

Pricol Limited
Q3 FY23 Earnings Conference Call
February 09, 2023

Moderator: Ladies and gentlemen, good day and welcome to the Q3 FY23 Earnings Conference Call of Pricol Limited. As a reminder, all participant lines will be in the listen only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call. Please signal an operator by pressing “*” followed by “0” on your touchtone phone. Please note that this conference is being recorded. At this time, I would now like to hand the conference over to Ms. Chaiti Gujarati from Valorem Advisors. Thank you and over to you, ma'am.

Chaiti Gujarati: Good afternoon everyone and a very warm welcome to you all. My name is Chaiti Gujarati from Valorem Advisors. We represent the investor relations for Pricol Limited. On behalf of the company, I would like to thank you all for participating in the company's earnings call for the third quarter and nine months ended financial year 2023.

Before we begin, let me mention a short cautionary statement. Some of the statements made in today's concall may be forward looking in nature. Such forward looking statements are subject to risks and uncertainties which could cause actual results to differ from those anticipated. Such statements which are based on management's beliefs as well as assumptions made by an information currently available to management. Audiences are cautioned not to place any undue reliance on these forward-looking statements and to make any investment decisions. The purpose of today's earnings call is purely to educate and bring awareness about the company's fundamental business and financial quarter under review.

Let me now introduce you to the management participating with us in today's earnings call and hand it over them for opening remarks. We have with us Mr. P. M. Ganesh - Chief Executive Officer and Executive Director, Mr. Siddharth Manoharan - Director of Strategy and Mr. Priyadarsi Bastia - Chief Financial Officer. Unfortunately Mr. Vikram Mohan will not be able to attend this call today. Without any further delay, I request Mr. P. M. Ganesh to start with his opening remarks. Thank you, and over to you sir.

P. M. Ganesh: Good afternoon to all of you and it is very, very nice to reconnect with you, warm welcome. Again, during Q3 we have outperformed the market growth by significantly quarter-on-quarter we have been able to outperform the market growth. This is due to a host of new products which we have been launching quarter-on-quarter. Our presentation has been uploaded as you can see the various new products that we have launched during the Q3. We also had our Auto

Expo, where we have displayed the next generation of products which is continues to be highly focused on the EV vehicle. And it has a rousing welcome from the various customers. We continue to launch a whole host of next generation technology products and solution that can be deployed across all vehicle segments. However, during Q3, we had a setback in terms of a significant impact of our top line got affected due to acute IC shortage due to one of our key IC suppliers due to their internal consolidation activity. This has led to loss of both top line and also our profit. Causing losses of sale and other cost increasing due to premium price However, with all our collective efforts, we have overcome these challenges and reported a healthy set of Q3 numbers as you can see on the board. And we believe that the worst is behind us on the supply chain front and going forward, it looks like that there is a good amount of consistency which is expected in the supply chain.

On the key financial highlights of Q3 as a standalone recall our revenue stood at 449.57 crores with an EBITDA of 49.94 crores with 11.11%. The PAT was at 5.85%, on a consolidated financial our revenues stood at 458.16 crores with EBITDA of 51.81 crores with the EBITDA margin of 11.31%. Some of the key highlights of Q3, the financial highlights were. The revenue grew by 15.49%, much higher than the industry growth of 4% during the Q3 period, our profit before tax stood at 45.34% growth. The cash profit grew by 39.85%, and at a PAT level we had a growth of 99.58%. We have no long term debts during Q3 when compared to 100 crores then compared during the same period of last year.

Continuing with the key financials of Q3 when comparing to the previous financial year during the same period. Our revenue has grown by 16.07%. At the PBT level we have grown by 21.24%. The cash profit stood at 25.79% growth and the profit after taxation at the PAT level we are at 54.27% growth during the same quarter previous year. The details are there for you to see. I would now hand it over back to the operator for the investors to please ask the questions. Thank you so much.

Moderator: Thank you very much sir. We will now begin the question-and-answer session. We have the first question from the line of Jinesh Shah from Congo Commodities. Please go ahead.

