Pricol I ACCUMULATE I TP: 580 | Upside: 14%

MONARCH NETWORTH CAPITAL

Robust growth, spotlight on premiumization

We retain ACCUMULATE rating and revise our TP to Rs580 (previously Rs500), mainly due to an increase in multiple to 27x (previously 24x) and valuation roll forward. Increase in multiple is primarily to account for rerating due to increase in content per vehicle led outperformance, possibility of inorganic expansion and robust return ratios. Pricol clocked robust growth in 1QFY25, largely meeting expectations. Going forward, we believe that Pricol is well positioned to be a prime beneficiary of premiumization trend (shift to LCD & TFT clusters). With 2W contributing 65% to Pricol's total revenues, the evident resurgence in demand for 2W presents a favorable outlook for the company to capitalize on volume growth. Inorganic expansion, progress on new products like disc brakes, ecockpit, telematics and the addition of new customers will provide further upside.

- **Robust revenue growth meets expectations:** Pricol reported a revenue growth of 15.4% yoy at Rs6.19bn on the back of strong 2w base industry growth (2w industry growth of +20% yoy) which was topped up by premiumization which is attributed primarily to the DIS segment; partially offset by muted show in tractor and CV segments. The revenue split between the DIS & ACFMS segment stood at 70%/ 30% resp. for 1QFY25.

- **Margins remain buoyant:** Pricol reported 13.0% EBITDA margins, +95bps yoy; mainly due to gross margins expansion (31.6% vs 29% yoy) and strong control over other expenses that stood at 7.2% of sales for 1QFY25 versus 8.1% yoy. EBITDA for the quarter stood at Rs805mn, +24.5% yoy. Effectively, Pricol reported PAT at Rs456bn, +42.7% yoy, supported by reduction in finance costs yoy.

- **Spotlight on premiumization & progress on new products:** The management remains confident of outperforming the base industry growth on the back of premiumization (shift to LCD & TFT clusters) which is expected to be ~8% above the industry growth. Exports are expected to remain subdued in FY25 (in the range of 8-10% of revenues) due to demand weakness in US. New products like BMS, e-cockpit and telematics (collaboration with SIBROS) are currently under prototype/ testing stage with insignificant revenue contribution expected in FY25. Going forward, we expect margins to sustain in the range of 13-13.5%. Pricol is actively reviewing potential assets for acquisition (at due diligence stage) as it aims to mitigate automotive cycle risks and spur company growth. With the 2w industry displaying robust growth indicators, we anticipate Pricol to capitalize on both volume and premiumization opportunities. We adjust the revenue est. by -1.2%/-1.9% and earnings est. by -1.8%/-2.8% in FY25E/FY26E respectively. We have increased our target multiple to 27x (previously 24x) to account for rerating due to increase in content per vehicle led outperformance, possibility of inorganic expansion and robust return ratios.

- **Valuation and risks:** We forecast a revenue/EBITDA/PAT CAGR of 17.7%/21.3%/27.1% over FY24-27E. We value Pricol at 27x (previously 24x) Jun'26 P/E multiple to arrive at TP of Rs580 (previously Rs500) and retain ACCUMULATE rating. The increase in TP is mainly due to an increase in multiple and valuation roll forward. Risks: Slowdown in ICE/ EV 2W sales. We remain positive, though the recent stock price performance has reduced some of the upside.

Target Price			580
Last Close			510
Upside			14%
Price Performance (%)			
	1M	6M	1Yr
PRICOL IN	1.4	31.0	82.5
NIFTY	3.6	15.3	26.8

Key Data	
Bloomberg Code	PRICOL IN
Curr Shares O/S (mn)	121.8
Diluted Shares O/S(mn)	121.8
Mkt Cap (Rsbn/USDmn)	62/741
52 Wk H / L (Rs)	542/272
5 Year H / L (Rs)	542/19
Daily Vol. (3M Avg.)	487600

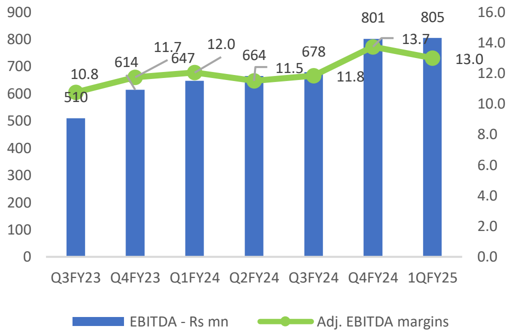
Source: Bloomberg, MNCL Research

Shareholding pattern (%)

