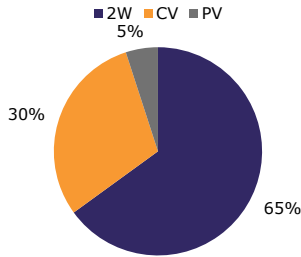
Source: Company, Capitaline, Emkay Research

**Exhibit 36: Pricol is larger than its competition in all instrument cluster segments; ~4x size of Minda Corp in 2Ws, in our view**

Source: Company, Emkay Research

**Exhibit 37: Pricol derives most of its cluster revenue from 2Ws**

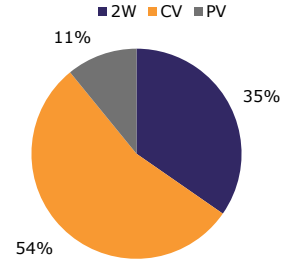
Pricol - FY23 segment-wise instrument cluster mix



Source: Company, Emkay Research

**Exhibit 38: Minda's revenue mix is more tilted towards CVs**

Minda - FY23 segment-wise instrument cluster mix



Source: Company, Emkay Research

**Exhibit 39: Pricol has won several digital cluster orders in the past 2 years**

OEM	Model	Category	Screen
TVSL	Raider	Commuter motorcycle	Digital cluster
TVSL	Jupiter 125	125cc scooter	Digital cluster
TVSL	iQube	Premium E-scooter	TFT cluster
TVSL	Ntorq	Premium scooter	TFT + LCD hybrid cluster
TVSL	Raider	Commuter motorcycle	TFT cluster
TVSL	Apache 310 RTR	Premium motorcycle	TFT cluster
HMCL	Xtreme 125R	Commuter motorcycle	Digital cluster
HMCL	Maestro 125	125cc scooter	Digital cluster
HMCL	Pleasure Plus	110cc scooter	Digital cluster
HMCL	Xtreme	Premium motorcycle	Digital cluster
HMCL	Mavrick 440	Premium motorcycle	Digital cluster
HMCL	Vida	Premium E-scooter	TFT cluster

Source: Company, Emkay Research

**Exhibit 40: Pricol supplies TFT screens to TVS iQube EV, TVS Raider, and HMCL Vida EV...**



Source: Company

**Exhibit 41: ...also supplies digital screens to HMCL's latest premium motorcycle launches**



Source: Company

Exhibit 42: Pricol has scaled up quickly in TTMT PVs after the expiry of non-compete clause with erstwhile JV partner in 2020



Source: Company

Exhibit 43: Pricol also supplies globally to PV makers like PSA (Stellantis) and construction equipment manufacturers like JCB



Source: Company

## Exports, higher content to drive pumps business

- In its Actuation, Control and Fluid Management division (ACFMS; ~35% of consolidated revenue; key products: fuel & water pumps), Pricol largely serves the Off-road, construction equipment and heavy duty engines segments (as also for exports), with majors like Caterpillar and JCB being a few of its large clients.
- Here, the company is following a three-pronged strategy:
  - (A) To mitigate electrification threat in products like small oil pumps, the company is migrating towards value-added heavy duty applications with no/minimal disruption risk (more oriented towards off-highway equipment, CVs vs. 2Ws earlier); e.g., Pricol has started supplying large 80kg pumps to Caterpillar.
  - (B) Developing EV-specific products like electric coolant pumps; supplies already started to Tata E-buses and AL E-buses.
  - (C) Development of engine-agnostic products like disc brakes and cabin tilt systems (trial production commenced).
- Under the global trend of supply-chain diversification ('China Plus One'), key clients like Caterpillar are increasing sourcing from India, while others like JCB are increasingly using India as an exports hub; Pricol, with its large presence in this segment, thus enjoys tailwinds from infrastructure-related growth as well as exports.
- The introduction of complex products (e.g. BLDC fuel pumps, electrical coolant pumps) vs. lower-value products earlier (like oil pumps and chain tensioners) is also seen strongly supporting content growth (from Rs150-200/unit towards Rs1,000/unit).
- This segment contains an exposure of ~Rs1.3bn to 2W internal combustion engine towards fluid management systems (i.e., ~20% of division revenues, ~6-7% of overall consolidated revenues in FY23); the company believes electrification in 2Ws would lead to loss of this business over a period of 5-7 years, however, the growth in new products in the vertical is seen more than offsetting this decline.
- We expect ACFMS division to clock ~15% revenue CAGR over FY23-26E

**Exhibit 44: Product profile in Pricol's ACFMS vertical**



Source: Company

**JCB increasingly using India as an exports hub**

"This year, we expect 45% of what we manufacture in India will be exported, from 10% five years ago."

