

PRICOL LIMITED**'Instrumental' in Screenification****LKP**
Since 1948**Trust • Invest • Grow**

Pricol has emerged as a reputed global brand in the automotive instruments and products business in the last four decades with rich legacy. It offers customer-centric, feature-driven, and interface-rich instrument cluster that have become paramount for OEMs and customers. Digitization and premiumization are transforming this space as digital and TFT clusters replace mechanical ones in coming years. Being the domestic market leader (50%/70%/90% share in 2W/CV/off-highway), it is best placed to capture growth. It has successfully diversified its ACFMS business, with product launches (disc brakes and electric coolant pumps) driving sales growth. It is entering into the highly profitable e-cockpit and heads-up display business. Its eight domestic manufacturing plants cover all major auto clusters along with one plant in growing market like Indonesia. Led by a strong management team and robust corporate governance, it can successfully turnaround the recently acquired Sundaram Auto Components. We initiate coverage with a BUY rating and TP of ₹600, attaining an upside of 30%.

Prime beneficiary of the premiumization and digitization trend to augur well for Pricol

The instrument cluster business has evolved over the last decade keeping pace with rising digitization and smart screens. The industry has moved to LCD and digital clusters from mechanical ones driven by BS-VI norms, which came into effect from April 2020. Premiumization has continued, especially in the EVs, as upcoming models pivot towards TFT clusters over digital ones. The market share of TFT clusters is expected to rise from 8–10% at present to ~30% in mid-term as mechanical cluster is replaced with new Digital and TFT cluster in new models. This will lead to higher ASP of ~8-9% as content per vehicle (CPV) for a LCD/digital and TFT cluster is 3–4x/10–15x greater than a mechanical one. Pricol, being the domestic leader in the instrument cluster business, is best placed to capture the premiumization trend. Its in-house design centre enables customization of the instrument cluster. Its long-standing relationships with OEMs and market leadership give us confidence in its ability to outperform the market.

SACL business turnaround to be a key trigger for growth

In December 2024, Pricol acquired the plastic injection module business of Sundaram Auto components (SACL) at a valuation of 3.2x EV/EBITDA. The newly acquired business is EPS accretive and will be classified as Pricol Precision. Though SACL business has underperformed historically, we expect a turnaround as it can now sell to other 2W players (it was previously restricted from doing so while being part of the TVS group). We believe that company's performance shall improve under new focussed management.

Key Financials	FY23	FY24	FY25	FY26E	FY27E
Total Income (₹ mn)	19,586	22,718	26,919	37,195	41,937
EBITDA (₹ mn)	2,285	2,731	3,129	4,375	5,192
EBITDA Margins (%)	11.7	12.0	11.6	11.8	12.4
EPS (₹)	9.4	11.5	13.7	20.2	24.3
P/E (x)	48.3	39.4	33.2	22.5	18.7
P/BV (x)	7.9	6.6	5.5	4.4	3.6
EV/EBITDA (x)	24.3	20.1	17.8	12.8	10.3
RoE (%)	17.9	18.1	17.9	21.6	21.0
RoCE (%)	19.2	23.2	22.6	25.4	27.0

BUY

Current Market Price (₹)	460
12M Price Target (₹)	600
Potential Return (%)	30

Stock Data

Sector	:	Auto Components
Face Value (₹)	:	1
Total MCap (₹ bn)	:	56
Free Float MCap (₹ bn)	:	34
52-Week High / Low (₹)	:	599 / 382
BSE Code / NSE Symbol	:	540293 / PRICOLLTD
Bloomberg	:	PRICOL:IN
Sensex / Nifty	:	82,259 / 25,111

Shareholding Pattern

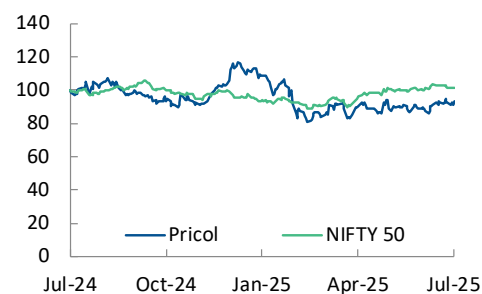
(%)	Mar-25	Dec-24	Oct-24	Jun-24
Promoter	38.51	38.51	38.51	38.51
MF's	11.23	11.39	9.70	9.81
AIF's	1.39	2.01	2.43	2.77
FPIs	16.26	15.88	15.74	15.01
Insurance	3.04	2.99	3.57	3.87
Others	29.57	29.22	30.05	30.03