Jinesh Shah: My question was regarding our recent partnerships with BMS and Sibros. I just wanted to know at what stages of development are these products right now?

Management: On the Sibros which is going to be an integral solution with our telematics the end-to-end solution, there Pricol already has been a supplier of telematics in the last 10 years and more than 300,000 units of telematics already successfully running in the field. Sibros is going to value add by bringing the cloud solution along with our hardware. We have already integrated the software of Sibros with our hardware. The POC has been demonstrated, the proof of concept has been demonstrated. And we have already given samples of this integrated solution to our customers which are running successfully in the field. And also in the recent CES show at US. Sibros and Pricol has jointly participated to exhibit that the integration has been

successfully completed and it is ready for going towards smart production. Similarly, during the auto expo during last month, we have again kept the working integrated sample which many customers have shown interest for their product testing that is where we stand on the Sibros. On the battery management system, our partners are very, very closely working with us in terms of the feasibility for the Indian market, and we have got a number of inquiries already from customers for the battery management solution which jointly we and the partners are evaluating for the solutions to be offered to the customers. That's where we stand on both the projects.

Jinesh Shah: Right. And what is the kind of CAPEX we have incurred so far with these partnerships and what do we see in the future, the kind of CAPEX that we are going to do with them?

Management: It is going to be CAPEX light in the Sibros project, because already telematics has been a part of Pricol ecosystem and we have been manufacturing telematics units for the last 10 years. So, it is going to be very CAPEX light on the telematics solution. Battery management system is still under evaluation, as I told you and then maybe during the appropriate time, then we will consolidate the CAPEX and then we will let you know.

Moderator: Thank you. We have the next question from the line of Hemant, an Individual Investor. Please go ahead.

Hemant: Sir, two questions from my end. First of all, we are targeting to double our revenue, we are basically targeting 4000 crores of revenue by FY26. So, if you can kindly break it up year wise, like what we are targeting for FY24-25 that is my first question. The second question in the opening remarks you have mentioned that we had a loss of revenue due to some IC supply shortage. So, maybe if you can quantify the amount, how much revenue we fell short off and how much profit we fell short off?

Management: Hemant thank you for both your questions. Question number one is little forward looking statements so, I will not be in a position to tell you on the year-on-year growth what is that we are looking, Yes we have set a target that we should reach 4000 crores with the host of new technology products, where we have clearly outlined the various new products which we are developing which has also been displayed at the Auto Expo in terms of the new technology products and the partnerships that whatever we are working with. Year-on-year at this point of time would be difficult for us to explain, that is the vision of the company that yes we should reach the 4000 crore. Now coming to Q3 it is again very difficult for us to quantify in terms of the loss if you asked me if the top line loss has been quite significant, because number of customer requirements we were not able to meet during Q3 of this year because of acute IC shortages. Quantifying that into a top line and bottom line would be a little difficult for us at this point of time, but a significant portion of that has been lost. However, to inform you that this has got regularized from January onwards and the supply chain situation has streamlined quite well and we are back to normalcy from Q4 onwards in terms of the supply chain situation.

We foresee that there should not be any major issues in terms of content shortage of supply chain disruption going forward.

Hemant: Sir, so we should expect that Q4 should be better than Q2?

Management: Again, I'm so sorry this is a little forward looking I will not say so but generally in the auto sector if you see Q4 is always better than Q3, Hemant as you are aware because Q3 has got a number of maintenance closures by the various OEMs especially in the month of December. Q4 generally the automotive industry will see a up-growth primarily because of the festival season at various parts of India and then Q4 we here in the quarter. You will always find the automotive industry would be at the best during Q4.

Moderator: Thank you. We have the next question from the line of Arshad Manfra, an Individual Investor. Please go ahead.

Arshad Manfra: I wanted to ask that in investor presentation you have written that, I know you say that you can't quantify the amount of revenue but, I wanted to ask that in the order book. So, can an investor thing that the orders which you are not able to fulfill has been transferred to order book or something like that, will it be in accrual?