- Comments by Graeme Macdonald, CEO, JCB in 2023 [\(link\)](#)

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**Exhibit 45: Pricol supplies large water pumps to Caterpillar**

Export Launches



Source: Company

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**Exhibit 46: Pricol has started supplying electric coolant pumps for Tata and AL E-buses**

Q4 FY23 Product Launch (ACFMS)



Source: Company



## Transforming from a dual-product to multi-product company

- As against the current dual-product dependence (instrument clusters, pumps), Pricol is now transforming into a multi-product company with the addition of adjacencies like E-cockpits, connected vehicle solutions, battery management system (BMS), disc brakes, etc., leveraging upon its strengths in software and electronics. Pricol expects revenue contribution from new products (typically 20% for a year) to accelerate from FY25E and FY26E, as these products start getting commercialized.
- E-cockpit, which is an integrated solution of DIS/instrument cluster and infotainment system with common electronics and TFT/touchscreens, is currently under development with a major customer and would be launched by FY26E.
- As part of its strategic technology partnership with California, US-based Sibros Technologies Inc., Pricol's DIS and telematics would be complemented by Sibros' cloud-based all-in-one platform to provide Over-the-Air (OTA) connected vehicle solutions such as software and firmware updates, vehicle data analytics, diagnostics, and troubleshooting. Currently, this is in the 'proof of concept' stage with various OEMs, with start of production expected from Q4FY25 and ramp-up thereafter in FY26.
- Pricol has entered an exclusive technology partnership with France-based BMS PowerSafe (part of Startec Group) to manufacture BMS for EVs across vehicle categories; here, Pricol will be licensing the product and process technology of BMS from BMS PowerSafe and manufacturing the complete BMS in house. The tie-up enables the addition of a pure-play EV product to its portfolio.
- BMS solution and disc brakes would be launched in the coming 12-18 months for several E-2W customers (both, new-age OEMs, and incumbents).
- We have not built in any revenue from upcoming adjacencies (E-cockpit, connected vehicle solutions, BMS, disc brakes, etc.) in our estimates; any meaningful contribution from these products by FY26E forms an upside risk to our projections.

### Exhibit 47: New products exhibited by Pricol at Auto Expo 2023



Source: Company

**Exhibit 48: Pricol has formed key partnerships to accelerate development of adjacencies in areas like connected vehicle solutions and BMS**



Sibros' connected all-in-one platform will complement Pricol's suite of products on Driver Information Systems (DIS) and **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

**Exhibit 49: E-cockpit solution integrates DIS and infotainment; Pricol is currently developing it with a major customer; to be launched by FY26E**



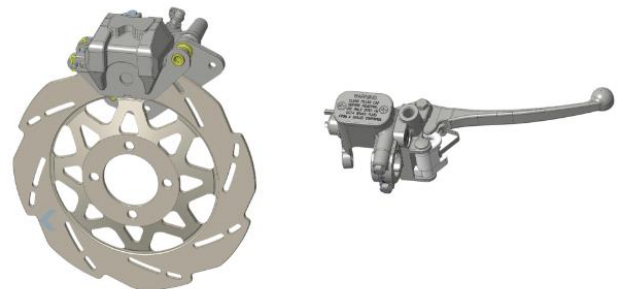
Source: Company

**Exhibit 50: Heads Up Display (HUD) developed by Pricol**



Source: Company

**Exhibit 51: Disc brakes for E-2Ws to be launched in 12-18 months**



Source: Company

**Pricol to launch integrated 'E-cockpit' system for cars in coming quarters**

"E-cockpit is nothing which is coming in today's new generation cars where you have one side, you have the driver information system. On the other side you have the infotainment. Both are like very seamlessly integrated. Something we call as a silver box design. It is nothing, but you have the electronics common for both and it drives both and you have the screens different. What we call as a complete solution, whatever you see in the dash, both on the infotainment and also on the driver information system with the TFTs and touch screens, we call the whole system as E-cockpit ... It is currently under development with certain OEMs and we will be launching it maybe in the next three to four quarters from now"

