



**PRICOL LIMITED**

Passion to Excel

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CUSTOMERS EMPLOYEES SHAREHOLDERS SUPPLIERS

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Listing Department <b>National Stock Exchange of India Limited</b> “Exchange Plaza’, C-1, Block G Bandra-Kurla Complex, Bandra (E), Mumbai – 400 051	Corporate Relationship Department <b>BSE Limited</b> 1 <sup>st</sup> Floor, New Trading Ring Rotunda Building, P J Towers, Dalal Street, Fort, Mumbai 400 001
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Dear Sir,

**Sub: Con-call Transcript**

Pursuant to Regulation 30 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, we herewith submit the Transcript for the Con-call held on 3<sup>rd</sup> August 2023 pertaining to Company’s unaudited financial results for the quarter ended 30<sup>th</sup> June 2023.

This is for you information and records.

Thanking you

Yours faithfully,  
For Pricol Limited

T.G.Thamizhanban  
Company Secretary  
ICSI M.No: F7897

Encl: As above



**PRICOL Limited**  
**Q1 FY24 Earnings Conference Call**  
**August 03, 2023**

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**Moderator:** Ladies and gentlemen, good day and welcome to the Q1 FY 2024 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, please signal an operator by pressing '\*' then '0' on your touchtone phone. Please note that this conference is being recorded. At this time, I would like to hand the conference over to Mr. Anuj Sonpal from Valorem Advisors. Thank you and over to you, sir.

**Anuj Sonpal:** Thank you. Good evening everyone, and a very warm welcome to you all. My name is Anuj Sonpal from Valorem Advisors. We represent the Investor Relations of Pricol Limited. On behalf of the company, I would like to thank you all for participating in the company's earnings call for the first quarter of the Financial Year 2024.

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 are based on management's beliefs as well as assumptions made by information currently available to management. Audiences are cautioned not to place any undue reliance on these forward-looking statements in making any investment decisions. The purpose of today's earning 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. Vikram Mohan - Managing Director; Mr. P. M. Ganesh - Chief Executive Officer and Executive Director; Mr. Siddharth Manoharan - Director of Strategy; and Mr. Priyadarsi Bastia - Chief Financial Officer.

Without any further delay, I request Mr. Mohan to start with his opening remarks. Thank you and over to you, Sir.

**Vikram Mohan:** Very good evening. On behalf of the management team at PRICOL for the investors call for Q1 of Financial Year '24.

My name is Vikram Mohan, the managing director of the company. Joining me on this call today is our CEO and Executive director, Ganesh, our Director of Strategy and Project, Siddharth and our CFO – Priyan.

I am sure all of you would have had a chance to see the presentation that has been uploaded. Some of the key financial highlights this quarter, we have had a revenue from operations of 522 crores or 5221 million and EBITDA of 66.5 crores or 665 million with an EBITDA margin of 12.74%. We have had a profit after tax of 319 million or 31.93 crores with a PAT margin of 6.12% and basic EPS for this quarter of Rs. 2.62 per share. We have also clocked a cash profit of 50.97 crores, which is almost 51 crores for this quarter.

At a consolidated level, our long-term borrowing, are nil in this quarter as against 65 crores that we had in the same quarter of the last financial year. At a debt Equity level, we are almost a debt free company including our working capital. Our debt equity stands at a very low number of 0.11. Some of our key business highlight, a couple of important awards came our way. Suzuki motorcycle India gave us the best supply chain management at their annual supplier conference and recently we received an award from Ashok agent, the commercial vehicle manufacturer, a prestigious Supplier Samrat Award where we were judged #2 among their supplier rates for proprietary parts. We also received from the World Manufacturing Congress a most iconic organization award. We have started investing heavily in modernization to meet the growing needs of our customers and the changing needs of the business and we will continue to do so in the next few quarters as mentioned by me in the last call. The company is on a firm footing with a strong order book and we look forward to a good quarter in the coming year barring any external factors which we do not anticipate.

I would like to hand over the call to our dynamic CEO – Ganesh to take it forward. Thank you. Ganesh over to you.

**P. M. Ganesh:**

Thank you, Vikram, for setting the context. Good evening once again to all of you. We have outperformed the market. I will just give you some market information. When compared to the previous year's same time Q1, the market has marginally grown by about 2.64%. Against which, recall growth has been 19.54%.

