

Price: 449

Recommendation: Buy

Industry: Auto Components

Sector: Consumer Discretionary

Report Date: 22-Mar-2025

Pricol Limited is advancing its growth through strategic initiatives, including acquiring a plastics company to become a full-service supplier, aiming to double its business to 1700 crores in three years. The company is enhancing its product offerings, focusing on E-Cockpit systems and the EV segment. Pricol projects a 13-15% growth rate, addressing supply chain issues, and improving operational efficiencies while navigating competitive challenges in the plastics industry.

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	34.6	Sales Growth	13.5 %	Sales Growth	-5.12 %
PEG Ratio	0.30	PAT Growth	20.95 %	Sales Growth QYoY	10.72 %
EV/EBITDA	18.3	EPS Growth	21.5 %	PAT Growth	-16.24 %
P/B	6.20	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	5471 Cr
RoIC	17.9 %	Public	29.2 %	Enterprise value	5522 Cr
		No of Shares	12.2 Cr	Cash Equivalents	2.35 Cr

source : Company filings

Company's Overview Based on Recent Concall and Performance:

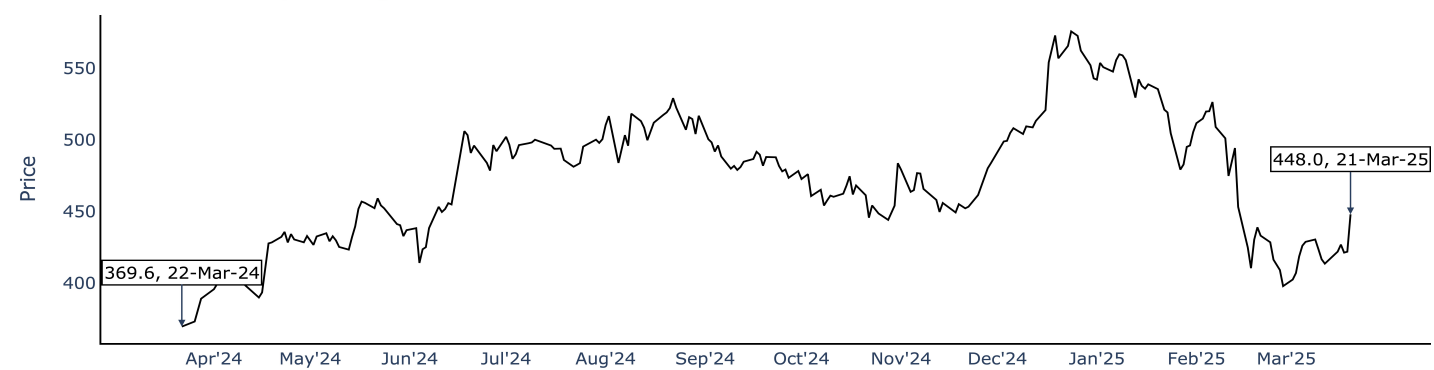
In the recent conference call, Pricol Limited outlined several strategic initiatives and business strategies aimed at enhancing growth and diversification. The company is focusing on expanding its product offerings and market reach through both organic and inorganic means. A significant move is the acquisition of a company in the plastics sector, which is expected to transition from a component supplier to a full-service supplier (FSS) of engineered plastic products. This acquisition is anticipated to double the business to approximately 1700 crores over the next three years. The company is also leveraging its expertise in plastics to reduce the time to market for new products, aiming for a 12-14 month timeline compared to the current 30-36 months. This strategic acquisition is expected to be value accretive, with an EBITDA multiple of 3.5 times, enhancing shareholder value.

The company is also focusing on technological advancements and product diversification. Pricol is actively working on the commercialization of E-Cockpit and infotainment systems, which are currently under testing with key customers. The company expects significant revenue contributions from these segments starting from the next financial year. Additionally, Pricol is maintaining a strong market position in the two-wheeler TFT cluster segment, holding a 75-80% market share. The company is also exploring opportunities in the electric vehicle (EV) segment, with the EV contribution to sales expected to increase as the market evolves. The battery management system (BMS) is under development and testing, with sales anticipated to commence in the latter half of the year.

