Pricol Limited

ISIN :INE726V01018 | NSE :PRICOLLTD

Price: 454
Recommendation: Buy
Industry: Auto Components
Sector: Consumer Discretionary
Report Date: 02-Apr-2025

Pricol Limited is advancing its growth through strategic acquisitions and product innovation. The company aims to transition from a component supplier to a full-service supplier in the plastics sector, targeting a revenue of 1700 crores. With a strong market share in the two-wheeler TFT cluster segment and a focus on new product launches, Pricol anticipates a 13-15% growth rate. The company is also exploring export opportunities while maintaining a domestic focus.

Sales		Profit & Loss		Profitability Matrix	
Current Year	2486 Cr	Operating Profit(Year)	289 Cr	Operating Profit Margin	11.6 %
Previous Year	1928 Cr	Operating Profit(Quarter)	68.9 Cr	EBITDA Margin	10.70 %
Current Quarter	630 Cr	PAT (Year)	127 Cr	Net Profit Margin	5.63 %
Previous Quarter	664 Cr	PAT (Quarter)	35.6 Cr	EPS	13.0
Revenue (QYoY)	569 Cr				
Valuation Matrix		**Growth(YoY)**		**Growth(QoQ)**	
Trailing P/E	34.9	Sales Growth	13.5 %	Sales Growth	-5.12 %
PEG Ratio	0.30	PAT Growth	20.95 %	Sales Growth QYoY	10.72 %
EV/EBITDA	18.5	EPS Growth	21.5 %	PAT Growth	-16.24 %
P/B	6.26	Dividend Yield	0.00	PAT Growth QYoY	14.84 %
Capital Allocation		**Holdings**		**Leverage**	
RoE	17.1 %	Promoter	38.5 %	Debt/Equity	0.06
RoA	9.71 %	FII	15.9 %	Debt	53.2 Cr
RoCE	22.5 %	DII	16.4 %	Market Cap	5533 Cr
RoIC	17.9 %	Public	29.2 %	Enterprise value	5584 Cr
		No of Shares	12.2 Cr	Cash Equivalents	2.35 Cr

source : Company filings

Company's Overview Based on Recent Concall and Performance:

In the recent conference call, Pricol Limited outlined several strategic initiatives and business strategies aimed at enhancing growth and diversification. The company has embarked on a significant acquisition strategy, focusing on acquiring a business with a shorter time to market (TTM) in the plastics sector, which they understand well. This acquisition is expected to transition the company from a component supplier to a full-service supplier (FSS) in the plastics industry. The acquired business, previously part of the TVS group, is anticipated to generate around 800 crores in revenue with an EBITDA of about 70 crores. The acquisition was made at an adjusted EBITDA multiple of 3.5 times, which is considered value accretive for shareholders. The company plans to double this business over the next three years, both organically and inorganically, aiming for a revenue target of approximately 1700 crores.

The company is also focusing on new product introductions and market demand to drive growth. They anticipate a growth rate of 13-15% over the next few quarters, supported by their product mix and new product launches. The disc brake business is expected to ramp up significantly in the next 8-12 months, contributing to the company's growth trajectory. Additionally, Pricol is maintaining a strong market position in the two-wheeler TFT cluster segment, holding a 75-80% market share. This segment is expected to see good growth in the next two years as more electric vehicles (EVs) and internal combustion (IC) engines adopt TFT technology for its flexibility and feature-rich offerings.

Looking ahead, Pricol is optimistic about its future growth and scaling perspectives. The company plans to maintain a steady growth rate and improve margins through efficiency and productivity improvements. They are also exploring opportunities for export revenue, although the current focus remains on the domestic market. The company is at the tail end of a 650 crore CAPEX cycle and plans to adopt a "CAPEX lite" approach unless there is an opportunity for inorganic growth. Maintenance CAPEX is expected to be around 100 to 120 crores annually. The integration of Sundaram Auto Components, now Pricol Precision Products, is expected to lower the average EBITDA margin due to the nature of the plastics business, but overall rupee EBITDA is projected to increase.

On the positive side, Pricol's strategic acquisition and focus on new product development position it well for future growth. The company's strong market share in the TFT cluster segment and the anticipated ramp-up in the disc brake business are promising. However, there are areas for improvement, such as exploring export opportunities and enhancing margins in the newly acquired business. The company faces challenges in the export market, with reduced volumes due to lower OEM production, but this is expected to be offset by growth in other segments. Overall, Pricol's strategic initiatives and focus on diversification and efficiency improvements provide a solid foundation for future growth.