– Comments by Pricol in Q1FY24

**Connected vehicle solutions, BMS, disc brakes to enter production by Q4FY25 with ramp up from FY26 onwards**

"It [connected vehicle solutions with Sibros] will definitely do both [increase content per vehicle and broaden the company's offerings]. One is the content of the vehicle will increase because telematics as a product strategy is going to have a very deep penetration into the new era vehicle. You know that most of the EVs have got telematics in-built because you need to track many of the vehicle parameters including the battery performance. And we are also developing battery telematics as well for a few of our customers. So, telematics is going to be a large play as we are going to hope, that primary the market wants. So, it is going to have value addition in terms of our product portfolio and also with Sibros integration more and more we are going to have the connected vehicle solution offered to various customers."

"Disc brake and battery management system is something which is under development. In the next 12 to 18 months, we would be launching those products for a number of EV customers across various two wheelers, which will not only include what you call new-age EV, which is going to be the primary focus and also to our traditional OEMs. And this is based on the concept of modularity, by which every time the customer needs not keep design the product right from the start, with very small minor modifications, we would be in a position to offer to various customers."

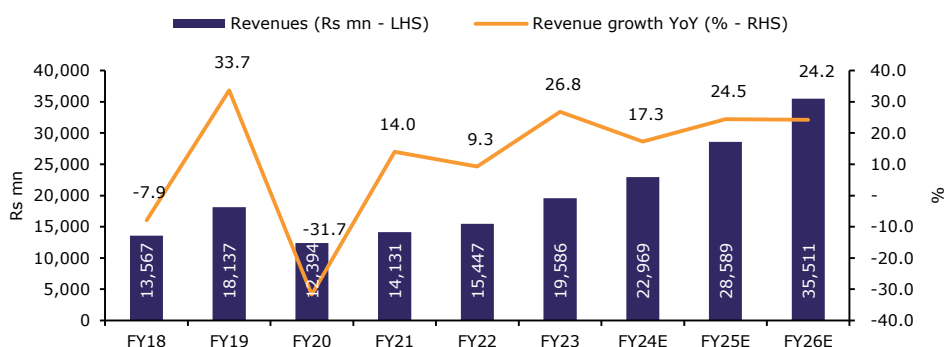
– Comments by Pricol in Q3FY24

## Financials: Expect ~22%/~28%/~34% CAGR in consol. Revenue/EBITDA/PAT over FY23-26E

- Riding on: i) the rapid premiumization tailwind in instrument clusters ('Screenification'), ii) new order wins/model entries, iii) higher exports and introduction of value-added products in the ACFMS division, and iv) a healthy ~11% 2W industry production CAGR, we expect ~22% CAGR in Pricol's consol. revenue over FY23-26E, at ~Rs35bn. Instrument cluster/ACFMS revenues are seen clocking a ~25% CAGR/~15% CAGR, respectively. We note that the company has guided for consolidated revenue reaching ~Rs40bn by FY26, comprising of ~Rs36bn via the organic route and the balance via the inorganic route.
- We have not factored-in revenue from new product lines like BMS and connected solutions, which are currently in the proof-of-concept stage with various OEM clients. The management expects these to start contributing to the top line FY26 onwards; these pose upside risk to our estimates.
- On the back of strong growth in revenue, better mix (increasing share of value-added products) and anticipated softer input costs (moderating chip prices), we expect EBITDA margins to improve to 13.5% in FY26E vs. 11.7% in FY23 (~28% EBITDA CAGR during FY23-26E). The management has guided to margins reaching 13.5-14% levels, possibly before FY26 (Note: we have not factored the PLI incentives in our margin assumptions; this creates an upside risk to our estimates)
- Pricol is expected to clock ~34% PAT CAGR over FY23-26E, at ~Rs2.7bn, on the back of robust growth in revenue and improvement in profitability; EPS is seen doubling over FY24E-26E, with PEG ratio placed at less than 1x.
- We have built in combined capex spends of ~Rs6.5bn over FY24E-26E, with a net-cash-positive BS, even after incorporating ~18% dividend payout from FY24E onwards.
- We expect consolidated post-tax RoCE to remain above 20%; RoE is expected to improve to ~25% by FY26E vs. ~18% in FY23.