	Jun-24	Mar-24	Dec-23	Sept-23
Promoter	38.5	38.5	38.5	38.5
FII/FPIs	15.0	14.4	6.5	4.0
DIIs	16.4	16.6	7.0	5.5
Others	30.1	30.5	48.0	52.0

Source: BSE

Quarterly EBITDA margins remain healthy at 13%, to sustain in the range of 13-13.5%



Source: Company, MNCL Research

Y/E Mar (Rs mn)	**Q1FY25**	**1QFY24**	***YoY (%)***	**4QFY24**	***QoQ (%)***
Net sales	**6199**	**5372**	***15.4***	**5837**	***6.2***
Raw materials total	4253	3679	*15.6*	3995	*6.5*
Employee costs	694	611	*13.6*	663	*4.7*
Other expenses	447	436	*2.6*	378	*18.3*
EBITDA	**805**	**647**	***24.5***	**801**	***0.4***
EBITDA margin	***13.0***	***12.0***	***95 bps***	***13.7***	***(75)bps***
Depreciation	203	198	*2.5*	201	*1.1*
Finance cost	30	46	*(35.2)*	38	*(20.4)*
Other income	22	28	*(23.6)*	44	*(50.1)*
Exceptional item	0	0		-60	
PBT	**593**	**430**	***37.9***	**546**	***8.6***
Tax	138	111	*24.0*	131	*5.0*
Adjusted PAT	**456**	**319**	***42.7***	**475**	***(4.1)***

Source: Company, MNCL Research – consolidated numbers

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Y/E Mar (Rs mn)	**Revenue**	***YoY (%)***	**EBITDA**	***EBITDA (%)***	**Adj PAT**	***YoY (%)***	**Adj EPS**	**RoE (%)**	**RoCE (%)**	**P/E (x)**	**EV/EBITDA (x)**
FY23	19,586	*26.8*	2,285	*11.7*	1,149	*125.0*	9.4	18.0	17.6	17.7	8.9
FY24E	22,718	*16.0*	2,795	*12.3*	1,466	*27.6*	12.0	18.9	18.9	26.1	13.4
FY25E	26,416	*16.3*	3,478	*13.2*	1,947	*32.8*	16.0	20.7	20.8	31.9	17.5
FY26E	31,734	*20.1*	4,245	*13.4*	2,457	*26.2*	20.2	21.1	21.3	25.3	14.0
FY27E	37,077	*16.8*	4,991	*13.5*	3,010	*22.5*	24.7	21.0	21.1	20.7	11.3

Source: Company, MNCL Research Estimates

1QFY25 Conference Call Key Takeaways

Industry:

1. Local design center, close and long association with customers, backward integration are some of the reasons why Pricol has low threat from new entrants in the DIS market.
2. Exports remain at 8-10% of the total revenues and weakness continues to remain in the US markets. Pricol is also working on several new products for OEMs in Europe, and this will convert into commercial production in a few years. Export margins are better than domestic, but volumes are less.

Operations:

1. DIS: ACFMS – 70%: 30%; 65% - 2W, 15% - CV, 10% - PV, tractor and OHV – 10%.
2. Content per vehicle has growth by 2x since Fy19. Management expects this metric to become 3x (of FY19) in next 3years.
3. New products: e-cockpit – Some samples are deployed for testing to customers. Disc brakes are also under testing and should meaningfully reflect revenues in the next 12 months. BMS – Prototype stage and are under testing. No revenue guidance given for new products for FY25.
4. Pricol is on track for all new product development i.e. for new models and it depends on the OEMs and their launch schedule for the new models. Outperformance of Pricol as compared to base industry is highly dependent on new product launches and model mix by the OEM.
5. PV – Primarily catering to Tata Motors but actively working on several other domestic customers.

Financials:

1. Aim to continue margins at the same levels as 1QFY25.
2. No update on inorganic expansion but the company is evaluating several prospects.