Management: Actually speaking it will be a loss of production at both ends that is at our end for Q3 and also at the OEM end that is where when you have shortage situation. However, we have managed the situation quite well in terms of having the material sent by premium freight. So, that we could minimize the loss of production at the customer end, we have worked on Sundays to compensate the loss of production. So, we have tried to mitigate this issue as much as possible during Q3 that's why we are not able to quantify the exact numbers, but we have minimized the risk to a good extent by working on the Sundays and also sending the materials premium floght. However Q3 could have been better than what we are today primarily because of this acute IC shortage which has happened during Q3.

Arshad Manfra: Right. And I wanted to ask that the IC supplier we only have one IC supplier and due to whose internal consolidation we are facing this difficulty or what, we might have two or three more IC suppliers right?

Management: Yes, we have got the multiple IC suppliers. But for model specific we have one IC supplier because that is an integral part of the system for recall and as well as for our customer. So, whenever there is a major IC supplier is not able to supply because there are very few IC suppliers in the world and we are with all the big IC suppliers in the world. If one of them have got an issue, certainly it is going to have an impact on the top line, that is what we found, it is generally not a very common phenomena generally it happens because of the systems are very, very strong with those type of companies. But this has been quite unfortunate that they had an integration problem during Q3 which has led into this situation.

Arshad Manfra: Okay. And you mentioned about Sibros partnership product on mass scale. So when as an investor I can look forward to the revenue numbers for that product?

Management: As I explained to you the proof of concept has already been completed and the samples also are with the customers which are under testing. So from FY24 onwards we find that there would be interaction of the integrated solution products to some of the key customers and then during FY24 onwards we expect the startup production into mass scale.

Arshad Manfra: Okay. And just a last question from my end. So, on the basis of your explanation, can I conclude that the September quarter revenues were not like one sort of revenue, we assume that this is one time revenue, it would continue?

Management: I didn't understand your question. Your question is, that if Q3wWe had a setback because of IC shortage and that behind us and Q4 is normalized correct, that is your question?

Arshad Manfra: No, I am asking Q2 revenue were highest revenue right in the history of Pricol. So it is not one set of number, it is not a one-time number we can assume it to be growing?

Management: Yes, you can see that every quarter-on-quarter we have been posting growth when compared to the previous year during the same period, with the host of new products whatever that we are launching we are hopeful that yes we should continue to grow.

Arshad Manfra: Over the 4000 crore revenue target will be from the new products or the continuing portfolio range?

Management: See, it will be a combination of both, because we have the whole set of existing products also which is growing or transforming into new technology and also we have got a new set of new products itself like the battery management system is completely new to Pricol and the Sibros integrated solution and many other the products whatever we are talking about is first of it's kind for Pricol. So there will be a combination of the existing products transforming into new technology plus the new product portfolio itself. The combination of both is what we are aspiring to reach the numbers whatever we are talking about.

Arshad Manfra: And the margin profile on both, on old products and new products would be in the range of what?

Management: That would be very difficult to explain in terms of each of the products separation. With only that where we are in terms of the EBITDA, you can see that there have been certain EBITDA level that we have been making quarter-on-quarter, we hope that we will continue and try to improve those EBITDA numbers as we're going along.

Arshad Manfra: So this is the normal EBITDA range for new product also, I can assume that right?

Management: It is very difficult again for me to explain you like that, because each of the product portfolios will have the EBITDA numbers depending on the demand and supply situation and the requirement from the customer. But as the combined Pricol, we expect certainly that whatever we are having the EBITDA, we will keep improving on those numbers, that's where we are hopeful.

Moderator: Thank you. The next question is from the line of Vipul Kumar Shah from Sumangal Investment. Please go ahead.

Vipul Kumar Shah: My question is, I'm surprised by your comments that there are ICs shortage because we read on global media that there is a lot of semiconductor and prices have collapsed. So could you explain in some detail what has happened?