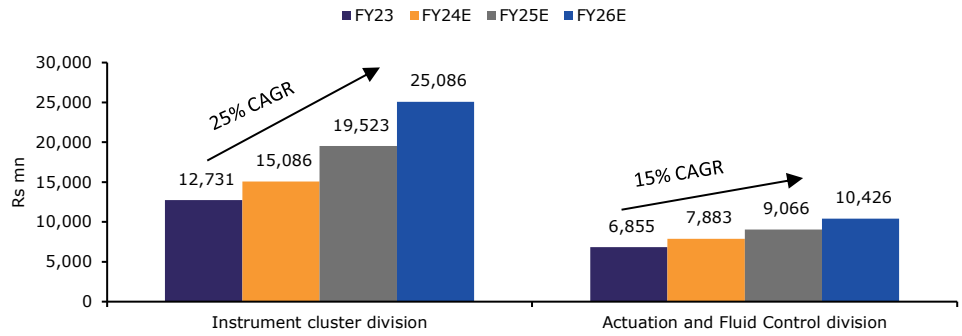
(Note – Effective tax rate for FY23 is lower due to re-measurement of deferred tax assets and liabilities related to the company's move to the new corporate tax rate).

**Exhibit 52: We build in a ~22% FY23-26E consolidated revenue CAGR**



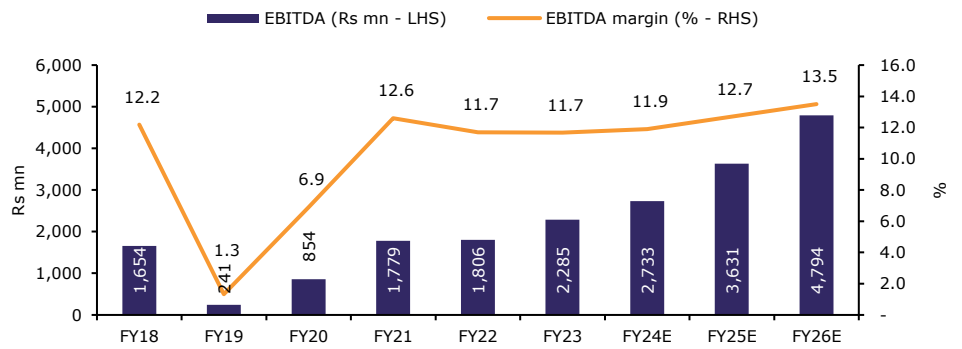
Source: Company, Emkay Research

**Exhibit 53: FY23-26E instrument cluster revenue CAGR expected at ~25%; ACFMS CAGR at ~15%**



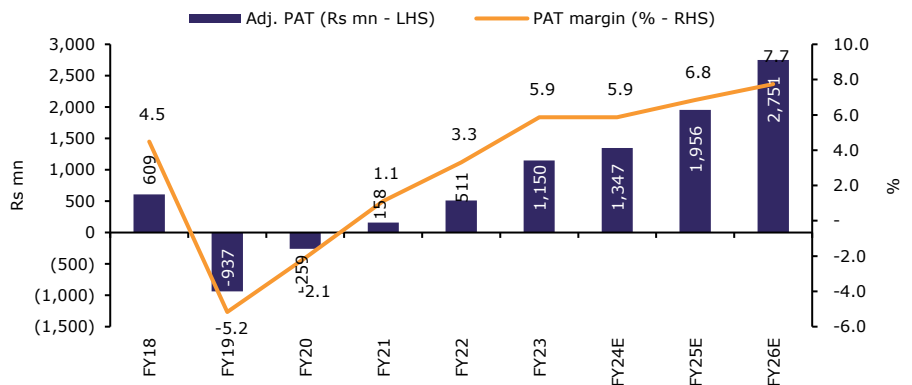
Source: Company, Emkay Research; Note: ACFMS = Actuation, Control and Fluid Management

**Exhibit 54: EBITDA margin to expand to 13.5% by FY26E, amid strong revenue growth, premiumization, and moderating chip prices**



