

Price: 509

Recommendation: Buy

Industry: Auto Components

Sector: Consumer Discretionary

Report Date: 08-Feb-2025

Pricol Limited, founded in 1975 and headquartered in Coimbatore, India, manufactures and sells instrument clusters and automobile components globally. It offers driver information solutions, connected vehicle solutions, sensors, and battery management systems. The company serves two-wheelers, three-wheelers, four-wheelers, commercial vehicles, tractors, and off-road vehicles. Pricol is expanding its product portfolio and market presence, focusing on technology and innovation for future growth.

Sales		Profit & Loss		Profitability Matrix	
Current Year	2507 Cr	Operating Profit(Year)	307 Cr	Operating Profit Margin	12.2 %
Previous Year	1959 Cr	Operating Profit(Quarter)	75.1 Cr	EBITDA Margin	11.69 %
Current Quarter	634 Cr	PAT (Year)	146 Cr	Net Profit Margin	6.41 %
Previous Quarter	669 Cr	PAT (Quarter)	41.4 Cr	EPS	14.2
Revenue (QYoY)	573 Cr				
Valuation Matrix		Growth(YoY)		Growth(QoQ)	
Trailing P/E	35.8	Sales Growth	13.4 %	Sales Growth	-5.23 %
PEG Ratio	1.54	PAT Growth	24.79 %	Sales Growth QYoY	10.65 %
EV/EBITDA	19.0	EPS Growth	12.75 %	PAT Growth	-8.2 %
P/B	6.62	Dividend Yield	0.00	PAT Growth QYoY	21.76 %
Capital Allocation		Holdings		Leverage	
RoE	18.8 %	Promoter	38.5 %	Debt/Equity	0.05
RoA	10.6 %	FII	15.9 %	Debt	49.7 Cr
RoCE	24.5 %	DII	16.4 %	Market Cap	6209 Cr
RoIC	17.8 %	Public	29.2 %	Enterprise value	6159 Cr
		No of Shares	12.2 Cr	Cash Equivalents	100.0 Cr

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 driving growth and diversification. The company is focusing on expanding its product portfolio and market presence through both organic and inorganic means. A key highlight is the acquisition of a company in the plastics sector, which is expected to transition from a component supplier to a full-service supplier (FSS) of engineered products. This acquisition is anticipated to double the business to approximately 1700 crores over the next three years. The company is also working on new product introductions and enhancing its product mix to achieve a growth rate of 13-15% in the near term.

Pricol is actively addressing supply chain challenges, with 50% mitigation already achieved and full normalization expected by the first quarter of FY'26. The company is also focusing on operational efficiencies and cost reduction initiatives, which have contributed to a decrease in other expenses by 6% in the recent quarter. The company maintains a strong market position in the driver information system space, holding a significant market share in two-wheelers and commercial vehicles. Pricol's competitive advantage lies in its combination of quality, cost, delivery, service, and technology, supported by a robust R&D team.

Looking ahead, Pricol is optimistic about its growth prospects, particularly in the electric vehicle (EV) segment and the development of battery management systems (BMS). The company is testing its BMS with key OEMs and expects to start business in the second half of the year, with full-year sales anticipated next year. The company is also exploring opportunities to increase its market share in the TFT cluster segment, which is expected to see significant growth as more vehicles adopt this technology. Pricol's focus on technology and innovation positions it well for future growth and scaling.