Let me give you the context, in the exports we have grown by 41.72% when compared to the previous year quarter. As we explained during the previous investor call also, the value-add of the call has been growing steadily. The same driver information system what we supplied five years back, transforming from mechanical to LCD's are now to TFT, the value addition is what is giving us to perform better than the market. The quarter-on-quarter sales actually we have blocked 517.68 crowds as against 501.13 during the last quarter. This is the highest ever sale for record during Q1 and on the select products you have seen some of the new launches, whatever we have made. We have started a new business for the M&HCV the new clusters, which has been launched by Tata Motors from Q1 of this year and also on some new clusters

for Tata Motors for the passenger vehicle as well for the CMG. Also, we have launched some new products for Force Motors and Bajaj Auto has come out with their new three-wheeler and we are sure that you have read in the papers that we have developed a new instrument cluster. That's it for me from the business introduction side and then over back to you Vikram and for the questions. Thank you.

**Moderator:** Gentlemen, would you like to begin the question answer session?

**Vikram Mohan:** Yes, please. Some ground rules for the question answer to give everyone an opportunity to ask their questions, may I request that participants restrict themselves to a single question at a time, and once that is answered, to rejoin the question queue for their subsequent questions so that everyone is given a chance to participate in for. Thank you.

**Moderator:** Thank you. Ladies and gentlemen, we will now begin the question-and-answer session. Participants are requested to use handsets while asking a question. Ladies and gentlemen, we will wait for a moment while the question queue assembles. We have the first question from the line of Kaushal Kedia from Wolfort PMS. Please go ahead. Mr. Kedia, your line has been unmuted. Please unmute it from your end and proceed.

**Kaushal Kedia:** Thank you. So, we are the second largest manufacturer of the VIS system in the world. So, I want understand what is the reason that is it that our supply chain in place or we have some kind of patents or is it because our products are superior to other players? Is something that I want to understand?

**Vikram Mohan:** Kaushal this is not an overnight achievement. Globally, the largest player is nippon seiki currently driven by Honda I think one of the largest Two-Wheeler makers in the world and nippon Seiki present globally. Having said that PRICOL is constantly been working on the vertical of Two-Wheelers to develop the latest technologies and offer them to our customers and we supply over 20 two-wheeler makers in India and globally which has given us the second largest position globally in Two-Wheeler Driver Information Systems where we are able to offer the latest generation products at Optimal costs. This has been driven by our continuous innovations. We have 440 engineers in our product development and process development team. So, out of our total 900 white collar employees, 440 are dedicated for product and process development which gives us an edge over many of our companies.

**Moderator:** Sir the participant seems to have disconnected. We will move to the next question. We move to the next question from the line of Chirag Singhal from First Water Capital. Please go ahead.

**Chirag Singhal:** Thank you for the opportunity. Sir I just wanted to understand on your FY26 target projection of 4000 odd crores or revenues? So, how much of the incremental sales will be coming from the product premiumization and how much of it will come from the increase in the volumes.

**Vikram Mohan:** Chirag if I understood you right, we have given a guidance of 4000 crores for FY26 of which 3600 crores will come through organic loops and 400 crores through inorganic means. We have assumed a certain conservative growth rate in the market from now until FY26 in our product segment and confirmed LOI that we have received which is showing us the visibility for 3600 crores. There are three categories, 1 dedicate certain phase out of end of life cycle which we will see revenues going out and as my CEO mentioned, a large part of this growth is going to be driven by premiumization of the product for which we have already received LOI. Also, the third category, new product launches or new business with customers or product segments that we have not entered into. So, that's how it's going to be classified. Now this would be a very long question. If we start going into each category, if you can write to us, we will be able to or set up a separate call, we will be able to go into more granular details.

**Chirag Singhal:** Sure, Sir. I will do that. That was helpful. My second question is on.

**Vikram Mohan:** Can I request the basic housekeeping rules that please come back into the queue for the second question so that others are given an opportunity to ask their questions please.

**Chirag Singhal:** Sure I will do that. Thank you.

**Moderator:** Thank you. We have the next question from the line of CA Garvit Goyal from Nvest Analytics. Please go ahead.

**Garvit Goyal:** Good evening sir. Sir my question is on the Semiconductor side. Sir basically semiconductor story is building up in India and PNH team is also there for TFT display. Companies like Vedanta had proposed the investment in this area. So, I was talking about the semiconductor story that is getting built up in India. So, my point is what I believe TFT is something for which PRICOL is having in now technologies. Although right now we are doing for auto sector, so in future do we have any plans or is it possible that we can enter into display tab or something like that supplying to the semiconductor industry? Are we having such capabilities or the two things are totally different from each other? How do you look at this? Kindly help me to understand.