Source: BSE

Price Performance

(%)	1M	3M	6M	12M
Pricol	3.7	3.1	-14.7	-7.0
Nifty 50	1.0	5.3	8.2	1.3

* To date / current date : July 17, 2025

Pricol vs Nifty 50

New product launches to accelerate growth

The company is launching new advanced integrated solutions like advanced telematics, e-cockpit, and heads-up display which will enhance the average realization for the group. Disc brake, which was launched last year, will be ramped in FY26. Pricol has also showcased its e-cockpit products and has got good traction for the product. Additionally, it has also addressed its product portfolio with the launch of electric coolant pumps, electric oil pumps, disc brakes, and battery management systems which are EV ready.

Post short term hurdles, we see strong sales growth in FY26/27E

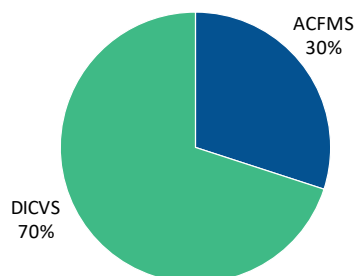
After a 7.7% growth in 2W sales in FY25, the 2W segment is expected to clock 8-10% growth in FY26. On the back of tax reliefs and interest rate cuts and increase the disposable income, we forecast Pricol to outperform the market by 8-10% in mid-term, in line with historical trend. Overall, we believe in company's mid to long term vision and forecast Sales/EBITDA/PAT CAGR of 25%/29%/33% over FY25–27E, driven by: i) greater premiumization, ii) turnaround of SACL business, and iii) product launches.

Company profile

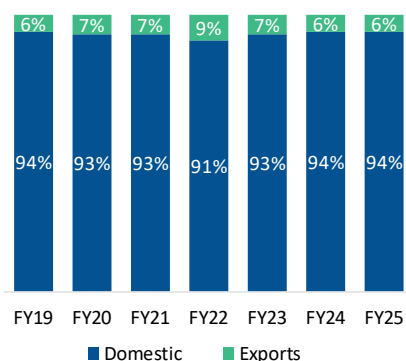
Pricol is an automotive supplier specialising in two segments: i) DICVS (driver information and connected vehicle solutions) and ii) ACFMS (actuation, control and fluid management systems). DICVS segment includes four main product lines: i) driver Information system (DIS), ii) connected vehicle solution (CVS), iii) sensors, and iv) battery management system. Pricol is the market leader in the DIS business, commanding 50%/70% market share in the 2W/CV segment. DIS includes various instrument clusters like LCD, TFT, and a hybrid display which provides real-time data to drivers and customers about speed, oil, RPM, temperature, etc. ACFMS segment includes two main product lines — Actuation Control system (ACS) and Fluid Management Systems (FMS). ACS helps to control the dynamics of the vehicle through products like cabin tilting system, wiping system, and disk brakes. FMS helps in maintaining supply of fluids to different systems at a defined pressure. The products include fuel pumps, oil pumps, water pumps, electric oil pumps, and electric coolant. Most products cater to ICE and hybrid vehicles, but product launches like electric oil pumps, water pumps, and electric coolant also cater to EVs. Region-wise lion's share of its sales accrues from the domestic market as the contribution of exports is ~6%. The management previously had said that they want to raise its share of exports to ~20% in the long run. However, given the ongoing geopolitical tensions and trade wars, it is not looking to drive exports. DISCV segment contributes 70%, while 2W/3W contributes 60% of total revenues.