While the company is on a positive trajectory, there are areas for improvement. The subdued export market remains a concern, and the company is exploring ways to enhance its export revenue. Additionally, the integration of the newly acquired business and the realization of expected synergies will be crucial for achieving the projected growth targets. Pricol's ability to maintain its competitive edge and adapt to market changes will be key to its long-term success. Overall, the company's strategic initiatives and focus on innovation 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.	97150.13	25.65	11.80%	-3.66%	18.48%	-11.51%	218.76%
Bosch	82715.36	40.88	15.97%	1.62%	6.19%	-1.39%	4.33%
Pricol Ltd	6209.25	35.77	18.79%	-5.24%	10.69%	-8.03%	21.84%
Uno Minda	60445.10	64.21	18.89%	-1.43%	18.77%	-2.79%	20.21%
Sona BLW Precis.	32926.18	55.19	20.91%	-5.89%	11.01%	2.06%	16.75%

Aspect	Commentary
Revenue	The company experienced a notable increase in annual revenue, indicating strong market demand and effective sales strategies. However, the quarterly decline suggests potential seasonal fluctuations or market challenges that need addressing to sustain growth momentum.
Profit & Loss	Annual operating profit and PAT growth reflect efficient cost management and revenue generation. Quarterly figures show a slight dip, highlighting the need for consistent performance across periods to maintain investor confidence.
Profitability Matrix	The company maintains healthy profitability margins, with a strong operating profit margin and EBITDA margin. This indicates effective cost control and pricing strategies, supporting sustainable financial health and shareholder value.
Valuation Matrix	The valuation metrics suggest the company is trading at a premium, with a high P/E ratio and EV/EBITDA. This reflects market optimism about future growth prospects, but also implies expectations for continued strong performance.
Growth (YoY)	Year-over-year growth in sales and PAT underscores the company's robust expansion and market penetration. The positive EPS growth further enhances investor appeal, indicating effective earnings management and potential for future dividends.
Growth (QoQ)	Quarter-over-quarter growth shows a mixed picture, with a decline in sales and PAT. This suggests potential short-term challenges or market volatility, necessitating strategic adjustments to stabilize and enhance quarterly performance.
Capital Allocation	The company demonstrates strong capital efficiency, with impressive RoE, RoA, and RoCE figures. This indicates effective use of capital to generate returns, supporting long-term growth and shareholder value creation.
Holdings	The diverse shareholder base, with significant promoter and institutional holdings, reflects confidence in the company's governance and growth strategy. This balanced ownership structure supports stability and potential for strategic partnerships.
Leverage	The low debt-to-equity ratio and manageable debt levels highlight the company's prudent financial management. This positions the company well to leverage growth opportunities without overextending its financial commitments.

Analyst viewpoint: Pricol Limited is well-positioned for short to mid-term growth, reflecting its strategic initiatives and robust market presence. The company's QYoY sales growth of 10.65% and PAT growth of 21.76% indicate a solid upward trend, driven by effective cost management and revenue strategies despite slight QoQ declines. Pricol's recent acquisition in the plastics sector and focus on expanding both organic and inorganic growth avenues signal a promising path toward doubling its business size over the next three years. With a strong hold in the automotive component sector and a leading position in driver information systems, Pricol's capital allocation remains commendable with an RoCE of 24.5%. The company's low debt-to-equity ratio highlights prudent financial management, allowing it to leverage future growth opportunities effectively. Furthermore, its dynamic R&D; initiatives in the electric vehicle segment are expected to catalyze significant advancements.

The holding structure with substantial promoter and institutional presence denotes a firm belief in its governance and growth strategy. Despite a relatively high P/E ratio of 35.8 reflecting market optimism, Pricol's strategic emphasis on technology and innovation positions it competitively against peers like Bosch and Uno Minda. However, the company should not overlook the subdued export market, which remains an area for potential growth and could pose as a minor headwind in its otherwise bright forecast.

Please read detailed disclosure on next page.

Explanation of Investment Rating*	
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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Research Analyst Details:

Name: Robin Arya

Email: research@goalfi.app

Contact: +91-9394306085

GOALZEN CAPITAL SERVICES PRIVATE LIMITED

CIN: U66190TS2023PTC176030

Address: Co ikeva Office 10, Level 3, NSL Centrum, Serene Estate Pvt Ltd, Site No. Phase I and II, Opp KPHB Colony Lane Opp. Forum Mall Kukatpally, HYDERABAD, TELANGANA, 500072

Support Telephone: +91 9063309052, Support Email – support@goalfi.app

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