**Vikram Mohan:** Completely different here as different as chalk and cheese, we are an information systems company, primarily a driver information systems company. We aspire to get also into industrial information systems in by way of gauges through inorganic means if the right target comes by. Semiconductor manufacturing in India for it to reach fruition in some degree of stability is I think at least three years away because it is massive investments, capacity building and stabilization. So, that is not an area that we are looking at and it is completely different direction in which we have aspirations for growth.

**Garvit Goyal:** And can you some put some color on the addressable market which we are targeting in battery management services and through Sibros and in that market, what kind of share are we looking to gain?

**Vikram Mohan:** With Sibros, it is not in battery management systems, it's with connected.

**Garvit Goyal:** No, no. I was talking about both. I am talking about both BMS as well as whatever we are doing with the Sibros.

**Vikram Mohan:** So, that's because BMS is a different vertical, Sibros is a different vertical. The proof of product is ready in both the cases we have just started the roadshows for the customers and I think in about 2 quarters from now we will have much better visibility of what we are hoping to achieve. Having said that, as I said in my earlier call the revenue from these relationships, we are really expecting it to kick in only after FY26 with very minimal numbers taken for even FY26. So, it is not going to be very material in the next few years for our revenue guidance of. 3600 crores.

**Garvit Goyal:** Understood sir. Rest for that I will be in the call. Thank you.

**Moderator:** Thank you. We have the next question from the line of Hemant, an individual investor. Please go ahead. Mr. Hemant, please proceed.

**Hemant:** Yes. Congratulations on a very good set of numbers and thank you for providing me the opportunity, Sir, when we are targeting to double our revenues to 4000 crores for FY26. So, just wanted to understand like this 2000 crores of incremental revenue will it be evenly distributed over a period of three years, or how will it be how much growth we can expect in FY24, FY25 and 26.

**Vikram Mohan:** As I mentioned, once again, out of the 4000 crores, we are expecting a 3600 crore topline through organic means with whatever LOIs we have and what market growth projections and the new businesses that we intend to enter where we are already engaging good customers like brakes, etcetera and we expect it to be fairly evenly spread over this period  $\pm$  5%.

**Hemant:** So, you mean to say, sir, if we have done 2014 revenue, so ideally it should be 30% kind of growth year on year, right?

**Vikram Mohan:** It is not going to be a 50% because there is an inorganic element to it and we have three years to go from the last year number to the number of 3600 and the inorganic will happen when the right effect comes at the right value and if it is going to be value approved. So, the organic is going to be 3600 folks.

**Hemant:** So, you mean to say organically, it will be evenly distributed and inorganically when the opportunity comes right.

**Vikram Mohan:** Right.

**Hemant:** Okay sir. Thanks a lot.

**Moderator:** Thank you. We have the next question from the line of Kaushal Kedia from Walfort PMS. Please go ahead.

**Kaushal Kedia:** Yes, Sir, you have mentioned the E-cockpit. So, can you explain what this is this like an infotainment system which will be put on the passenger vehicles.

**Vikram Mohan:** I would request our CEO – Ganesh to answer this question.

**P. M. Ganesh:** 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.

**Vikram Mohan:** So, have we started supplying this already like to any OE?

**P. M. Ganesh:** It is currently under development with certain OEMs and we will be launching it maybe in the next three to four quarters from now.

**Vikram Mohan:** Okay. Thank you sir. I will get back in the question queue.

**Moderator:** Thank you. We have the next question from the line of Shashank Kanodia from ICICI Securities. Please go ahead.

**Shashank Kanodia:** Yes. Good evening, sir. Just wanted to check how is the semi connected situation right now and if the supply situation has eased. Is this had any cost benefits for us in this quarter.

**Vikram Mohan:** Shashank as I have mentioned in my previous call we always believed that by September 2023, the situation will completely ease and come back to normalcy and which is exactly what we are seeing today and if we price advantages from this is also starting to have an impact on our EBITDA and cash flows and cash profits efficiency, which is only going to get better and better.

**Shashank Kanodia:** Right. So, we had some 250-basis point of gross margin expansion, right? So, this kind of trend is sustainable for us in terms of. RM2 sale.