Revenue Breakup

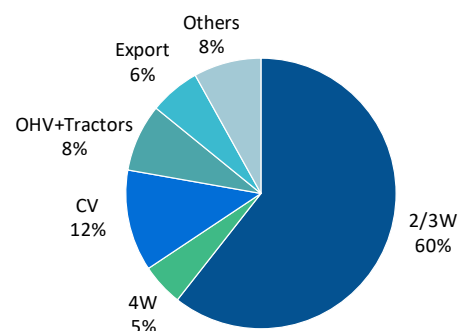
By Product



By region



By end vertical



Source: Company, LKP Research

Key Managerial Personnel

Name and designation	Description
 Mrs. Vanitha Mohan Chairman	She has around four decades of industry experience, with more than 30 years at PRICOL itself. She heads the internal audit function as well as corporate social responsibility activities. Mrs. Mohan serves as Director for Sagittarius Investments Pvt and Shrimay Enterprises Pvt. She completed her post-graduate diploma in business management from the University of Strathclyde, Glasgow, UK.
 Mr. Vikram Mohan Managing Director	With ~30 years of experience, Mr. Mohan heads strategy, finance, customer relationship management, and public relations at PRICOL. Besides being the Managing Director of PRICOL, he holds directorship in Pricol Holdings Pvt, Pricol Engineering Industries Pvt, PPL Enterprises Pvt, Pricol Travel Pvt, Pricol Gourmet Pvt, Pricol Precision Products Pvt, Pricol Asia Pte and Pricol Asia Exim DMCC. He has completed his production engineering with honours from PSG College of Technology, Coimbatore. Apart from PRICOL, he is the founder of the Entrepreneurs Organisation (EO) Chapter in Coimbatore and a member of EO South Asia, while also actively involved in the Confederation of Indian Industries (CII) and the Automotive Components Manufacturers Association (ACMA).
 Mr. P. M. Ganesh CEO & Executive Director	He too has ~30 years of industry experience. As CEO and Executive Director of PRICOL, he is responsible for overall operations and managing the organisational structure. He started working at PRICOL in 2013 as CMO. He has a bachelor's degree in engineering from Coimbatore Institute of Technology and an MBA (gold medallist) from Bharathiar University.
 Mr. Siddharth Manoharan Director - Strategy	Mr. Manoharan was promoted to director strategy role in FY22. Under his leadership, PRICOL has shifted more towards collaborative and partnership approach to bring in new products.
 Mr. Priyadarsi Bastia Chief Financial Officer	Mr. Priyadarsi Bastia is finance professional with more than 16 years of experience in forex, treasury, M&A, and management accounting, especially in auto industry. He has an excellent track record of building and scaling up the financial planning function while delivering the required return. His expertise lies in strategic planning and implementation, investment evaluation, process controls and improvements, and corporate finance. He has served as CFO of PRICOL for the last three years. Before PRICOL, he has worked at Shanthi Gears and Tube Investments of India.

Source: Company, LKP ResearchB

MAJOR CUSTOMERS

TWO/ THREE WHEELERS



PASSENGER VEHICLES



COMMERCIAL VEHICLES



TRACTORS



OFF ROAD VEHICLE



INDUSTRIAL



NEW AGE EV CUSTOMERS



Source: Company, LKP Research

PRODUCT VERTICALS

Driver Information and Connected Vehicle Solutions

Connected Vehicle Solutions



E-Cockpit

TFT Clusters

Instrument Cluster



Heads Up Display (HUD)

Telematics (End-to-End Solution with Cloud & Cyber Security)



Sensors

Reed Type Fuel Level Sensor

TFR Type Fuel Level Sensor

Battery Management System (BMS)



Low



Mid



High

Actuation, Control and Fluid Management Systems

Fuel Pump Module



Disc Brake



Oil Pumps



Variable Displacement Oil Pumps



Water Pumps



Electrical Coolant Pumps



Electrical Oil Pump



Cabin Tilting System



E-Purge Valve



Fuel Feed Pump



Source: Company, LKP Research

RECENT PRODUCT LAUNCHES

2W Recent Next – Gen DIS Launch


 Honda
 (QC1) EV

 Honda
 (Shine 125)

 BAJAJ
 (Chetak) EV

 BAJAJ
 (Pulsar NS400)

 HMCL
 (Mavrick 440)

