



PRICOL LIMITED

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Tuesday, 14th November 2023

The Manager - Listing Department National Stock Exchange of India Limited “Exchange Plaza’, C-1, Block G Bandra-Kurla Complex, Bandra (E), Mumbai - 400051	Corporate Relationship Department BSE Limited 1 st Floor, New Trading Ring Rotunda Building, P J Towers, Dalal Street, Fort, Mumbai 400 001
Script Code: PRICOLLTD	Script Code: 540293

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 9th November 2023 pertaining to Company’s unaudited financial results for the quarter and half year ended 30th September 2023.

This is for your information and records.

Thanking you

Yours faithfully,
For Pricol Limited

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

Encl: As above



PRICOL Limited
Q2 and H1 FY '24 Earnings Conference Call
November 09, 2023

Moderator: Ladies and gentlemen, good day and welcome to the Q2 FY '24 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 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. 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 second quarter and first half of the Financial Year 2024.

Before we begin, let me mention a short cautionary statement. Some of the statements made in today's Earnings Call 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 an 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 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. 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. Vikram Mohan to start with his opening remarks. Thank you and over to you, sir.

Vikram Mohan: Good evening, everyone, and thank you for participating in this call. On behalf of Pricol and my team, I welcome you to the Q2 financial performance for FY '24 and also the H1 for FY '24.

We have uploaded a presentation and I hope all of you have had a chance to see it.

In line with our guidance, we have been seeing a steady increase in our revenue and we have been ahead of the market and also EBITDA margins have been steadily increasing in line with our guidance.

Our revenue from operations is growing at a steady clip and so also is the EBITDA and both on a consolidated basis and on a standalone basis.

The floor is now open for questions. Request everyone to queue up and ask one question at a time so that all participants have an option to ask their questions. So request you to just stop with one question and rejoin the queue if you have further questions. Thank you.

Moderator: Thank you very much, sir. Ladies and gentlemen, we will now begin with the question-and-answer session. We take the first question from the line of Vipul Kumar Shah from Sumangal Investment. Please go ahead.

Vipul Kumar Shah: So can you break the sales between driver information and connected vehicle solution and actuation, control and fluid management systems? What percentage of ours?

Vikram Mohan: As mentioned in my earlier calls, it hovers between 65% for driver information and connected vehicle solutions, and 35% to the ACFMS Division. That ratio will be maintained more or less going forward also plus or minus 2% every quarter.

Vipul Kumar Shah: And sir, EBITDA margins are same for the both verticals or is there any change in the EBITDA margins?

Vikram Mohan: Export revenue coming in the ACFMS division, the EBITDA margin is slightly higher on the export products and the new products, but on the commoditized products, the margins are lower. Margins are steadily increasing and becoming steady in the DICVS division because electronics prices have more or less stabilized for all premium freight have stabilized. So there it's much more a normalized EBITDA margin. In term of overall EBITDA, both are almost neck to neck.

Moderator: Thank you. We take the next question from the line of Pankaj Kumar, an individual investor. Please go ahead, sir.

Pankaj Kumar: So in earlier calls you have given a guidance of 3600 crore of organic revenue by FY '26 and that implies a 20% plus kind of growth. I do understand that lenience, every quarter the growth is not going to be like that, but this quarter the revenue growth was around 12%. So is there a specific reason of slower growth in this quarter?

Vikram Mohan: The revenue growth was not the revenue from operations quarter-on-quarter between last year and this quarter was about 12%. We are aiming for a minimum of 15% to 16% growth. So if you look at H1, as a H1 growth, we have seen about 16% growth. There have been some loss of sales on account of these lower production of the EV vehicles and deferment of schedules because of the FAME subsidy issue. But overall, in terms of over the next couple of quarters, that same revenue guidance we would like to maintain.

Moderator: Thank you. We take the next question from the line of Vipul Kumar Shah from Sumangal Investment.

Vipul Kumar Shah: So can you break down the sales for driver information vertical to two-wheeler, four-wheelers and commercial vehicles? Is it possible, sir?

Vikram Mohan: It's about in the driver information systems, about 65% comes from two-wheelers. Commercial vehicles would be another 20%, and the balance would be from personal passenger vehicles.