Management: Your information is not fully correct Mr. Shah, because there is no such information that I see the market has collapsed and then the prices have fallen there is no such information. IC continues to be under allocation even as we speak. Yes, it has started to ease out during the last six months when compared to the last two years where the acute IC shortage started from the financial year 21 ever since COVID situation started we had acute semiconductor shortage because of the high demand in the white goods. That is where the issue started, yes it is easing out, but it is not that the IC manufacturers have got lot of capacity it has collapsed, and the price has collapsed there is no such information. IC continue to be under allocation but we find that it has started easing out that's where we are.

Vipul Kumar Shah: Okay, sir because a lot of chip companies price I follow in the international market like Samsung, all have collapsed six to seven, they have collapsed meaningfully and anyway, so can you give certain figures sir, so out of the turnover in last quarter what is the split between two wheeler and four wheeler?

Management: I'll explain to you in two parts because your first question you spoke about the white goods industry. Now, whatever IC we are using we call it semiconductor which is generally a nomenclature used in the automotive industry. Each of the automotive has got their own unique ICs actually, which is very different from the white goods that whatever you're talking about. These are very specialized ICs which has to run number of features on the product that whatever we are offering. So, I would not compare that with the white goods ICs because there are a number of varieties of ICs which are there in the world. The ICs that whatever we are talking about of the automotive still continues to be under allocation, but yes of course the situation is easing out, this is number one. Second question, can you just repeat your second question, I just didn't pick it up.

Vipul Kumar Shah: So, can you split your sales in the third quarter between two wheeler and four wheeler?

Management: Yes, generally about 65% of our revenue is from a two wheeler. That is how the automotive industry is there, like if you see the total automotive industry production two thirds of the production is coming from the two wheeler that is where we are 65% of the revenue comes from the two wheeler and the remaining 35 is split between the personal passenger vehicle four wheeler and then there is a portion which comes from the commercial vehicle and then there is a portion which comes from the off road and tractor segment. So, we are very equally distributed in terms of our revenue comparable to the automotive industry.

Vipul Kumar Shah: Okay. So, it's a mirror image of the total vehicle sold in India that is what you are trying to say right sir?

Management: Absolutely, since we are spread across all segments of the market and we are present equally in each of them. So, that is why you find that the Indian automotive industry, the percentage of split whatever is happening among the segments, same thing is depicted in Pricol –**25:59** also.

Vipul Kumar Shah: So, can you split your revenue between telematics and driver information systems, and another vertical actuation control and fluid management systems?

Management: See telematics is an integral part of the driver information system, which contributes to, again about there is a pie about 65% of the driver information system and telematics put together as a single bundle. And the remaining 35% is coming from the actuation and control systems.

Vipul Kumar Shah: Okay. And can you further split yourself between domestic and export?

Management: The domestic was at around 12% of the total pie and the remaining comes from the domestic market.

Vipul Kumar Shah: Sorry, would you repeat export is 12% right?

Management: Yes, export is about 12% and the remaining comes from the domestic market.

Vipul Kumar Shah: And sir a few quarters back Mr. Mohan had spoken about one order for Caterpillar, it was regarding some fuel pump. So what is the ramp up and so can you comment on that sir?

Management: Sure. See the caterpillar has already gone into mass production six months back. And we are in quite a steady state with Caterpillar in terms of the water pump actually that's what Mr. Mohan said.

Vipul Kumar Shah: Sorry, it was water pump, Yes.

Management: These are the large water pumps, which is again first in time for Pricol. These are very large water pumps, even each one of them weighing more than 80 kilograms. So that already has gone into mass production and they have been supplying those parts in the last six months.

Vipul Kumar Shah: So it's a recurring order or it's a fix quantity order?

Management: It is continuous, because we supply to Caterpillar online. So they are the OEM for us, we don't supply to any retailers it is direct online. So it is going to be a continuous affair and we see much more opportunities to come from Caterpillar as we are going along.