 HMCL
 (VIDA – 7" TFT) EV

 TVS
 (iQube – 7" TFT) EV

 TVS
 (Apache 310 RTR – 5" TFT)

PV Recent Launch


 TATA Motors
 (Nexon)

 Force Motors
 (Gurkha)

 TATA Motors
 (Nexon and Tigor) EV

 TATA Motors
 (Punch)

 TATA Motors
 (Nexon)

 TATA Motors
 (Punch – Nova) EV

CV Recent Launch


 Force Motors
 (Urbania)

 Switch Mobility
 (eV3/4 Series) EV

 TATA Motors
 (12 & 24V – ERGO)

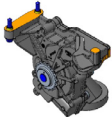
 Ashok Leyland Limited
 (New Generation CVs)

 TATA Motors
 (TATA Ace) EV

 DAIMLER
 (PRIME Model)

Pumps and Mechanical Products – Recent Launches

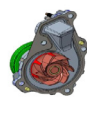
Variable Displacement – Vane Type Oil Pump


 Stellantis
 C5 AirCross – PV

Oil Pump


 Stellantis
 C3 AirCross – PV

Water Pump


 Stellantis
 C3 AirCross – PV

Fuel Pumps


 TVS
 (Jupiter, Pep+)

 HMCL
 (Passion Pro, Glamour, Extreme)

Electronic Purge Valve


 HMCL
 (All BSVI Motorcycles & Scooters)

Export Recent Launch


 Stellantis
 (Ami) EV

 NEW HOLLAND
 (Instrument Cluster)

 JCB
 (Warning Cluster)

 JCB
 (7" TFT Instrument Cluster)

Water Pumps


 CAT
 LPSD

 Harley Davidson
 LaMotta

 BMW
 K67 Water/ Oil pump

Oil Pumps


 Harley Davidson
 LaMotta

 Ducati
 Panigale

Source: Company, LKP Research

Investment Thesis

Premiumization theme in 2Ws to augur well for Pricol

Instrument cluster is part of the driver information system (DIS) and acts as an interface between the vehicle and driver. It provides important details like speed, engine RPM, fuel level, and engine temperature. Over the last decade, its usability has increased. It now provides navigation assist, mobile phone integration, Bluetooth connectivity and other warning indicators. BS-VI emission norms, which came into effect from April 2020, required on-board diagnostics in the instrument cluster to monitor real-time emission and malfunction detection in vehicles. BS-VI regulation expedited change to digital instrument clusters from mechanical and analogue ones.

Premiumization continued in the last few years with customers looking for added features like navigation, Bluetooth connectivity and other smart functions like OTA connectivity and customizable themes. New generation models, especially in EVs, are switching to TFT (Thin Film Transistors) clusters. TFT clusters is a new technology and provides better image quality, faster real-time data, and greater precision as compared to an LCD cluster. A TFT cluster also offers customized themes and OTA updates which were not possible in case of an LCD cluster.

ASPs to be driven by TFT clusters over next 2-3 years

Pricol was successful in changing and upgrading its product portfolio as the industry shifted towards greater premiumization. Content per vehicle has been growing with 2W kit value rising 2x over the last four years. As per industry feedback, price of an LCD/TFT cluster is 3–4x/10–15x higher than analogue clusters. The management expects average product value to more than double over the next two-to-three years, thus driving 8–9% growth in ASP. As the industry moves towards TFT cluster, growth will accrue from TFT cluster while mechanical clusters decline. Pricol guides a FY28E TFT/digital/mechanical market share of 20%/80%/nil from the current 5%/75%/20%. ASP shall increase 60% to ₹2,500 from blended average of ₹1,250. We expect this trend to continue despite a few new entrants. Though some pure-play EV players having opted for in-house production of TFT, we believe pure play EV OEMs will also look to outsource the production as the competitive intensity in EV space increases and OEMs turn their focus on cost reduction. A TFT cluster requires writing software codes which increases fixed cost and hence OEMs will be reluctant to keep the technology in house.