**Vikram Mohan:** Can you please repeat?

**Shashank Kanodia:** Sir this quarter we had something like 250 basis points, gross margin expansion quarter on quarter right from Q4 to Q1. So, this kind of run rate in terms of RM2 sales, is this trend sustainable going forward or you think?

**Vikram Mohan:** I have always maintained that long term sustainable EBITDA for our product mix and our customer mix is somewhere in the region of 13.5% to 14% which is where we are hoping to achieve in the next couple of quarters and then sustain thereafter because if you are familiar with the automotive industry you launch a product that are fairly highly EBITDA then it reaches optimum production and then it starts reaching end of life where the margin starts eroding because there is a year on year discount that you need to offer during the life cycle of the product and so there will be products with high margins, early products with stable margins and then in the case house, there will be lowering margins. So, we anticipate that 13.5% to 14% is sustainable and better over a long-term period for our current products and customer mix and which over the next few quarters we will reach there and stabilize at that level what we are really driven by is our cash profit and free cash flow which I think is pivotal to the growth of the company and providing capital for the growth of the company.

**Shashank Kanodia:** Sure, Sir. Thank you so much.

**Moderator:** Thank you. We have the next question from the line of Richa from Equity Master. Please go ahead.

**Richa:** Sir, thank you for the opportunity and I missed the initial comments, so please excuse me if I am asking a repeat question. I just wanted to know has there been any increase in contribution from passenger vehicle segments if there have been more contracts or business development with them and going forward, when we are giving a guidance of 36 billion, what is the mix expected between DICVS and ACFMS?

**Vikram Mohan:** I will answer your second question first. DICVS is expected to be between 60 to 65% and ACFMS is expected to be between 35 to 40%. This is the guidance that I have maintained in my last two calls and continue to maintain because that is the forecast for the next three years for us based on the business pipeline. In terms of it has increased revenue from Four-Wheeler personal passenger vehicle segment over the last quarter? It has just mirrored the growth of the company and there has been no extra growth coming from this segment. We are working with certain Four-Wheeler personal passenger vehicle manufacturers on value added products like TATA motors and a few other passenger vehicle manufacturers. The incremental revenue growth other than market growth is going to come after a couple of quarters and not right now.

**Richa:** Thank you, Sir. If I have more questions, I will join back the queue.

**Moderator:** Thank you. We have the next question from the line of Vipul Kumar Shah from Sumangal Investment. Please go ahead.



**Vipul Kumar Shah:** Thanks for the opportunity. So, can you break the revenue from Two-Wheelers and Four-Wheelers sir and what is the contribution in this quarter of actuation, control, and fluid management systems.

**Vikram Mohan:** Vipul reasoning the ACMS division as we call actuation, control and fluid management system contributes about 35% of our revenue. Two-wheeler contributes about 60% of our revenue, about 35% of our revenue comes from 30 to 35% comes from commercial vehicles and offshore vehicles and the balance for 4-wheeler passenger personal passenger vehicle, which is the car segment.

**Vipul Kumar Shah:** Two-Wheeler is 35% for use. Is it correct?

**Vikram Mohan:** 60%, 30% to 35% is from commercial and off-road vehicles.

**Vipul Kumar Shah:** And 60% two-wheeler, 35% is commercial vehicle

**Vikram Mohan:** 35% commercial and off-road vehicle.

**Vipul Kumar Shah:** That becomes 95 then actuation is 35.

**P. M. Ganesh:** Vikram can i intervene and explain to Vipul.

**Vikram Mohan:** Yes, please.

**P. M. Ganesh:** I think we are mixing the statement and what they call product mix between the ACFMS and the driver information system, as Vikram explained it is like 65 and 35, the 65 has come from the driver information system and about 35 has come from ACF partner. I am just giving you an overall view and if you go into the product segment, what we call vehicle segment, the two stroke 3-Wheeler is about 60% and 35%. the bunch comes from which when I say 60%, it includes the ACA permit and the driver information system in the two-wheeler okay and the 35% is coming from the remaining segments like you have the commercial vehicles, then you have the tractor segment, then you have the off-highway vehicle, which again consists of both the driver information system and the ACM driver. Okay 60 plus 35 95. The remaining 5 is coming from Percy passenger vehicle. This is the overall broad.