Vipul Kumar Shah: Okay, sir and regarding this various partnership which we have inked recently. Do you expect our content per vehicle to go substantially over next two, three years?

Management: That's right. You can see already the value addition of in the per vehicle has been continuously increasing for us. We are hopeful that it will continue to increase with these type of new range of products and technology products whatever we are working with.

Vipul Kumar Shah: So, if you can give any ballpark figure what is your content per vehicle for a two wheeler and four wheeler and where you see three years down the line any ballpark estimate will be really very helpful sir.

Management: That is very, very difficult if you ask me, we have driver information systems supplying from Rs.300 for a motorcycle going up to even Rs.10,000 so it's very difficult for us to give you any average number. It depends upon the type of vehicle is used whether it is an entry level motorcycle or a mid-size or it is a high end motorcycle. So the value of the products whatever we are offering completely differs from vehicle-to-vehicle.

Vipul Kumar Shah: And sir regarding your EBITDA margin for two wheeler and four wheeler vehicles, they are same or they are different. And same applies for your EBITDA margin for telematics system and actuation and fluid management system. They are same or different, your comments please sir.

Management: It would be different, it cannot be exactly the same, because each one's application are different and it addresses different segments of the market and customers. So, it may not be exactly one to one it is very difficult for any of those products to have identical EBITDA margins. Whatever you see on the screen is the consolidated ones that whatever we have as a combination, which are the driver information system, along with the telematics and along with the actuation and fluid controls. So a range of products may not have the same type of EBITDA margins.

Vipul Kumar Shah: Okay. And lastly, Mr. Mohan was not present on last call also, please request him to join the call, please convey our message please sir.

Management: Definitely next quarter, Mr. Mohan will certainly participate. He has been on continuous travel, and that is the reason why he was not able to participate. Thank you so much.

Moderator: Thank you. We have the next question from the line of Mousumi Paul from Equitas Wealth. Please go ahead.

Mousumi Paul: I wanted to know would we see any margin improvement in the coming future?

Management: Ma'am actually we have been having a number of cost escalations, which has happened in the last three years primarily because of semiconductor increases and then you would have seen that the dollar parity with the rupee going up. The ocean freight from overseas, whatever we are importing and exporting has significantly gone up. So, there has been continuous cost escalation which has been happening in the last three years. However, things are looking to ease out in terms of the freight coming down and also we find that the dollar is getting into more stability with the Indian rupee in the last three to four months. And you know, that the chip escalation whatever has been happening in the last three years also finds it that yes it is easing out. So, we definitely expect as we are going along, the margin should improve.

Mousumi Paul: Okay. And when we see that supply side challenges to be solved?

Management: Supply chain situation ma'am as I explained to you that yes, it is easing out quite significantly, barring the last quarter where it was purely integration problem not because of the shortage of wafers by the chip supplier. The situation definitely has improved in the last six months, we expect that the supply chain to become better and better as we are going along. We have seen that in January itself yes, definitely the supply chain situation is easing out.

Mousumi Paul: Okay. So, can you give any estimate as to how many new products we will be launching in the coming quarter or FY24?

Management: We continue to launch a host of new products, you would have seen in our presentation that what are the new products that we have launched during quarter three. And the new technology products that we had displayed during the Auto Expo and then we have also put it in the presentation about the new products that whatever we have shown during the Auto Expo, these are the new host of products that we will continue to focus and we are focusing which is across all segments of the market whether it is the IC engine or the hybrid vehicle or EV vehicle this is the advantage that it can cut across all segments of market. And we continue to have our high focus on the EV segment as I mentioned to you.

Mousumi Paul: Okay. But any estimated figure for all the products like for all the segments?

Management: No, it's very difficult for us to bifurcate that, but you can see that the new technology products have been significantly growing in our pie that is the reason why we are able to show a quarter-on-quarter growth when compared to the previous years.

Moderator: Thank you. The next question is from the line of Nikhil Jain from Galaxy International. Please go ahead.