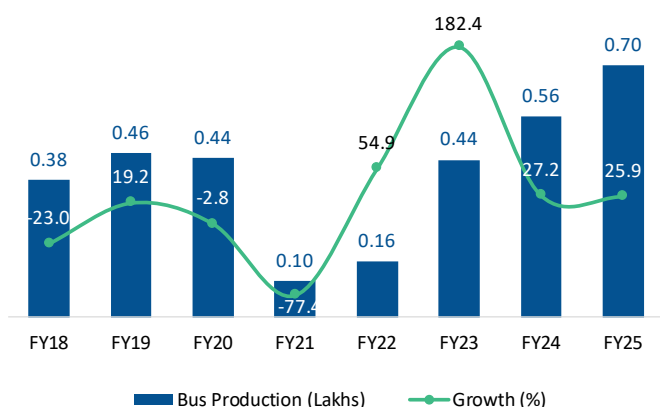
2W segment to drive sales to a good extent

We have seen a decent rebound in domestic 2W demand over the last couple of years, with 13% sales CAGR over FY22–25 driven by 18%/11% CAGR in scooter/motorcycle sales. However, this turnaround has faded over the last few months as the general economy has slowed. Exports picked up in FY25. We expect 2W to be the fastest growing segment over the next two years. The recent income tax and RBI rate cuts will boost consumption and disposable income, especially in smaller income household, which will drive sales. Exports are expected to stay strong as highlighted by various OEMs in their recent concalls. We expect local 2W demand to stay robust and forecast 9%/7% sales growth in FY26E/FY27E.

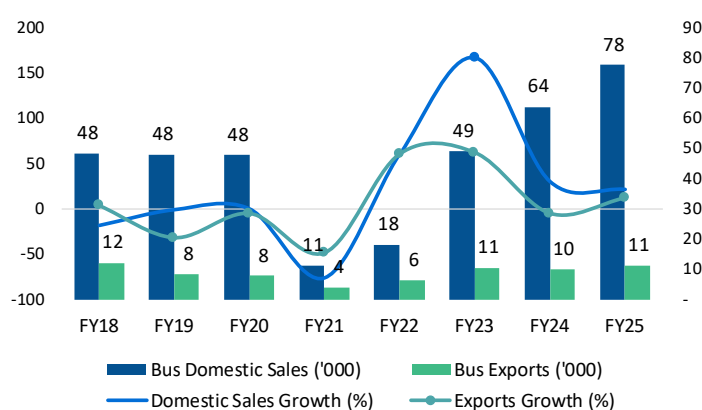
Pricol has consistently outperformed the 2W market in the last few years. We expect this trend to continue in the near to mid-term. We forecast 8–10% outperformance given i) its leadership in 2W DIS (~50% market share), ii) greater technological requirements for DIS (OEMs switching to TFT/LCD from LCD/analogue), and iii) its products cater to flagship models. Our forecast is slightly lower than its historical average of ~10% as some new EV players are using in house made Instrument cluster.

Rebound in the CV segment in FY26E is anticipated after a weak FY25

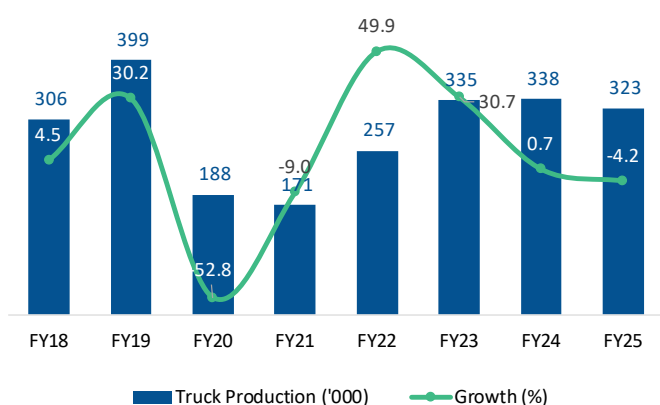
After a strong production growth in FY22 (50% growth) and FY23 (40% growth) post the COVID-19 pandemic, CV output fell by lower single digit growth FY25 on account of a broader economic slowdown and a relatively higher base effect in the last two years. While the YoY decline has continued over the last few months, we are now seeing a sequential growth in M&HCV volumes. We expect M&HCV production volumes to grow by 5%/6% in FY26E/FY27E. The growth will primarily be driven by i) higher buses sales and robust export demand in M&HCV segment.