Vipul Kumar Shah: Two wheelers you said 55 or 65, sir?

Vikram Mohan: 65.

Vipul Kumar Shah: 6-5?

Vikram Mohan: It's 50, 50 and 65, commercial vehicles between 20 and 25, again a variance every quarter, and the balance from four-wheeler personal passenger vehicles.

Moderator: Thank you. We take the next question from the line of Dinesh Kulkarni from RDS Capital. Please go ahead, sir.

Dinesh Kulkarni: So I just want to know like do we expect, you know, you would increase your shareholding in the company going forward? Because last two quarters we see some increase there. Do we expect this to continue or like do we have any something, some number like 40% or 50% ownership in mind, something like that?

Vikram Mohan: If there is a need, we will increase it, and whenever liquid cash is available with the promoters, we do Infuse into our different business ventures as needed. But I think we have a fairly decent holding, and directly and indirectly we hold about 41% because this 38 point odd percent is referring to my immediate family unit and my extended family, which is my father's brothers and sisters and my mother's brothers and sisters, we are close to about 41%. So, I think that's a very comfortable shareholding. If and when there is a need, we will increase our shareholding and based on liquidity.

Moderator: Thank you. The next question is from the line of Richa Agarwal from Equitymaster. Please go ahead.

Richa Agarwal: Could you also give us the breakup between, you know, the share of new products versus...

Moderator: Her line has got disconnected, sir. We take the next question from the line of Shashank Kanodia from ICICI Securities. Please go ahead.

Shashank Kanodia: Just wanted to check on the margins front. Our understanding was that with normalized chip supplies, your premium freight will be reduced, and then, eventually, there will be an uptick in margins, but our margins most sequentially as run by basis have decreased drastically and even the gross part. So if you can explain, you know, what's going to be the margin trajectory and any specific reasons for margin decline in this quarter?

Vikram Mohan: No, there has been no margin decline. In fact, there has been a margin increase. And as alluded by me in my earlier calls, I said steadily quarter-by-quarter we will keep increasing our margins and hit a steady-state margin, EBITDA margin of about 13.5%, and our margins are increasing in line with that guidance.

Shashank Kanodia: Sir, any take on the raw material cost? Raw material as a percentage to sales have increased in this quarter.

Vikram Mohan: Pardon me.

Shashank Kanodia: Sir, any take on the raw material cost? Your raw material cost as a percentage to sales has increased in this quarter.

Vikram Mohan: No, our EBITDA margins are steadily increasing, and will keep increasing moving forward.

Shashank Kanodia: I think there is some displace in terms of EBITDA margin that you calculate. You calculate using other income in nature. We calculate excluding the other income.

Vikram Mohan: You are not very clear, but can you repeat yourself, please?

Shashank Kanodia: Sir, we calculate EBITDA excluding the other income and you calculate the EBITDA, I think, probably including the other income, right?

Vikram Mohan: Including what?

Shashank Kanodia: Other income.

Vikram Mohan: No, but as an operational EBITDA, our EBITDA has been steadily increasing and will hit a steady-state 13.5%. Quarter-on-quarter our EBITDA has been only increasing as raw material prices are stabilized, and we are having better operational efficiency.

Moderator: We take the next question from the line of Pankaj Kumar, an individual investor. Please go ahead, sir.

Pankaj Kumar: So are you still maintaining the revenue guidance of 3600 crore by FY '26?

Vikram Mohan: Yes, unless there are any catastrophic external geopolitical events, I think we are still maintaining that revenue guidance.

Pankaj Kumar: With a margin of 13.5%, will that reach by FY '26 or earlier than that?

Vikram Mohan: Earlier than that, for sure.

Moderator: Thank you. We take the next question from the line of Richa Agarwal. Please go ahead, ma'am.

Richa Agarwal: Sir, my question was, could you give the share of new products in the current revenue? And in your guiding for 15.5% kind of margin, what is the share that you expect for the new product in the product mix?

Vikram Mohan: New product revenue typically is about 20% of our sales year-on-year. In FY '25 and FY '26, those numbers will be slightly higher as newer products like disc brakes and others are getting introduced and volumes are ramping up, but for the current year, it would be about 20%.