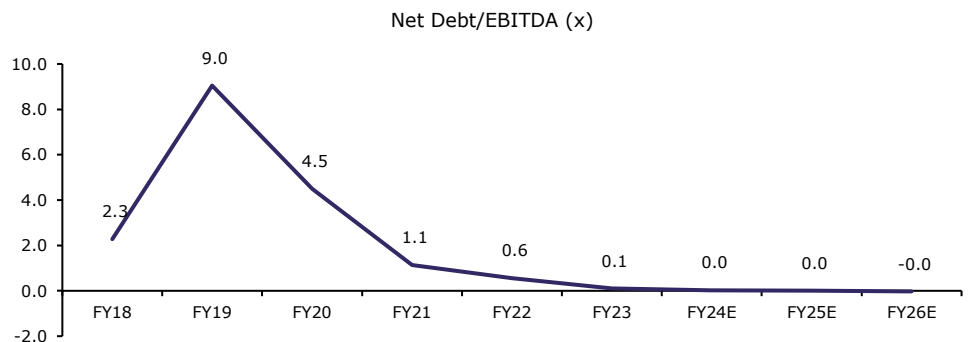
Source: Company, Emkay Research

**Exhibit 55: PAT CAGR expected at ~34% over FY23-26E**



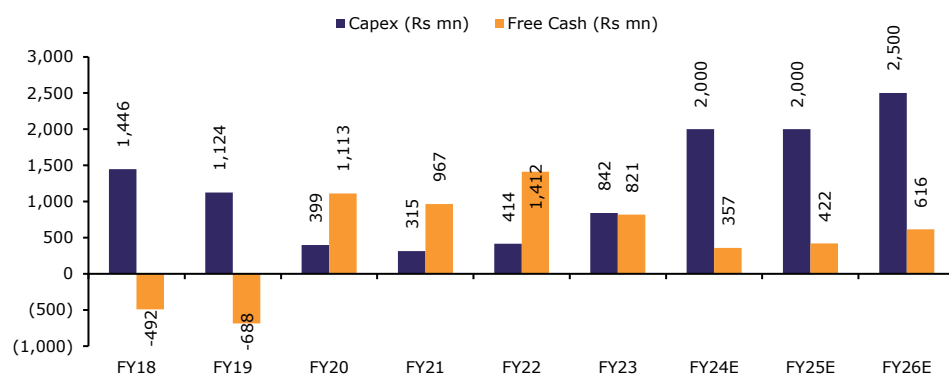
Source: Company, Emkay Research

**Exhibit 56: The already net cash-positive balance sheet, as of H1FY24-end**

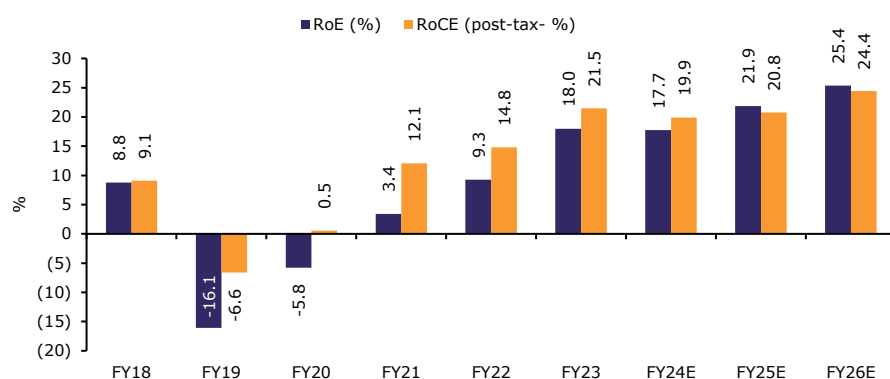


Source: Company, Emkay Research



**Exhibit 57: Strong cash generation on the anvil**

Source: Company, Emkay Research

**Exhibit 58: Return ratios seen at >25%**

Source: Company, Emkay Research

**Exhibit 59: Revenue model – We expect ~22%/~28%/~34% consolidated revenue/EBITDA/PAT CAGR over FY23-26E**

Rs mn	FY19	FY20	FY21	FY22	FY23	FY24E	FY25E	FY26E
<b>Revenue</b>	<b>18,137</b>	<b>12,394</b>	<b>14,131</b>	<b>15,447</b>	<b>19,586</b>	<b>22,969</b>	<b>28,589</b>	<b>35,511</b>
EBITDA	241	854	1,779	1,806	2,285	2,733	3,631	4,794
Growth YoY (%)	-85.4	254.7	108.4	1.5	26.5	19.6	32.8	32.0
<b>EBITDA margin (%)</b>	<b>1.3</b>	<b>6.9</b>	<b>12.6</b>	<b>11.7</b>	<b>11.7</b>	<b>11.9</b>	<b>12.7</b>	<b>13.5</b>
EBIT	(699)	(106)	837	987	1,506	1,902	2,664	3,665
EBIT margin (%)	-3.9	-0.9	5.9	6.4	7.7	8.3	9.3	10.3
PAT	(937)	(259)	158	511	1,150	1,347	1,956	2,751
PAT margin (%)	-5.2	-2.1	1.1	3.3	5.9	5.9	6.8	7.7
<b>EPS (Rs.)</b>	<b>(9.9)</b>	<b>(2.7)</b>	<b>1.3</b>	<b>4.2</b>	<b>9.4</b>	<b>11.0</b>	<b>16.0</b>	<b>22.6</b>
Capex	(1,400)	1,631	315	414	842	2,000	2,000	2,500
As a % of sales	(7.7)	13.2	2.2	2.7	4.3	8.7	7.0	7.0
Net debt	2,178	3,842	2,030	1,006	228	67	193	(128)
Net D/E(x)	0.4	1.0	0.4	0.2	0.0	0.0	0.0	(0.0)