**Vipul Kumar Shah:** So, just for clarification, so actuation, control and fluid management is inclusive in both when you give Two-Wheeler and commercial vehicle percentages, right?

**Vikram Mohan:** I am asking all products, all of the product that means DICVS and ACFMS all products all of the product segments of the vehicles.

**Vipul Kumar Shah:** Okay, I will rejoin the queue, sir. I am still not satisfied anyway. Thank you.

**Moderator:** Thank you. We have the next question from the line of Anisha Mahawla from Envision Capital. Please go ahead.

**Anisha Mahawla:** Hi, sir. Good evening. Thank you for the opportunity. So, first I just wanted to understand exports were supposed to play a big part in us reaching the 3600 crores of organic revenues by FY26 what is the number for the current quarter then are we on track for that to be 20% plus of our revenues and also the split that you were just giving between DIS and the other products, and the Two-Wheeler split.

**Vikram Mohan:** Alluding to our exports, our vision and desire is to get to 20% of revenue being export driven and even in earlier calls I have mentioned that is one area where we have failed and we feel we are lagging and we are only at around 10% today and we are looking at filling the balance inorganically that has been mentioned by me in a few other calls previously also, if there has been one strategic failure, vis-a-vis our vision this is one area.

**Anisha Mahawla:** Does this impact the 3600-crore target because 20% was part of the 3600 and also do we export only DIS?

**Vikram Mohan:** We export both segments DIS and ACFMS. In fact, ACFMS is a little bit more geared towards exports and more it does not affect the 3600-crore target, the 3600-crore target has been taken into account with the current LOI that we have received and market growth and anticipated otherwise and new product launches which are on the angle.

**Anisha Mahawla:** Okay, I will get back in the queue for my second question.

**Moderator:** Thank you. We have the next question from the line of Harini from Sundaram Alternates. Please go ahead.

**Harini:** Hello, Sir. Good evening. Thank you for the opportunity. I just wanted to understand what are the CAPEX spends that is being done in the quarter and how do you or how much do you budget to be done in this year and to achieve the 3600 crore targets?

**Vikram Mohan:** As I mentioned in earlier calls Harini, we have anticipated a CAPEX of about 600 crores, almost entirely funded by internal accruals over a 50-month period of which already 3 quarters have elapsed. 400 crores of this CAPEX is for organic growth to take us to 3600 crores and 200 crores of CAPEX to take us to inorganic growth.

**Harini:** Understood, Sir. Is there any CAPEX spend that is being made in the current quarter if you?

**Vikram Mohan:** Every quarter this 400 has been split over 10 quarters of which 3 quarters have already elapsed, and 7 more quarters to go. So, this 400 crores will be spent over every quarter is approximately spent about 35 crores of CAPEX further.

**Harini:** Thank you so much Sir. Thank you.

**Moderator:** Thank you. We have the next question from the line of Nishant Parikh an Investor. Please go ahead.

**Nishant Parikh:** Good evening, Sir. Congratulations for good set of numbers. So, this is regarding post Minda's acquisition of 15.7%. They send a notice for the increase the stake to 23 to 24% odd to CCI and post that we filed a w.r.t petition in Madras High Court and now a few, I mean few couple of weeks back, one of the petition was dismissed, allowing CCI to take on the matter put by Minda. So, now what measures are we contemplating to, sort of protect minority shareholders and sort of help prevent us from Minda coming on board with greater stake.

**Vikram Mohan:** I will give you a two-pronged answer to that. One, the w.r.t has not been dismissed by The Madras High Court for the information, only the injunction has been lifted with writ continuing to be held and further hearing date posted with CCI asking with the Madras High Court asking CCI to revert with their observation. So, that's number one. The company has taken all measures to ensure that legally we are protected and the current management to whom I represent. I have also taken all measure to ensure that we stand in control of the company and suit the matter with sub-judice, I will not be able to disclose anything more at this point of time.

**Nishant Parikh:** OK. Thank you, Sir.

**Moderator:** Thank you. We have the next question from the line of CA Garvit Goyal from Nvest Analytics. Please go ahead.

**Garvit Goyal:** Thanks for the follow up. But just for clarification on what is our target in terms of R&D spending as a percentage of revenue for FY24?

**Vikram Mohan:** We continue to spend between 4 to 4.4% of our revenue on R&D. When I mean R&D it's we divide it into two product development and process development because we as a company firmly believe we need to have best in class products and best in class processes to deliver products at the best quality levels at optimum price for the customer. We continue to spend between 4 to 4.4% of our revenue on product and process development and emphasize that we will continue to spend this sort of numbers in the coming years to give us a lead over competition and continuing to keep ahead of the technology curve.