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

Vipul Kumar Shah: We had signed several MoUs with some software developers, and so what is the progress on that front, sir?

Vikram Mohan: We have signed with BMS PowerSafe. We have signed with Sibros. What we have signed with Sibros as the proof of concept everything has started hitting the market, and it's already under vehicle trials with at least about 10 vehicle makers. And as I mentioned, the revenues from those product from those joint ventures will really start seeing traction in FY '26 onwards until FY '30.

Similarly, with BMS PowerSafe, the proof of concept is ready and is now being showcased to the customers. Those again will go into revenue earning mode only from FY '26 and onwards.

We have recently signed an engagement for cooperation agreement with TYW based in China. We have just started working together. It's very early days and it's probably going to take about 6 months to 12 months to say what revenues are going to come out of that. And none of them are software companies for your information, Mr. Shah.

Vipul Kumar Shah: Oh, sorry for that. No, I remembered it. So these all are exclusive MoUs means they can work only with us or there is no exclusivity in this?

Vikram Mohan: For certain vehicle segments, it's exclusive. For certain customers, it's exclusive, and for certain products also, it's exclusive.

Moderator: Thank you, sir. The next question is from the line of Harini from Sundaram Alternates. Please go ahead.

Harini: So on the query to a previous participant, you had mentioned that the sales dip is on account of EV shares in the sales coming down. Is it possible to indicate how much of our sales currently is from EV? Any marginal number on how much?

Vikram Mohan: Volume is about 7% to 8%, but in terms of value, it is slightly higher because per EV, selling price is much higher of the units that we are selling. And if you can send a query to our Investor Team, they will be able to answer in detail. But the EV sales are again started picking up. The schedules are picked up. You would be aware because of the FAME subsidy issue, all EVs had dropped production significantly in Q1 and Q2. From Q3 onwards, we have seen very healthy schedules. In fact, October has been also a good month.

Moderator: Thank you. The next question is from the line of Dinesh Kulkarni from RDS Capital. Please go ahead, sir.

Dinesh Kulkarni: I want to know like what's your CapEx plans for the next two, three years, like, say, in the total?

Vikram Mohan: I have spoken about this in my earlier calls. We have a planned CapEx of about 600 crores unless something very exciting inorganically comes up, of which about 150 crores was spent last year, about 200 crores is being spent this year, and another 200 crores would be spent in the next fiscal year. This is to enhance capacities, improve productivity and also going for modernization of some of our older plants. So that's the broad spend of CapEx. This will take our revenue up to about 3,800 to 4,000 crores would our capacity make capacity available.

Moderator: Thank you. The next question is from the line of Jaimin Desai from Emkay Global. Please go ahead, sir.

Jaimin Desai: So can you provide some color on recent business wings on the TFT side for two-wheelers? And also if you could elaborate on the four-wheeler TFT opportunity?

Vikram Mohan: I would like to hand this over to our CEO and Executive Director Mr. Ganesh to answer this please.

P. M. Ganesh: Good evening. The TFT actually whatever has been used by particularly the EV makers of two-wheelers, most of the models are supplied by Pricol. Barring like one or two models in the

country, I would say like out of 10 vehicles, eight are manufactured by Pricol. Four-wheeler is something that we are evolving. As you are aware that four-wheeler was not our focus until 2020 because we had a non-compete agreement. So we have just started penetrating with the four-wheeler. So four-wheeler, our presence on TFT is not much, but on the two-wheeler, out of 10 vehicles manufactured, eight of them are from Pricol.

Moderator: Thank you, sir. The next question is from the line of Khush Nahar from Electrum PMS. Please go ahead, sir.

Khush Nahar: My question was regarding the content for vehicle. So could you guide us across our segments two-wheeler, four-wheeler, and CV, what is the average content per vehicle?

Vikram Mohan: See, a mechanical instrument cluster still sells at Rs. 300 or Rs. 400, but that is dying a very fast death. For example, in the TVS X that launched, which was launched by TVS, it's a very high content per vehicle. Okay.

So, if you want to ask in a two-wheeler, what is content per vehicle, it's very different from a mechanical cluster, electromechanical hybrid cluster or clock TFT cluster, and the TFT itself there are multiple price points, right, based on the features, the size etc.