Valuation - ACCUMULATE with a TP of Rs580

Pricol has a history of sailing through several issues, be it some failed joint ventures, overhang of hostile acquisition by Minda Corp, poor financial and operational performance due to pandemic led disruption and the semiconductor availability issue. This has led to muted valuations for very long periods and only recently after the favourable order by CCI, the valuation has truly appreciated.

Further, we believe that Pricol is well set for robust growth due to the sectoral tailwinds from 2W industry, accelerated by the rising content per vehicle due to the premiumization shift. Additionally, venture into new products will only augment this growth. Pricol is also very actively contemplating inorganic growth in the industrial side of business which will provide de-risking from the 2W cyclicality and lead to addition of high margin product line.

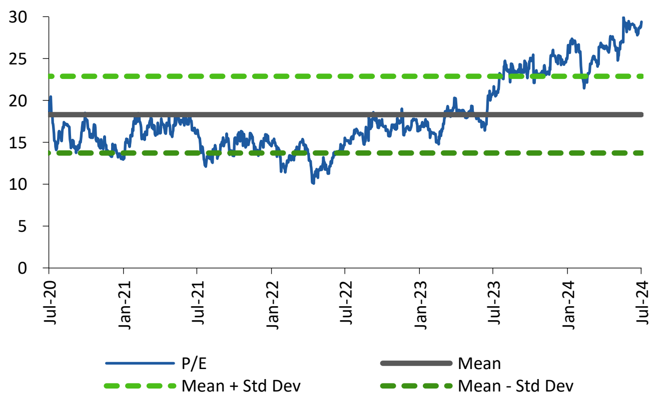
Therefore, we value Pricol at 27x (previously 24x) Jun'26 PE ratio to arrive at a target price of Rs580/share and retain ACCUMULATE rating. The Increase in multiple is primarily to account for rerating due increase in content per vehicle led outperformance, possibility of inorganic expansion and robust return ratios. At CMP of Rs510, Pricol trades at 24.1x Jun'26 PE ratio.

Exhibit 1: PE Valuation

PE Valuation	Jun'26
EPS - Rs/sh	21.3
Attributed multiple	27.0
TP - Rs/sh	580
CMP - Rs/sh	510
Upside	**14%**