**Garvit Goyal:** Understood sir. Thanks. Thank you.

**Moderator:** Thank you. We have the next question from the line of Vijay Suku, an investor. Please go ahead.

**Vijay Suku:** Thank you and Congrats for a good set of numbers, Sir. So, just wanted to check on the R&D spend that the company is doing. So, we are spending almost 4 to 4.5% on the revenue. So, can

you give us some insights in terms of what are the new products that the company is venturing into and what is the market size effect? If you are able to give some insights on that.

**Vikram Mohan:** This is a very long answer, which will probably warrant half an hour of discussion. I think if you can set up a call with us, I will be happy to take you through some of this, some of it is because it's IP related, which we will not be able to talk about, but I think we can pass this and take it for another table you can write to our Investor Relations Department and set up a call with our CEO or visitors and we will be able to take you through.

**Vijay Suku:** Perfect that works. Thank you.

**Moderator:** Thank you. We have the next question from the line of Khush Nahar from Electrum PMS. Please go ahead.

**Khush Nahar:** Thank you for the opportunity and congratulations on a great set of numbers. So, my question was regarding this labor related case that is going on. So, I think as per the latest annual report, the amount is increased to 47 crores so I just wanted to get an update on that. I think it has been increasing since the past three years, so I don't know about that.

**Vikram Mohan:** Khush, can you repeat again, you were not very clear. I could only hear the number 47.

**Khush Nahar:** So, my question was regarding the labor related case that is going on. So, it has been increasing since the past three years. So, I just wanted an update because I think 2 years back it was around 27 crores, which has increased to 47.

**Vikram Mohan:** So, I would request our CFO, Priyan to answer this question please.

**Priyadarsi Bastia:** This provision is increasing because the number of years are increasing. It is for the number of years we are spending to pay them. So, we are making provision in the books for those many people for a number of years, which is getting extended.

**Khush Nahar:** Okay. So, our judgment is that there will not be any liability, right? If I'm right.

**Vikram Mohan:** Khush you are not very clear. Can you speak a little slowly please. Yes, please go ahead. You asked the second question, which is not clear to any of us.

**Khush Nahar:** So, my question was that just in follow up on that. So, as per management estimate it, there won't be any material effect on the state financial statement, right?

**Vikram Mohan:** We believe there will not be, but this is the consequence of the 2009-2010 labor issues which have been substituted for now almost 12 to 13 years. So, you know on the right side of the law, we keep making the provision, but you know, and if the long-standing judicial case. Having said that, 16 cases which was a large chunk of cases have been settled out of court and settled and

spent on expense in the last financial year also and we expect the same thing to happen over the next couple of financial years and close.

**Khush Nahar:** Okay. Thank you.

**Moderator:** Thank you. We have the next question from the line of Kaushal Kedia from Walfort PMS. Please go ahead.

**Kaushal Kedia:** Sir one thing like there is a disconnect for me to understand since we spend 4% on R&D, why are we afraid of making more than 13% margins on EBITDA and if we are spending so much of innovation and last time you had mentioned that the DIS systems that we need are in between build to spec and build to print. Why are we not able to make more? Because other companies that are just process companies are making auto increase companies are making 18 to 19% margin.

**Vikram Mohan:** The reason is obsolescence in electronics is extremely high. So, constantly we need to keep developing the new generations of chips. Gone are the days when you started working on a chip and had a life cycle of 5-6 years for that chipset. Today chipset and cost and power success for literally every year is changing, so constantly to keep pace with technology and display systems we need to keep spending that money. Someone else in another context was asking me when software companies are making 25% EBITDA why a company like PRICOL, where software is only a subset and you are developing an entire product you can only make 13 and 14%. That is the nature of the automotive industry where we are not able to make a lot more than what our customers are making because the customers come back on price reaching and the competitive landscape.

**Kaushal Kedia:** Okay sir. Fair enough. Thank you very much and Sir, thank you for your patience. Thank you.

**Moderator:** Thank you. We have the next question from the line of Richa from Equity Master. Please go ahead.

**Richa:** Sir, thanks for the opportunity, Sir, my question is related to non-auto industrial clusters. Is this something that we can think of developing internally or will we need an acquisition to enter that area that is first, second if I may, what is the share of EV as of now and based on later of?