Bus Production v/s Growth


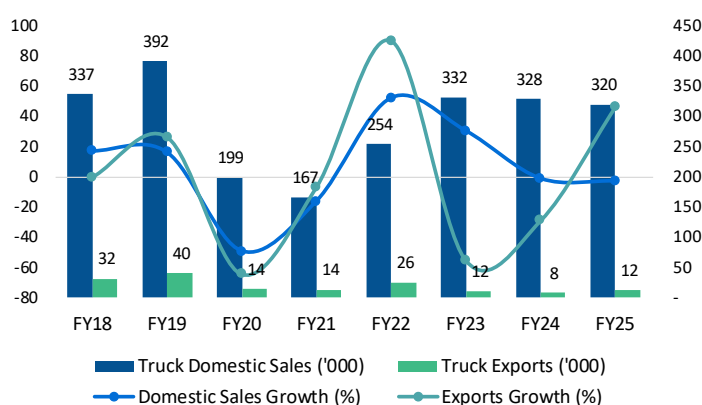
Source: Company, LKP Research

Bus Sales v/s Growth


Source: Company, LKP Research

Truck Production v/s Growth


Source: Company, LKP Research

Truck Sales v/s Growth


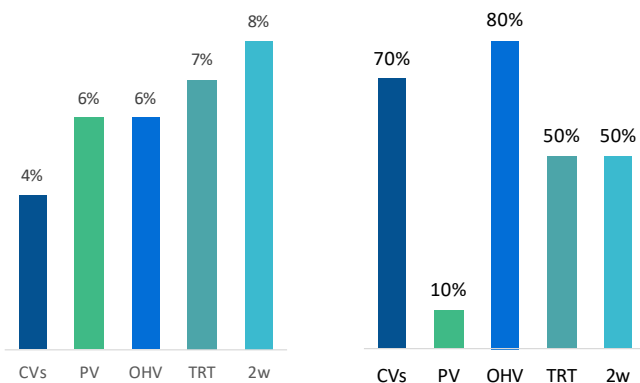
Source: Company, LKP Research

Tractors and Off the Highway segments look promising

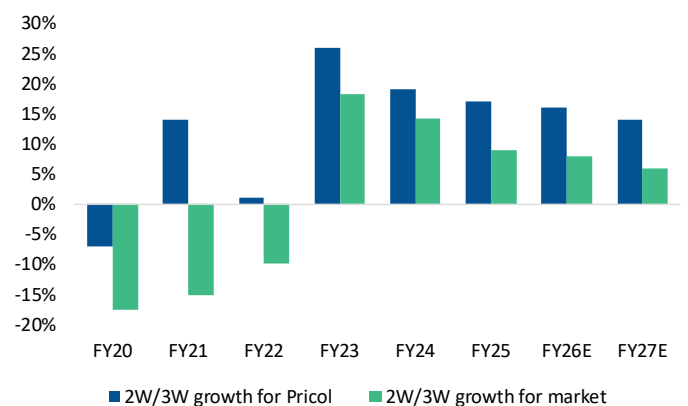
After a relatively weak FY24 (a YoY fall of 8.3%) and broadly flat sales (up 0.6%) in H1FY25, domestic tractor sales have recovered well in FY25 reporting a growth of 7%. Organically, the recovery is partially driven by healthy crop production and a lower base effect of last year. There was also some pre-buying in Q4FY25 before the new Stage V emission norms came into effect from April. We expect growth of ~6%/8% in FY26E/FY27E. We expect production to be slightly higher (7.5%/8.0%) in FY26E/FY27E as pre-buying in Q4FY25 has lowered inventory levels. We are seeing greater demand of higher power trucks in the last few years. Pricol, being the market leader in tractors (50% market share), will benefit from this trend as higher-powered tractors are generally fitted with modern instrument clusters.