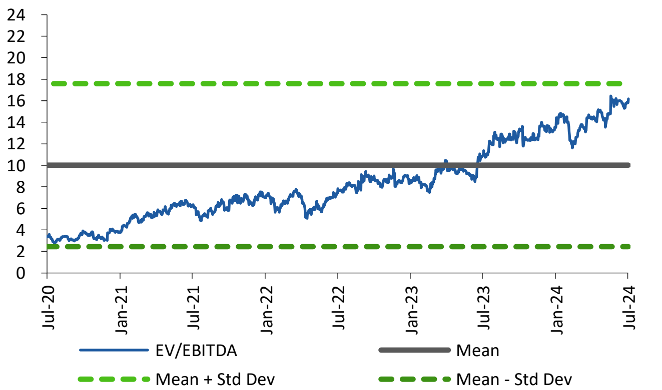
Source: MNCL Research Estimates

Exhibit 2: 1-year forward P/E chart



Source: Bloomberg, MNCL Research Estimates

Exhibit 3: 1-year forward EV/EBITDA chart



Source: Bloomberg, MNCL Research Estimates

Quarterly Financials & Key Performance Indicators

Exhibit 4: Quarterly Financials

Y/E March (Rs mn)	Q2FY23	Q3FY23	Q4FY23	Q1FY24	Q2FY24	Q3FY24	Q4FY24	1QFY25
Net Sales	**5,158**	**4,741**	**5,235**	**5,372**	**5,778**	**5,726**	**5,837**	**6,199**
Raw Materials	3,614	3,288	3,715	3,679	3,985	3,893	3,995	4,253
% of sales	***70%***	***69%***	***71%***	***68%***	***69%***	***68%***	***68%***	***69%***
Employee Costs	581	621	554	611	659	694	663	694
Other Expenditure	339	322	352	436	469	461	378	447
EBITDA	**624**	**510**	**614**	**647**	**664**	**678**	**801**	**805**
EBITDA Margin %	***12.1***	***10.8***	***11.7***	***12.0***	***11.5***	***11.8***	***13.7***	***13.0***
Depreciation	204	201	172	198	211	210	201	203
Interest	46	43	49	46	51	47	38	30
Other Income	6	8	19	28	40	19	44	22
Exceptional Items	98	-	-	-	-	-	(60)	-
PBT	**479**	**273**	**412**	**430**	**442**	**441**	**546**	**593**
Tax	3	6	114	111	110	100	131	138
Tax rate (%)	*0.7*	*2.1*	*27.6*	*25.8*	*25.0*	*22.8*	*24.0*	*23.2*
Reported PAT	**475**	**268**	**298**	**319**	**332**	**340**	**415**	**456**
Adjusted PAT	**378**	**268**	**298**	**319**	**332**	**340**	**475**	**456**
YoY Growth (%)								
Revenue YoY Growth	26.7	16.4	26.4	20.7	12.0	20.8	11.5	15.4
Adj. EBITDA	28.0	7.8	20.6	20.5	6.4	33.0	30.5	24.5
Adj. PAT	157.6	54.3	126.9	55.1	-12.2	27.1	59.4	42.7
QoQ Growth (%)								
Revenue	15.9	-8.1	10.4	2.6	7.6	-0.9	1.9	6.2
Adj. EBITDA	16.4	-18.4	20.5	5.3	2.8	2.1	18.2	0.4
Adj. PAT	83.4	-29.2	11.4	7.2	3.8	2.6	39.6	-4.1
Margin (%)								
Adj. EBITDA Margin (%)	12.1	10.8	11.7	12.0	11.5	11.8	13.7	13.0
Adj. PAT Margin (%)	7.3	5.6	5.7	5.9	5.7	5.9	8.1	7.3

Source: Company, MNCL Research – consolidated numbers

Financials

Exhibit 5: Income Statement

P&L - Y/E March (Rs mn)	FY19	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E	FY27E
Revenues	**18,137**	**12,394**	**14,131**	**15,447**	**19,586**	**22,718**	**26,416**	**31,734**	**37,077**
Materials cost	12,691	8,585	9,648	10,696	13,733	15,552	18,069	21,674	25,324
% of revenues	***70.0***	***69.3***	***68.3***	***69.2***	***70.1***	***68.5***	***68.4***	***68.3***	***68.3***
Employee cost	2,509	1,594	1,665	1,918	2,275	2,626	3,099	3,657	4,315
% of revenues	***13.8***	***12.9***	***11.8***	***12.4***	***11.6***	***11.6***	***11.7***	***11.5***	***11.6***
Others	2,697	1,361	1,039	1,027	1,293	1,744	1,770	2,158	2,447
% of revenues	***14.9***	***11.0***	***7.4***	***6.6***	***6.6***	***7.7***	***6.7***	***6.8***	***6.6***
EBITDA	**241**	**854**	**1,779**	**1,806**	**2,285**	**2,795**	**3,478**	**4,245**	**4,991**
EBITDA margin (%)	***1.3***	***6.9***	***12.6***	***11.7***	***11.7***	***12.3***	***13.2***	***13.4***	***13.5***
Depreciation & Amortization	940	959	942	818	779	821	908	1,040	1,120
EBIT	**-699**	**-105**	**837**	**987**	**1,506**	**1,974**	**2,570**	**3,204**	**3,871**
Interest expenses	353	338	431	273	183	183	130	110	91
PBT from operations	-1,052	-444	407	715	1,323	1,792	2,441	3,094	3,781
Other income	125	149	78	88	46	127	156	182	232
Exceptional items	0	0	0	0	98	-60	0	0	0
PBT	**-927**	**-295**	**485**	**803**	**1,466**	**1,859**	**2,596**	**3,276**	**4,013**
Taxes	10	-36	327	292	219	453	649	819	1,003
Effective tax rate (%)	***-1.1%***	***12.1%***	***67.4%***	***36.4%***	***15.0%***	***24.4%***	***25.0%***	***25.0%***	***25.0%***
PAT from continuing operations	**-937**	**-259**	**158**	**511**	**1,247**	**1,406**	**1,947**	**2,457**	**3,010**
Profit/ (loss) from discontinued operations	**-801**	**-728**	**257**	**-**	**-**	**-**	**-**	**-**	**-**
Total PAT	**-1,739**	**-988**	**415**	**511**	**1,247**	**1,406**	**1,947**	**2,457**	**3,010**
Adjusted PAT	**-937**	**-259**	**158**	**511**	**1,149**	**1,466**	**1,947**	**2,457**	**3,010**