Nikhil Jain: I just wanted to get a qualitative sense on the new product you have launched you have displayed in Auto Expo. So, how has been the response, what's the management take on this going forward. So then when will they start to get commercialized. And the third question, with that respect to that, these products are not all linked to the driver information system and pumps and other things. So these will expand the scope of company's products into new areas. Is that understanding correct sir?

Management: If I have understood your question, Nikhil the new products whatever we have launched, what is the takeaway in terms of the growth potential, that's what you're asking maybe that's the first question and the whole host of products that whatever we're talking about, does it have a connection with the existing products of driver information system and –36:09 products, is it there is what you're asking correct, have I understood your question correctly?

Nikhil Jain: Right.

Management: New products are very promising as we have been explaining to you, many of the products are highly EV focused, because that is how the industry is working towards. So, you would have seen in the Auto Expo, which we have uploaded in the presentation as well, the new products are highly EV focused, that is where the industry trend is going. So, we are expecting that these new technology products are going to have a significant growth as we are going along in each of the quarters, this is number is one. Second thing is, there are a lot of synergies of the new technology products whatever we are launching for example, the Sibros, the partnership with Sibros is something that is integrated with the telematics solutions, whatever we have already been supplying for the last 10 years. So, the platform product is already been there and this is going to be an add on feature that we are going to offer to the customers. Battery management system is again very integral part of the EV range of products that whatever we are talking about. So that again is very similar in terms of the manufacturing to the driver information system. So we are bringing lot of synergy products into the fore what already we are doing. That is where we find that both the existing products and the new technology products whatever they are talking about are complementing each other.

Nikhil Jain: Okay. But by when do you expect these products to come into let's say commercial production. So let's say the new range EV products that we're talking about, or the BMS systems that we're talking about?

Management: So, on the driver information system for the EV vehicles already we have launched a number of products during this financial year, you would have seen in the presentation that we have been continuously launching new technology driver information system, which have the TFT next generation screens with for example IQ, the whole host of products, I just give you one example, there are many more that we have launched during this financial year, which has the next generation TFT clusters when compared to the normal LCD clusters, whatever we have been having. And also on the Sibros integration we just explained some time back that already the integration has been completed successfully and then those samples are there with the customers and testing and during FY24 we are expecting the mass production to start with. Battery management system we are in very close, we have got a number of customer inquiries which we are evaluating along with our partners for India specific then how do we go about, it is currently under evaluation.

Nikhil Jain: Okay. So, over the next two to three years period we expect some of these new systems to actually contribute significantly, let's say more than 25% of your turnover?

Management: I cannot attribute any percentage to this. But of course yes the new product whatever we are talking about is going to play a very significant role in terms of the growth whatever we are talking about.

Moderator: Thank you so much. We have the next question from the line of Avinash Gupta, an Individual Investor. Please go ahead.

Avinash Gupta: I just wanted to get some confusion clarified, in the results you've said that there was a loss of top lines because of the non-availability of ICs. And right now, in the earlier question, you mentioned that we have been able to make it up by working on Sundays and having special freight, excessive freight payments and all this. Now first issue, if the first situation is correct, then there is a complete loss of EBITDA or contribution. Were in second situation is the case of reduce contribution, where exactly do we stand?

Management: Avinash, as I told you, the Q3 could have been much better in terms of the top line, if the ICs would have been available, this was our first statement. Managing is so that the customer does not lose his vehicle production to a very significant level is where we have to work on the Sundays and send it by premium freight to avoid as much as production loss from the OEM front is what we did. But if you ask me overall, there has been a significant loss in our top line because of IC shortage.

Avinash Gupta: Okay, there is actual loss of production is there, they would have produced much more?

Management: Of course, yes. Today, for example whatever the pipeline stocks that we had, have got completely depleted that's the reason why we have to set it by premium freight. So we have been mitigating this risk by continuously working on all the three shifts whenever the ICs are

coming, and then spending money in terms of the premium price so that we minimize the customer loss of production. So these are the activities that we did. The top line could have been much more significant have the IC shortage not been there.