EV proliferation shall boost TFT

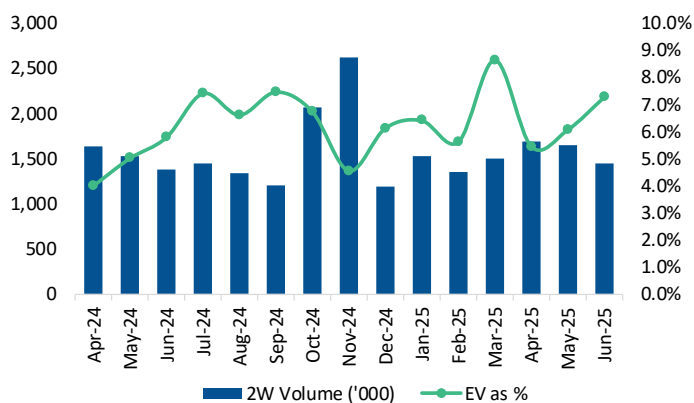
Electric 2W sales have consistently grown over the last three years, with EV penetration ~6%. EV penetration is set to increase as OEMs launch affordable and higher range models. Pricol has a good presence with Bajaj Auto and TVS Motor Company, the top two biggest players EV players overtaking Ola Electric Mobility during the last 2-3 quarters. Higher EV sales pave the path for growth of the TFT cluster. All new EV model launches use a TFT cluster, and this trend is expected to continue.

FY25-27E CAGR, Market Growth Pricol's market share in DIS

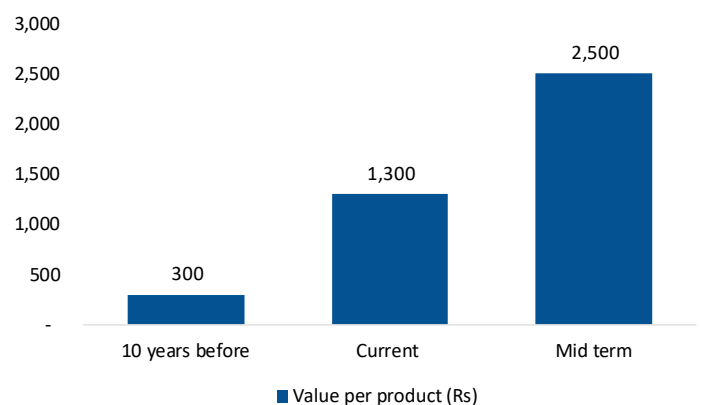
Source: Company, LKP Research

Pricol consistently outperformed the 2W market

Source: Company, LKP Research

Rising EV sales to boost penetration

Source: Company, LKP Research

Content Value (Rs)

Source: Company, LKP Research

Exposure to higher sales models bodes well for mid-term growth Pricol's TFT cluster finds use in some flagship and popular models of TVS Motor Company, Bajaj Auto, and Hero MotoCorp. Its instrument cluster was used in the recently launched Bajaj Chetak. Strong demand for these flagship products should drive higher TFT sales in coming years.

Diversified ACFMS segment across powertrains lowers risk

ACFMS is the second segment contributing ~30% to group sales. Its product portfolio includes fuel, oil, and water pumps for non-EVs models and electric oil, electric coolant, e-purge valve for EV models. Pricol is the second largest player in fuel pumps. This module helps deliver precise fuel, at the required pressure, to fuel injectors, and sensors measure the fuel level in the tank. Fuel sensors and the pump module work on fuels and are hence found in ICE and hybrid vehicles. To diversify its product portfolio, it has started delivering these products to CVs and the off-highway vehicle (OHV) segment, where there is minimal threat of electric vehicles. Pricol's long-term relationships in the CV and OHV segment will boost sales of fuel pump modules. It also manufactures electric coolant pumps, electric oil pumps, and e-purge valves which cater to EV products. As EV sales increase, these products will gain traction. An electric oil pump helps to lubricate the engine components while an electronic coolant pump helps in circulating coolant for efficient temperature management. Recently, Pricol launched disc brakes which will be included in the ACFMS vertical. Its product portfolio is 95% powertrain agnostics and can be used on any ICE, hybrid, or electric vehicle.