<b>Post-tax ROCE (%)</b>	<b>(6.6)</b>	<b>0.5</b>	<b>12.1</b>	<b>14.8</b>	<b>21.5</b>	<b>19.9</b>	<b>20.8</b>	<b>24.4</b>
<b>ROE (%)</b>	<b>-16.1</b>	<b>-5.8</b>	<b>3.4</b>	<b>9.3</b>	<b>18.0</b>	<b>17.7</b>	<b>21.9</b>	<b>25.4</b>

Source: Company, Emkay Research

## Key risks and concerns

- **Revenue concentration in 2Ws:** Domestic OEMs form 85-88% of Pricol's revenue, with exports contributing ~7% of revenue and the aftermarket division having a limited share (due to the long life-cycle of products). While Pricol has improved its segmental exposure over the years (2Ws formed ~65% of FY23 revenue vs. ~74% in FY20), high exposure to the OEM space makes the company vulnerable to cyclical swings in the underlying automotive demand. Re-entry into PVs post expiry of the non-compete clause with the erstwhile JV partner, as well as the ongoing order wins in CVs, would help growth in non-2Ws and provide diversification.
- **Forex risk due to high import dependence:** Pricol presently imports 45-50% of its raw materials as against ~40% earlier, primarily driven by increased imports in the TFT segment. This exposes the company to foreign currency fluctuations and freight costs, especially during volatile periods globally.
- **EV risk in the ACFMS division:** Around 20% of the ACFMS division (6-7% of overall consolidated FY23 revenue) has exposure to the 2W internal combustion engine segment, which suffers from electrification risk. The management believes electrification would lead to loss of this business over coming 5-7 years; however, growth in new products in the vertical is seen more than offsetting this decline.