Looking ahead, Pricol is optimistic about its growth prospects, projecting a 13-15% growth rate over the next few quarters. The company is addressing supply chain issues, with 50% mitigation already achieved and full normalization expected by the first quarter of FY'26. However, export markets are expected to remain subdued for the next 8-12 months. The company is also focusing on improving operational efficiencies and cost reductions, which have already resulted in a 6% reduction in other expenses this quarter. Pricol's CAPEX plans are set to be more conservative, with maintenance CAPEX projected at 100-120 crores annually, unless further acquisitions are pursued.

While the company is well-positioned for growth, there are areas for improvement. The integration of the newly acquired business poses challenges, particularly in maintaining customer relationships and achieving the projected growth targets. The company must also navigate the competitive landscape, with major competitors in the plastics industry such as Baroque, Motherson, and Tata Plastics. Pricol's ability to differentiate itself through quality, cost, delivery, service, and technology will be crucial in sustaining its market share and achieving its strategic objectives. Additionally, the company must continue to focus on enhancing its margins, particularly in the newly acquired business, through efficiency improvements and machinery upgrades.

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.	92414.70	22.41	11.80%	-0.52%	7.89%	-0.13%	61.97%
Bosch	80907.69	39.99	15.97%	1.62%	6.19%	-1.39%	4.33%
Uno Minda	55929.30	59.41	18.89%	-1.43%	18.77%	-2.79%	20.21%
Pricol Ltd	5471.26	34.64	17.13%	-5.10%	10.79%	-16.11%	15.05%
Sona BLW Precis.	31667.21	53.08	20.91%	-5.89%	11.01%	2.06%	16.75%

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 have increased year-over-year, demonstrating improved operational efficiency and cost management. However, quarterly figures show a decline, indicating potential short-term challenges. Overall, profitability remains strong, supporting future growth prospects.
Profitability Matrix	The company maintains healthy profitability margins, with an operating profit margin of 11.6% and a net profit margin of 5.63%. These figures suggest efficient cost control and pricing strategies, contributing to sustainable financial health and shareholder value.
Valuation Matrix	The valuation metrics indicate a high P/E ratio, suggesting market optimism about future growth. The PEG ratio below 1 implies undervaluation relative to growth potential. EV/EBITDA and P/B ratios reflect a balanced valuation, supporting investment attractiveness.
Growth (YoY)	Year-over-year growth metrics are positive, with significant increases in sales, PAT, and EPS. This indicates successful strategic initiatives and market expansion efforts, positioning the company for continued growth and competitive advantage in its industry.
Growth (QoQ)	Quarterly growth figures show a decline in sales and PAT, highlighting short-term challenges. However, the year-over-year quarterly growth remains positive, suggesting resilience and potential for recovery in upcoming quarters as market conditions stabilize.
Capital Allocation	The company demonstrates effective capital allocation with strong returns on equity, assets, and capital employed. These metrics reflect efficient use of resources and strategic investments, enhancing overall financial performance and shareholder returns.
Holdings	The ownership structure shows a balanced distribution among promoters, FII, DII, and public shareholders. This diversity in holdings can provide stability and support strategic decision-making, while also reflecting confidence from institutional investors.
Leverage	The company maintains a low debt-to-equity ratio, indicating prudent financial management and low financial risk. This conservative leverage position supports financial flexibility and the ability to pursue growth opportunities without significant debt burden.

Analyst viewpoint: Pricol Limited continues to demonstrate promising growth potential, bolstered by strategic initiatives aimed at expanding product offerings and market reach. The company's focus on the commercialization of E-Cockpit and infotainment systems, along with a robust market presence in the two-wheeler TFT cluster segment, highlights its technical prowess and market leadership. Pricol's acquisition in the plastics sector positions it as a full-service supplier, with projections to double its business to 1700 crores over the next three years, projecting an impressive 13-15% growth rate. This, coupled with substantial gains from the electric vehicle segment and strategic capital allocation, notably a low debt-to-equity ratio of 0.06 ensuring financial flexibility, makes Pricol a compelling short-to-mid-term investment.

While the company's strategic acquisitions and product diversification present significant upside, the integration of newly acquired entities poses certain risks in maintaining customer relations and achieving projected growth targets. Additionally, navigating the competitive landscape with established players like Motherson and Tata Plastics remains challenging. Despite these hurdles, Pricol's commitment to operational efficiency and market expansion reflects a resilient growth trajectory, albeit cautiously optimistic in scrutinizing export market dynamics for sustainability.

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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