**Vikram Mohan:** As I mentioned, let's restrict it to one question at a time. Can we enter the nonautomotive information systems space? The answer is yes because we have all the technologies required to enter that space. In fact, that space works on technology that's at least 5 to 10 years behind where we are part why we need to go for an acquisition is because this kind of selling is completely different completely. It is all about the distribution, scale and warehouses and reach globally, which is not something we call it used to because we are an OEM company with a bunch of customers very large volume that is very small volume, thousands of customers with

large scale distributorship dealership warehousing globally. That is the reason we are going to acquire that market size and not for the technology.

**Richa:** Understood. Thank you so much.

**Moderator:** Thank you. We have the next question from the line of Vipul Kumar Shah from Sumangal investment. Please go ahead.

**Vipul Kumar Shah:** Sir, what is the contribution of products newly introduced during the last two years in our turnover?

**Vikram Mohan:** It is approximately 25%, it varies between 20 to 30% per annum, but the average is about 25% per annum.

**Vipul Kumar Shah:** Okay. Thank you, Sir.

**Moderator:** Thank you. We have the next question from the line of Anisha Mahawla from Envision Capital. Please go ahead.

**Anisha Mahawla:** Hi, Sir. Thank you for the opportunity again, Sir we said a large part of our growth will be driven based on the LOIs we have in hand. Is it possible to provide some color on it? What is the LOI you have in hand? Are they starting in 24 or 25 or the mix maybe? Are they higher? Are they cute slightly higher towards EV any color like that?

**Vikram Mohan:** I would not like to talk about this. Because lot of the LOIs are confidential along with the customers. So, I would not like to connect about it ma'am. But it is based on LOIs that we are building our capacities on building our capabilities and as far as the driver information system is concerned, whether it's EV or I think it's of no consequence. A lot of people have been asking me these questions because I said it's information being provided to the driver of the vehicle, so whether it's IC, fuel cell, high tension, it's propulsion agnostic. So, we are not worried about what form of propulsion it is.

**Anisha Mahawla:** No, I did not mean that it is IC or EV and then PV or Two-Wheeler or CV that break up is, is that changing and if you can't comment on the quantum of the LOI, maybe you can say is a substantial part of it expected to start, say H2 of this year early next year just to get some indication.

**Vikram Mohan:** 25% like I mentioned would be new product growth year on year, which is what we achieved last year and we will achieve in the next couple of years. As much as the end we are working with multiple EV players. We believe that we are barring Ola for strategic reasons we have decided not to work with Ola as I mentioned the previous one. So, as the penetration of EV happens, our growth in that area also will happen because we are working with the whole host of EV players, both conventional OEM and the new OEM development.

**Anisha Mahawla:** Okay. Thank you.

**Moderator:** Thank you. We have the next question from the line of Hemanth an investor. Please go ahead. Hemant, please go ahead with your question. Your line is unmated.

**Hemant:** Thank you for providing me the opportunity again, Sir. Did you say 3600 crores organically, it means 80% and the second is.

**Vikram Mohan:** Yes, 3600 crores organically with the LOI new product introductions that we have anticipated and with reasonable market growth.

**Hemant:** So, it is basically 80%. of the current run rate.

**Vikram Mohan:** Pardon me.

**Hemant:** 80 right.

**Vikram Mohan:** What are you talking of?

**Hemant:** Since we clocked 2000 crores of revenue in FY23, so it is basically 1600 crores of incremental revenue.

**Vikram Mohan:** Over the next three years, yes.

**Hemant:** Yes, and sir, what is the current status on the PCI kit? Sorry if I.

**Vikram Mohan:** I would not like to comment about it.

**Hemant:** Kindly come again Sir?

**Vikram Mohan:** The matter is sub-judice and I would not like to comment at all.

**Hemant:** Okay.

**Moderator:** Thank you. We will move to the next question from the line of Vaibhav, an investor. Please go ahead.

**Vaibhav:** Hi, congratulations. I just wanted some color on the opportunity size for your products in the electric vehicle space and five to seven years from now how much percent of your revenues would come from the EV space.

**Vikram Mohan:** As I mentioned earlier in the call today, whatever is going to be the penetration of EV in the Indian market, we will be maintaining the same rate of growth in the EV because we are in a

propulsion agnostic automotive systems business and we are engaging with almost all the EV players of the repute scale and size of the business.