## Pricol : Consolidated Financials and Valuations

Profit & Loss					
Y/E Mar (Rs mn)	FY22	FY23	FY24E	FY25E	FY26E
<b>Revenue</b>	<b>15,447</b>	<b>19,586</b>	<b>22,969</b>	<b>28,589</b>	<b>35,511</b>
Revenue growth (%)	9.3	26.8	17.3	24.5	24.2
<b>EBITDA</b>	<b>1,806</b>	<b>2,285</b>	<b>2,733</b>	<b>3,631</b>	<b>4,794</b>
EBITDA growth (%)	1.5	26.5	19.6	32.8	32.0
Depreciation & Amortization	818	779	831	967	1,129
<b>EBIT</b>	<b>987</b>	<b>1,506</b>	<b>1,902</b>	<b>2,664</b>	<b>3,665</b>
EBIT growth (%)	17.9	52.5	26.3	40.1	37.6
Other operating income	0	0	0	0	0
Other income	88	46	115	126	139
Financial expense	273	183	197	147	87
<b>PBT</b>	<b>803</b>	<b>1,369</b>	<b>1,820</b>	<b>2,643</b>	<b>3,717</b>
Extraordinary items	0	(98)	0	0	0
Taxes	292	219	473	687	966
Minority interest	0	0	0	0	0
Income from JV/Associates	0	0	0	0	0
<b>Reported PAT</b>	<b>511</b>	<b>1,247</b>	<b>1,347</b>	<b>1,956</b>	<b>2,751</b>
PAT growth (%)	222.9	144.1	8.0	45.3	40.6
<b>Adjusted PAT</b>	<b>511</b>	<b>1,150</b>	<b>1,347</b>	<b>1,956</b>	<b>2,751</b>
<b>Diluted EPS (Rs)</b>	<b>4.2</b>	<b>9.4</b>	<b>11.0</b>	<b>16.0</b>	<b>22.6</b>
Diluted EPS growth (%)	222.9	125.0	17.1	45.3	40.6
<b>DPS (Rs)</b>	<b>0.0</b>	<b>0.0</b>	<b>2.0</b>	<b>3.0</b>	<b>4.5</b>
<b>Dividend payout (%)</b>	<b>0.0</b>	<b>0.0</b>	<b>18.1</b>	<b>18.7</b>	<b>19.9</b>
EBITDA margin (%)	11.7	11.7	11.9	12.7	13.5
EBIT margin (%)	6.4	7.7	8.3	9.3	10.3
Effective tax rate (%)	36.4	16.0	26.0	26.0	26.0
<b>NOPLAT (pre-IndAS)</b>	<b>628</b>	<b>1,265</b>	<b>1,407</b>	<b>1,972</b>	<b>2,712</b>
Shares outstanding (mn)	121.9	121.9	121.9	121.9	121.9

Source: Company, Emkay Research

Cash flows					
Y/E Mar (Rs mn)	FY22	FY23	FY24E	FY25E	FY26E
PBT	803	1,369	1,820	2,643	3,717
Others (non-cash items)	1,029	859	1,028	1,113	1,215
Taxes paid	(128)	(368)	(473)	(687)	(966)
Change in NWC	122	(295)	(18)	(648)	(850)
<b>Operating cash flow</b>	<b>1,827</b>	<b>1,663</b>	<b>2,357</b>	<b>2,422</b>	<b>3,116</b>
Capital expenditure	(414)	(842)	(2,000)	(2,000)	(2,500)
Acquisition of business	(45)	142	0	0	0
Interest & dividend income	12	9	0	0	0
<b>Investing cash flow</b>	<b>(447)</b>	<b>(691)</b>	<b>(2,000)</b>	<b>(2,000)</b>	<b>(2,500)</b>
Equity raised/(repaid)	0	0	0	0	0
Debt raised/(repaid)	(1,280)	(457)	(119)	(500)	(100)
Payment of lease liabilities	56	68	211	0	0
Interest paid	(256)	(181)	(197)	(147)	(87)
Dividend paid (incl tax)	0	0	0	(244)	(366)
Others	(84)	(2)	0	0	0
<b>Financing cash flow</b>	<b>(1,620)</b>	<b>(640)</b>	<b>(316)</b>	<b>(891)</b>	<b>(553)</b>
Net chg in Cash	(241)	333	41	(469)	64
OCF	1,827	1,663	2,357	2,422	3,116
Adj. OCF (w/o NWC chg.)	1,705	1,958	2,375	3,070	3,966
FCFF	1,412	821	357	422	616
FCFE	1,151	648	160	275	530
OCF/EBITDA (%)	101.2	72.8	86.2	66.7	65.0
FCFE/PAT (%)	225.4	51.9	11.9	14.1	19.3
<b>FCFF/NOPLAT (%)</b>	<b>224.8</b>	<b>64.9</b>	<b>25.4</b>	<b>21.4</b>	<b>22.7</b>