Avinash Gupta: Fine, excellent. Now, can you give me an estimate as to what was the quantity that was budgeted for this quarter and what actually we got as a top line?

Management: Again, this will be a little forward looking statement Avinash, but I can tell.

Avinash Gupta: I am inquiring about the past, I'm inquiring only for Q3. What was budgeted for Q3 and what you actually got?

Management: Q3 is what I'm telling again, the top line losses has definitely been considerable, as I explained to you. Again, the percentage would be very difficult because we are supplying to multiple customers, multiple products and for me to give a specific number would be very difficult. It may not be accurate whatever I'm giving to you, but there has been quite a drop because of the shortage of ICs. You can put any number to that, it could be like 15%, 20% something like that, but very difficult for us to quantify.

Moderator: Thank you. There is a follow up question from the line of Vipul Kumar Shah from Sumangal Investment. Please go ahead.

Vipul Kumar Shah: Sir, can you give me estimate, what percentage of our turnover is coming from the products, which have been introduced in last two, three years?

Management: The driver information system as I explained to you where we have launched the new technology products in the driver information system segment that contributes to 65% of our total revenue. This is including the existing products and the new technology products. Number one, the ACFMS products that is the actuation control and fluid management system contributes to 35%, again there are existing products and the technology up-gradation products whatever we have. This is the broad split up between the products that whatever we offer.

Vipul Kumar Shah: No, my question was, what percentage of our current turnover new products which were introduced in last two, three years, their contribution is?

Management: See, whatever you see as growth is where the new products are getting added. You can see that there has been a significant growth which is happening quarter-on-quarter primarily because of the new products whatever we are launching. So, every quarter there is a portion of new products like certain quarters there are like 15% of the total revenue is contributed because of new products, at certain quarters there are 20% which is contributed because of new products. When BS VI started a very significant portion, like more than 30% of our revenue

came from new products. So the conclusion of this is, that every quarter due to the new product there has been addition in terms of our revenue going up.

Moderator: Thank you. The next question is from the line of Suruchi Parmar from NX Wealth Management. Please go ahead.

Suruchi Parmar: Sir, I wanted to ask, what is the percentage of EV right now in your revenue or order book, whatever we can tell us. And currently going forward how much you think will be the EV portion in your portfolio?

Management: Ma'am sorry, if I've understood your question, you're asking how much EV contribution is in the total revenue?

Suruchi Parmar: Correct.

Management: Okay. EV has just started from this year and we have been launching a number of new products. Currently it will not be very significant value, it will be less than like 5% of the total revenue in the total pie because EV is a new entity for various OEMs. As we are growing with our focus on the EV range of products whatever we had explained and the OEMs high trust on the EV vehicle, we expect that the EV pie to grow in terms of new technology products at whatever we are offering, which will find a significant growth in the coming years.

Suruchi Parmar: Okay. And can you throw some light on your present order book and what you are expecting in next two quarters?

Management: This is again a little forward looking statement, but you would have seen that our order books have been quite robust. And that is why we are able to show a quarter-on-quarter growth, you would have seen in the last two years we have been showing quarter-on-quarter growth. This is primarily to have continued order books, healthy order books that we have. For me to quantify for the next quarter could be a little difficult because of the varying customer requirements. So it will be very difficult for me to quantify a number to that.

Moderator: Thank you. The next question is from the line of Hemant, an Individual Investor. Please go ahead.

Hemant: Sir, when we are targeting our revenues by FY26. Sir, first thing is are we seeing any sort of delay by one year, because I went through some of your previous concalls and it was mentioned somewhere that there can be a delay due to some semiconductor shortages. My second question is, just a follow up question. If we are not delaying it by one year, then sir when do we see the actual growth coming from because we are CAPEX lite till FY23. So, can we expect that the actual will, that the actual growth will kick in from FY25?