So this is a very, very difficult question to answer, but perhaps I put it this way. From an average value of Rs. 300 per driver information system, today we are at around Rs. 1,200 and making a transition to Rs. 2,500 over the next 3 years. I think that's a better way to put it.

Similarly, on our ACFMS vertical, we were into very small value oil pumps and chain tensioners, which are dying a natural death, and now moving into more complex BLDC fuel pump, electrical coolant pump, and other products which are more towards the Rs. 1,000 mark as against what we were supplying at Rs. 150 and Rs. 200.

Moderator: Thank you, sir. The next question is from the line of Pranav Modi from Antique Stock Broking Limited. Please go ahead with your question, sir.

Pranav Modi: Sir, I wanted to know the per unit dynamics. For example, if we have something for two-wheeler, then how much we charge, and if we go over say Triumph or KTM 390 or those sort of premium bikes, then how much do we get per unit? And if it goes to a four-wheeler, then how much it is? If you can share some detail on that?

Vikram Mohan: Again, like the previous question, this is a very, very broad-based question. We are supplying something to a BMW two-wheeler at 15,000 per unit, a cluster. We also supply a car at Rs. 2,500 per unit for a driver information system. So I think categorizing, it's based on the technology, the size, and the number of tell-tale and warning signs and what the customer

wants and the resolution. So, if you are asking for a broad-based answer, it would be next to impossible to give.

Pranav Modi: So can we put up some ASP number for all the units put together? Would that be a fair assumption or better way to calculate our revenues?

Vikram Mohan: That's exactly what I said. From 300, we are now at around 1200 and moving up to about 2500 in the next 3 years for two-wheelers. Cars, we are still in the nascent stage. Commercial vehicle is obviously much, much higher. Micro LCVs is at a lower price point. So, segment wise, yes, we have an average selling price, but with two-wheelers being 65% of our revenue, which is why I have the figure of about 1,200 today going up to about 2,500 over the next 3 years.

Moderator: Thank you. We take the next question from the line of Khush Nahar from Electrum PMS. Please go ahead, sir.

Khush Nahar: So my question was regarding the other expenses. We can see that year-on-year last quarter and this quarter, it has increased around 55% last quarter and 39% this quarter. So was there any one off expenses or above 40 crore should be our new quarterly run rate for the expenses?

Vikram Mohan: I will request our CFO to answer that please.

Priyadarsi Bastia: The warranty cost is increasing actually couple of products which got bounced back. So we have fixed the solution now, but yes, that cost was clubbed in this quarter, and that's why it is higher.

Khush Nahar: So our average run rate would be around 30, 35 crores only, quarterly run rate going ahead?

Priyadarsi Bastia: No, it will be a little higher number definitely, Khush, because the other expenditures are increasing in line with inflation. So it should be around 40, 42 crores.

Moderator: Thank you, sir. We take the next question from the line of Pankaj Kumar, an individual investor. Please go ahead with your question, sir.

Pankaj Kumar: I wanted to know what will be the asset turn for 600 CapEx that you are doing?

Vikram Mohan: It's different for different verticals of the company. For the ACFMS, it's different. For the DICVS, it's different. And even within the DICVS for the disc brakes, the ACFMS, the disc brakes is different. If you can get in touch with us, we can break it up segment wise and give it to you.

Pankaj Kumar: Just one more question. I think, in the last call, you mentioned that you will reach to 13.5% to 14% kind of margin in next two quarters. So is that still a valid assumption or?

Vikram Mohan: No, in the last call, I said over the next two years, and I said steadily increasing over the next quarter-on-quarter. I didn't say two quarters. So I am expecting an increase of about 0.3 to 0.4% every quarter and steadying at around 13.5%.

Moderator: Thank you, sir.

Vikram Mohan: I think since there are no more questions, maybe we can call it a day.

Moderator: Yes, sir. There are no further questions in the queue. So I would like to hand the conference over to you for closing comments.

Vikram Mohan: Thank you very much and for the confidence in our company. And I am sure my team will be able to deliver the same level of sustained and improved performance in the quarters to come and look forward to connecting with you in the annual call for FY '24. Good evening and greetings of the season.

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.