Source: Company, Emkay Research

Balance Sheet					
Y/E Mar (Rs mn)	FY22	FY23	FY24E	FY25E	FY26E
Share capital	122	122	122	122	122
Reserves & Surplus	5,640	6,921	8,024	9,614	11,816
<b>Net worth</b>	<b>5,762</b>	<b>7,043</b>	<b>8,146</b>	<b>9,736</b>	<b>11,938</b>
Minority interests	0	0	0	0	0
Deferred tax liability (net)	557	407	407	407	407
<b>Total debt</b>	<b>1,534</b>	<b>1,103</b>	<b>984</b>	<b>484</b>	<b>384</b>
<b>Total liabilities &amp; equity</b>	<b>7,853</b>	<b>8,553</b>	<b>9,537</b>	<b>10,628</b>	<b>12,730</b>
Net tangible fixed assets	2,726	2,678	3,846	4,880	6,251
Net intangible assets	2,044	2,032	2,032	2,032	2,032
Net ROU assets	553	566	566	566	566
Capital WIP	84	146	146	146	146
Goodwill	795	695	695	695	695
Investments [JV/Associates]	0	12	12	12	12
<b>Cash &amp; equivalents</b>	<b>528</b>	<b>876</b>	<b>917</b>	<b>448</b>	<b>512</b>
Current assets (ex-cash)	5,250	6,054	6,986	8,534	10,645
Current Liab. & Prov.	4,128	4,506	5,664	6,686	8,130
<b>NWC (ex-cash)</b>	<b>1,122</b>	<b>1,548</b>	<b>1,322</b>	<b>1,848</b>	<b>2,515</b>
<b>Total assets</b>	<b>7,853</b>	<b>8,553</b>	<b>9,537</b>	<b>10,628</b>	<b>12,730</b>
Net debt	1,006	228	67	36	(128)
Capital employed	7,853	8,553	9,537	10,628	12,730
<b>Invested capital</b>	<b>7,240</b>	<b>7,519</b>	<b>8,462</b>	<b>10,021</b>	<b>12,060</b>
BVPS (Rs)	47.3	57.8	66.8	79.9	97.9
Net Debt/Equity (x)	0.2	0.0	0.0	0.0	0.0
Net Debt/EBITDA (x)	0.6	0.1	0.0	0.0	0.0
Interest coverage (x)	0.3	0.1	0.1	0.1	0.0
<b>RoCE (%)</b>	<b>14.8</b>	<b>21.5</b>	<b>19.9</b>	<b>20.8</b>	<b>24.4</b>

Source: Company, Emkay Research

Valuations and key Ratios					
Y/E Mar	FY22	FY23	FY24E	FY25E	FY26E
P/E (x)	95.1	42.2	36.1	24.8	17.7
P/CE(x)	36.5	25.2	22.3	16.6	12.5
P/B (x)	8.4	6.9	6.0	5.0	4.1
EV/Sales (x)	3.2	2.5	2.1	1.7	1.4
EV/EBITDA (x)	27.4	21.3	17.8	13.4	10.1
EV/EBIT(x)	50.2	32.4	25.6	18.2	13.2
EV/IC (x)	6.8	6.5	5.7	4.8	4.0
FCFF yield (%)	2.8	1.7	0.7	0.9	1.3
FCFE yield (%)	2.4	1.3	0.3	0.6	1.1
Dividend yield (%)	0.0	0.0	0.5	0.8	1.1
<b>DuPont-RoE split</b>					
Net profit margin (%)	3.3	5.9	5.9	6.8	7.7
Total asset turnover (x)	1.9	2.4	2.5	2.8	3.0
Assets/Equity (x)	1.5	1.3	1.2	1.1	1.1
<b>RoE (%)</b>	<b>9.3</b>	<b>18.0</b>	<b>17.7</b>	<b>21.9</b>	<b>25.4</b>
<b>DuPont-RoIC</b>					
NOPLAT margin (%)	4.1	6.5	6.1	6.9	7.6
IC turnover (x)	0.0	0.0	0.0	0.0	0.0
<b>RoIC (%)</b>	<b>8.4</b>	<b>17.1</b>	<b>17.6</b>	<b>21.3</b>	<b>24.6</b>
<b>Operating metrics</b>					
Core NWC days	26.5	28.9	21.0	23.6	25.8
<b>Total NWC days</b>	<b>26.5</b>	<b>28.9</b>	<b>21.0</b>	<b>23.6</b>	<b>25.8</b>
Fixed asset turnover	1.5	1.8	1.9	2.0	2.2
Opex-to-revenue (%)	19.1	18.2	19.5	18.7	18.2

Source: Company, Emkay Research

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**Emkay Global Financial Services Ltd.**

CIN - L67120MH1995PLC084899

7th Floor, The Ruby, Senapati Bapat Marg, Dadar - West, Mumbai - 400028. India  
Tel: +91 22 66121212 Fax: +91 22 66121299 Web: www.emkayglobal.com



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