Exhibit 6: Key Ratios

Y/E March	FY19	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E	FY27E
Growth Ratio (%)									
Revenue	*33.7*	*(31.7)*	*14.0*	*9.3*	*26.8*	*16.0*	*16.3*	*20.1*	*16.8*
EBITDA	*(85.4)*	*254.7*	*108.4*	*1.5*	*26.5*	*22.3*	*24.5*	*22.0*	*17.6*
Adjusted PAT	*(253.9)*	*(72.3)*	*(161.0)*	*222.8*	*125.0*	*27.6*	*32.8*	*26.2*	*22.5*
Margin Ratios (%)									
EBITDA	*1.3*	*6.9*	*12.6*	*11.7*	*11.7*	*12.3*	*13.2*	*13.4*	*13.5*
PBT from operations	*(5.8)*	*(3.6)*	*2.9*	*4.6*	*6.8*	*7.9*	*9.2*	*9.8*	*10.2*
Adjusted PAT	*(5.2)*	*(2.1)*	*1.1*	*3.3*	*5.9*	*6.5*	*7.4*	*7.7*	*8.1*
Return Ratios (%)									
ROE	*-16.1*	*-5.8*	*3.4*	*9.3*	*18.0*	*18.9*	*20.7*	*21.1*	*21.0*
ROCE	*-6.2*	*0.5*	*3.9*	*9.3*	*17.6*	*18.9*	*20.8*	*21.3*	*21.1*
ROIC	*-8.2*	*-1.3*	*3.8*	*9.3*	*18.8*	*20.1*	*22.8*	*24.9*	*28.6*
Turnover Ratios (days)									
Gross block turnover ratio (x)	2.8	1.9	2.1	2.3	2.6	2.7	2.7	2.7	2.9
Debtors	39	58	49	56	50	46	45	45	45
Inventory	52	100	92	81	72	75	72	72	72
Creditors	63	135	107	92	75	76	80	80	80
Cash conversion cycle	29	23	34	45	47	45	37	37	37
Solvency Ratio (x)									
Net debt-equity	0.4	0.8	0.3	0.1	0.0	(0.1)	(0.1)	(0.2)	(0.4)
Debt-equity	0.5	0.9	0.5	0.2	0.1	0.1	0.0	0.0	0.0
Interest coverage ratio	(2.0)	(0.3)	1.9	3.6	8.2	10.8	19.8	29.1	42.8
Gross debt/EBITDA	10.9	4.3	1.4	0.7	0.4	0.2	0.1	0.1	0.0
Current Ratio	1.0	0.8	1.3	1.3	1.3	1.4	1.5	1.7	2.2
Per share Ratios (Rs)									
Adjusted EPS	-9.9	-2.7	1.3	4.2	9.4	12.0	16.0	20.2	24.7
BVPS	52.7	41.9	43.1	47.3	57.8	69.4	85.3	105.5	130.2
CEPS	0.0	7.4	9.0	10.9	15.8	18.8	23.4	28.7	33.9
DPS	0.0	-	-	-	-	-	-	-	-
Dividend payout %	*0.0*	*0.0*	*0.0*	*0.0*	*0.0*	*0.0*	*0.0*	*0.0*	*0.0*
Valuation (x)*									
P/E (adjusted)	-5.5	-12.4	35.3	24.4	17.7	26.1	31.9	25.3	20.7
P/BV	1.0	0.8	1.1	2.2	2.9	4.5	6.0	4.8	3.9
EV/EBITDA	29.5	7.6	4.1	7.3	8.9	13.4	17.5	14.0	11.3
Dividend yield %	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0