**Vaibhav:** Okay. Thank you.

**Moderator:** Thank you. We have the next question from the line of Utkarsh Somaya, an investor. Please go ahead.

**Utkarsh Somaya:** Thank you for the opportunity. Like you mentioned, most of your growth is going to come from premiumization. So, does that mean that your capacity utilization volume wise will remain pretty much in the same level from now until FY26.

**Vikram Mohan:** No, I think Utkarsh you brought me wrong I said there are three times of growth that's going to come. One, because the existing products will reach the end of their life cycle and new product will replace them, one will be from premiumization of existing products, third is launch of new products like disc brakes etc. So, we are creating capacities for new products, we are creating capacity for premiumization and we are eliminating capacity in mechanical and other products that that will go out of hope.

**Utkarsh Somaya:** There will be certain new.

**Vikram Mohan:** 200 crores of CAPEX is to meet the needs of these three buckets to fix 3600 crores but we are creating a capacity for about 4000 crores, not just 3600 crore.

**Utkarsh Somaya:** Okay. Sir the CAPEX will be spent on creating more capacity and kind of switching current capacity too.

**Vikram Mohan:** The changing needs of business as we move from mechanical to electromechanical to an electronics company the same machines cannot be used for the same product. Disc brake, for example a new vertical needs a completely new manufacturing ecosystem, existing plants have to be debottleneck to make it more efficient. Modernization of some parts of the plant to deliver the requested quality level. So, it is a combination of everything.

**Utkarsh Somaya:** Okay and when you say 3600 crores, do you mean that in FY26 you will be operating at optimum utilization?

**Vikram Mohan:** No, I mentioned that we are creating capacities for 4000 to 4200 crores and 3600 crores is what we are anticipating in FY26.

**Utkarsh Somaya:** Now my, actually I am trying to understand that when you tell us you are 3600 to 4000 target, are you considering that you will be operating at optimum capacity utilization and optimum premium products or will there be scope for more volume?



**Vikram Mohan:** Capacity utilization for someone could be an 85% capacity utilization. We are creating capacity for a broad product mix of 4200 crores of which we are expecting about 3600 crore to get utilized and deliver revenues in FY26.

**Utkarsh Somaya:** Okay and can I squeeze in one more related question if possible.

**Vikram Mohan:** Maybe you can come back in the queue please, because that is the housekeeping rules we have been following for the rest of the participant.

**Utkarsh Somaya:** Okay. Thank you.

**Moderator:** Thank you. We have the next question from the line of Vipul Kumar Shah from Sumangal investment. Please go ahead.

**Vipul Kumar Shah:** Hi Sir, all these joint ventures or technical collaborations like sibros or BMS, all those are exclusive or they can tie up with some other manufacturer also. So, some color on this will be really helpful.

**Vikram Mohan:** They are not joint ventures; they are only technical collaborations, and they are exclusive to pricol for India.

**Vipul Kumar Shah:** So, in India they will not enter with any other manufacturer right.

**Vikram Mohan:** No.

**Vipul Kumar Shah:** Okay. Thank you Sir.

**Moderator:** Thank you. We have the next question from the line of Vaibhav, an investor. Please go ahead.

**Vaibhav:** Regarding the asset turns, if you know say for five years from now, 50% of our revenues comes from EV, do you think our asset turns will basically increase over time?

**Vikram Mohan:** Can you repeat your question? You were not very clear. Assume that 50% of your revenue comes from EV. A. I don't think so, because I don't think EV penetration in India is going to be 50% in the next five years. That's the fundamental probable I believe in. I may be wrong. Asset return I do not think is going to have any impact on whether it is EV or non-EV, it is just one more form of propulsion after which is going to be high tension, after which is going to be fuel cell. I do not think it has any link with the asset turn of the company.

**Vaibhav:** Okay. Thank you. Thank you so much.

**Vikram Mohan:** I think we have answered fair to the questions covering the entire gamut. We thank you very much for your participation and asking the whole host of questions and we look forward to

connecting with all of you in the next call when we are done with the Q2 and H2 of FY24. Thank you very much for your participation and we look forward to seeing you all soon. Good evening.

**Moderator:**

Thank you, members of the management. Ladies and gentlemen, on behalf of PRICOL Limited, that concludes this conference. Thank you for joining us and you may now disconnect your lines. Thank you.