PRICOLLTD Daily Closing One Year Price Chart

Name	Mar Cap (Rs. Cr.)	P/E	ROE	Sales(G) QoQ	Sales(G) QYoY	PAT(G) QoQ	PAT(G) QYoY
Samvardh. Mothe.	93019.84	22.53	11.80%	-0.52%	7.89%	-0.13%	61.97%
Bosch	82746.34	40.90	15.97%	1.62%	6.19%	-1.39%	4.33%
Pricol Ltd	5532.79	34.94	17.13%	-5.10%	10.79%	-16.11%	15.05%
Uno Minda	50552.28	53.63	18.89%	-1.43%	18.77%	-2.79%	20.21%
Exide Inds.	31586.00	39.78	7.05%	-9.74%	0.93%	-32.20%	-21.69%

Aspect	Commentary
Revenue	The company shows a robust revenue increase from the previous year, indicating strong sales performance. However, a slight decline in quarterly revenue suggests potential seasonal or market fluctuations. The year-over-year growth remains positive, reflecting effective sales strategies and market demand.
Profit & Loss	Operating profit and PAT demonstrate healthy growth, with annual figures showing a strong upward trend. Quarterly figures, however, indicate a slight dip, possibly due to increased operational costs or market conditions. Overall, profitability remains solid, supporting the company's financial health.
Profitability Matrix	The company maintains a healthy operating profit margin, with EBITDA and net profit margins reflecting efficient cost management. The EPS indicates strong earnings performance, suggesting effective business operations and profitability. These metrics highlight the company's financial stability.
Valuation Matrix	The valuation metrics suggest the company is valued fairly, with a moderate P/E ratio and a low PEG ratio indicating growth potential. The EV/EBITDA and P/B ratios reflect the company's market position and asset valuation, supporting a positive investment outlook.
Growth (YoY)	Year-over-year growth metrics show strong sales and PAT growth, indicating effective business strategies and market expansion. EPS growth further supports the company's profitability and shareholder value. The absence of dividend yield suggests reinvestment in growth opportunities.
Growth (QoQ)	Quarter-over-quarter growth metrics reveal a decline in sales and PAT, possibly due to market conditions or operational challenges. However, the positive QYoY growth indicates resilience and potential for recovery. These figures highlight the need for strategic adjustments.
Capital Allocation	The company demonstrates efficient capital allocation with strong RoE, RoA, and RoCE figures, indicating effective use of resources. The RoIC further supports the company's investment strategies, reflecting a focus on maximizing shareholder value and operational efficiency.
Holdings	The company's shareholding pattern shows a balanced distribution among promoters, FIIs, DIIs, and the public, indicating diversified ownership. This structure supports market confidence and stability, with a significant promoter stake ensuring aligned interests with shareholders.
Leverage	The company maintains a low debt-to-equity ratio, reflecting prudent financial management and low leverage risk. The market cap and enterprise value indicate strong market presence, while cash equivalents suggest adequate liquidity for operational needs and strategic investments.

Analyst viewpoint: Pricol Limited demonstrates a promising short to mid-term potential, driven by strategic foresight and robust execution. The company's quarter-over-quarter metrics reveal strategic adjustments are necessary as recent quarters showed a decline in both sales and PAT; however, the year-over-year improvement indicates resilience and effective business strategies in place. The acquisition of a strategic asset in the plastics sector, at a value accretive EBITDA multiple, stands as a testament to the company's vision of evolving into a full-service supplier, thereby expanding its market footprint. This acquisition is expected to notably enhance revenue trajectories towards the targeted 1700 crore mark, amplifying the company's growth silhouette. Moreover, Pricol's dominance in the two-wheeler TFT cluster segment further accentuates its market leadership, with growth expected from the anticipated upsurge in demand for its disc brake offerings and new product launches.

Valuation metrics suggest a well-balanced growth potential with a trailing P/E of 34.9 and a low PEG ratio, showcasing Pricol as an attractive investment opportunity in the auto components sector. The company's strategic capital allocation and low debt-to-equity ratio highlight its financial prudence and effective use of resources, ensuring internal efficiencies and optimizing shareholder value. While the blossoming growth outlook and market expansion are evident, it's important to note the export market challenges due to lower OEM production, which may require attention to bolster international volumes. Overall, Pricol's strategies in diversification and efficiency not only underpin its growth but also fortify its market standing, making it a compelling prospect for investors looking for robust returns.

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Investment Rating	Expected Return (over 12-month)
BUY	>=15%
SELL	<-10%
NEUTRAL	>-10% to 15%
UNDER REVIEW	Rating may undergo a change
NOT RATED	We have forward looking estimates for the stock but we refrain from assigning recommendation

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