Management: But Hemant if you see every quarter we have been showing growth. So, if you see the last few quarters we have been continuously growing because of the various new products which have been launched as explained to you, and we continue to launch a host of new technology products and the various partnerships which we have announced which is in-line with the EV focus that whatever we are talking about. And then in the existing product itself, there are a number of new technology products that we have been launching quarter-on-quarter. So we will continue to grow in the pace so it is nothing like that. Suddenly one year that we are going to have a steep growth, our growth has been continuous.

Hemant: Okay. So no postponement in the target by one year or something, for doubling the revenues?

Management: See, again it depends upon the various customer programs that whatever we are working with, there is nothing called that we will be delayed by one year or something like that. The target is that we should go towards the 4000 crores is a target that we have as a management to reach by FY26 and we are working towards the direction. At this point of time, yes of course during last year there have been a very unfavorable market conditions primarily because of the semiconductor shortages. Yes, we are seeing that the situation is easing out as I explain to you. You still focused in our new projects and the various partnerships that whatever we are talking about, we are sure that we are going towards the growth whatever we are aspiring for.

Hemant: And sir what is the current capacity utilization?

Management: The capacity actually is built upon the customer demand actually we keep adding capacities even during last year, we have been continuously adding capacities, we have been enhancing our backward integration in terms of electronic instrument cluster manufacturing, this is again a very continuous process. So, it is not that one particular quarter or one particular year that we are going to have heavy CAPEX spent or something like that. We have been continuously investing on our engineering as our Managing Director has been explaining in the previous calls also. Our investments on R&D continues to be at 4.5%, which is one of the highest in the industry. So, we continue to invest in those areas, primarily all the software areas including the testing and other infrastructure and also all the lines we continue to invest depending on the customer programs. So, whatever we are talking about is a continuous activity and it is going to continue in the next quarters also.

Moderator: Thank you. There is a follow up question from the line of Vipul Kumar Shah from Sumangal Investment. Please go ahead.

Vipul Kumar Shah: Sir, how do you share the development of a new product with your vendor?

Management: Vipul, is it the customer you are asking, how do we share the development cost?

Vipul Kumar Shah: Yes, suppose Bajaj gives you mandate for developing a new information system for their upcoming model, there will be a cost because it's a long decision, it will take some time. So, you will spend a lot of money and time, so how that cost is recovered from OEMs or what they share, or they give you any upfront cost?

Management: Yes, Vipul with the change in technology and then becoming more electronic and software intense, you're right to say that, that's why you find that the DND cost of ours have been continuously at a high number primarily because of the focus on the new technology products. So, there is whenever customer is going to ask for a new inquiry, we do charge them upfront DND cost which we have been getting it from the various customers in the past years also and we will continue to get in the future. So definitely the customer recognizes the efforts that whatever is required for the new technology products and then we do get the DND cost upfront from the customers.

Vipul Kumar Shah: So, is it you charge them 100% of the cost or you can ask them only portion of the cost. And the portion you bear yourself?

Management: Again, it depends upon what type of business scenario you are and then what is the type of product that you're looking at, sometimes yes it is 100% sometimes it is more than that. Sometimes it could be less, it is a business call that depending on each of the projects that we take. But your question is that do we have upfront DND cost to charge to the customer, the answer is yes.

Moderator: Thank you. As that was the last question for today, I would now like to hand the conference over to the management for closing comments.

Management: I would request Siddharth by colleague to have the closing remarks please.

Siddharth Manoharan: Yes, sir. We have got him back apologies for the inconvenience please.

Management: Have your closing remarks please.

Siddharth Manoharan: Thank you. Once again apologies from the management team for the technical issue of logging out of the call. Thank you once again for all the investors participating on today's call. Hope you had a fruitful discussion and insights being generated from our side. We have uploaded our presentation online for your further information. If you have any further clarifications, please reach out to the company, at our website you have the contact details or in the presentation as well. Thank you once again for all for taking your time and participating in our investors call. Much appreciated.

Moderator: Thank you sir. On behalf of Pricol Limited that concludes this conference. Thank you for joining us and you may now disconnect your lines.