Source: Company, MNCL Research Estimates

Exhibit 7: Balance Sheet

Y/E March (Rs mn)	FY19	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E	FY27E
Sources of Funds									
Equity Share Capital	95	95	122	122	122	122	122	122	122
Reserves & surplus	4,899	3,879	5,126	5,640	6,921	8,331	10,278	12,735	15,745
Shareholders' fund	**4,994**	**3,974**	**5,248**	**5,762**	**7,043**	**8,453**	**10,400**	**12,857**	**15,867**
Total Debt	2,615	3,714	2,480	1,281	892	466	366	266	166
Lease Liabilities (current + non current)	0	0	306	254	211	143	143	143	143
Def tax liab. (net)	544	519	574	563	411	348	348	348	348
Other non current liabilities	14	280	90	49	88	29	29	29	29
Total Liabilities	**8,167**	**8,487**	**8,697**	**7,908**	**8,645**	**9,439**	**11,286**	**13,643**	**16,553**
Gross Block	6,073	7,083	6,611	7,077	7,738	8,808	10,981	12,581	13,251
Less: Acc. Depreciation	1,824	2,687	2,864	3,334	3,779	4,216	4,909	5,733	6,637
Net Block	4,249	4,396	3,747	3,744	3,959	4,592	6,073	6,848	6,613
Capital WIP	136	219	198	84	140	379	406	306	136
Investment Property	99	95	150	154	69	67	67	67	67
ROU Assets - Net	0	423	459	392	345	277	277	277	277
Intangible Assets	1,545	1,411	1,168	1,034	909	788	665	542	419
Goodwill	1,093	993	894	795	695	596	503	410	317
Net Fixed Assets	**7,121**	**7,537**	**6,616**	**6,203**	**6,117**	**6,699**	**7,991**	**8,450**	**7,830**
Investments - Non current	0	0	0	0	12	12	12	12	12
Other non current assets	787	703	444	292	309	216	216	216	216
Inventories	1,825	2,361	2,432	2,365	2,717	3,203	3,564	4,275	4,995
Sundry debtors	1,948	1,960	1,879	2,389	2,677	2,870	3,257	3,912	4,571
Cash	585	425	747	507	839	1,136	1,646	2,967	5,918
Other current assets	3,756	316	245	232	391	220	220	220	220
Total Current Asset	**8,114**	**5,062**	**5,303**	**5,493**	**6,625**	**7,430**	**8,687**	**11,375**	**15,704**
Trade payables	2,186	3,186	2,818	2,699	2,826	3,258	3,960	4,751	5,550
Other current Liab.	5,493	1,445	669	1,152	1,332	1,200	1,200	1,200	1,200
Provisions (current + non current)	176	183	178	228	260	459	459	459	459
Net Current Assets	**258**	**248**	**1,638**	**1,413**	**2,207**	**2,512**	**3,067**	**4,965**	**8,494**
Total Assets	**8,167**	**8,487**	**8,697**	**7,908**	**8,645**	**9,439**	**11,286**	**13,643**	**16,553**

Source: Company, MNCL Research Estimates

Exhibit 8: Cash Flow

Y/E March (Rs mn)	FY19	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E	FY27E
Operating profit bef working capital changes	554	449	1,953	1,832	2,325	2,886	3,478	4,245	4,991
Changes in working capital	(155)	1,073	(660)	122	(295)	43	(46)	(577)	(579)
Cash flow from operations	**437**	**1,512**	**1,282**	**1,826**	**1,663**	**2,548**	**2,784**	**2,849**	**3,409**
Net Capex	(1,088)	(756)	(320)	(449)	(849)	(1,433)	(2,200)	(1,500)	(500)
FCF	(651)	756	962	1,378	814	1,115	584	1,349	2,909
Cash flow from investments	**(1,071)**	**(274)**	**(210)**	**(447)**	**(690)**	**(1,293)**	**(2,044)**	**(1,318)**	**(268)**
Cash flow from financing	**566**	**(1,689)**	**(701)**	**(1,536)**	**(638)**	**(689)**	**(230)**	**(210)**	**(191)**
Net change in cash	**(68)**	**(450)**	**372**	**(156)**	**334**	**565**	**510**	**1,321**	**2,951**

Source: Company, MNCL Research Estimates

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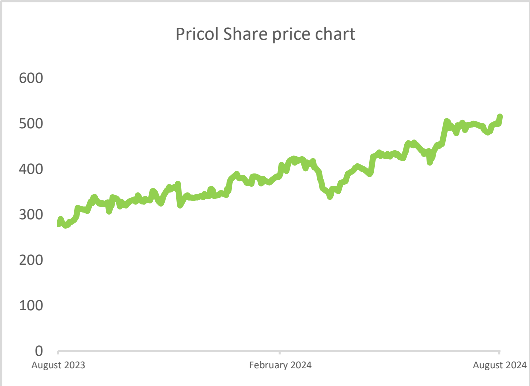

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