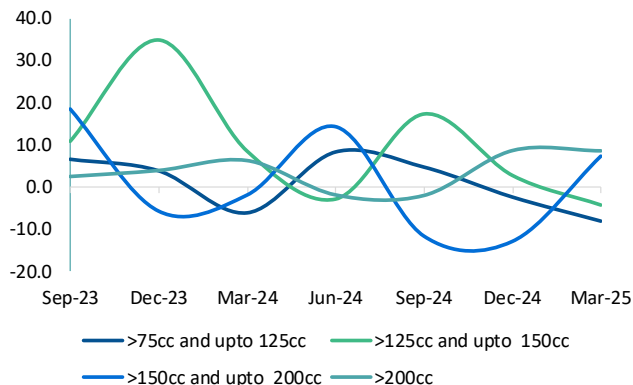
ACFMS segment	EV/non-EV
Fuel pump module	Non-EV
Disk brake	EV
Oil pump	Non-EV
Electrical oil pump	EV
Electric coolant pump	EV
Cabin tilting system	EV
e-purge valve	EV
Fuel feed pump	Non-EV

Source: Company, LKP Research

Disc brakes market – An excellent opportunity!

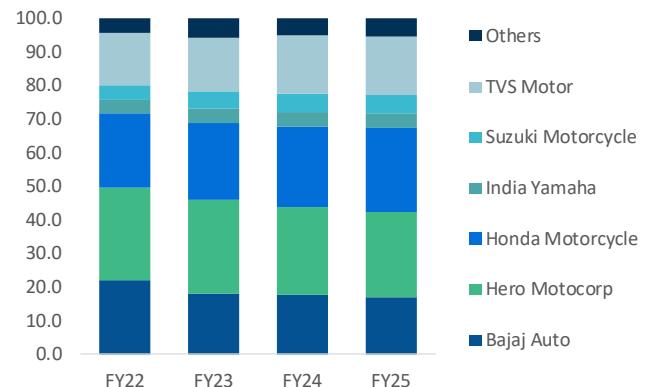
Pricol launched its disc brake products last year and has gained good traction among OEMs with orders from six OEMs. Production on these orders has already started, with management guiding for volume ramp next eight to 12 months. Over the last two years, we have seen an increase premium vehicle (those over 125cc) sale. While there is no regulation on disc brakes for premium motorcycles, OEMs generally use disc/drum brakes on the front/rear wheel. Over the last decade, we have seen an increase in premium vehicle sales as motorcycles, with an engine capacity of 125cc and above, has risen to ~35% in FY25 from ~20% in FY12. Premium vehicles are generally fitted with at least one disc brake while some performance driven motorcycles have both front and rear disc brakes. As the sale of premium vehicles rise, the demand for disc brakes will grow. While there is no regulation in place for disc brakes, the management said discussions are ongoing. Pricol has a brake capacity of ~₹1.2 bn but can potentially reach ~₹3 bn. The management targets 30% market share, but even if secures 5% share, it will result in additional sales of ₹300-400 mn.

2W segment growth (%)



Source: Company, LKP Research

2W market share (%)



Source: Company, LKP Research

New product launches remain a key to growth

Pricol's ability to improve and expand its product portfolio with changing times is one of its key USPs. Some of its important and upcoming products are as follows:

1) Disk brake: Post launch of its disc brake last year, it has received orders from six OEMs. Start of production (SOP) for these orders have begun. The management expects a ramp up in volumes over the next eight to 12 months. It has raised its disc brake capacity to ₹3 bn from ₹1.2 bn. The capacity addition is part of its last three capex plan of ₹6 bn. Disc brake will be part of ACFMS and we expect segmental revenue contribution to rise to 33-34% from 30% in FY24.

2) Smart cockpit: Pricol is in the process of developing and launching e-cockpit which supports various HD displays including infotainment, DIS, navigation and e-mirrors. The products support phone mirroring, on-board navigation, ADAS, 5G telematics, and voice command features which are most demanded and instrumental in premium vehicles. Currently, it is under testing phase and management expects revenue generation to start from FY27 onwards. The e-cockpit will be used in PVs and CVs, with some enquiries coming in from 2W OEMs.

3) Battery management systems (BMS): The company started developing BMS through its partnership with France-based BMS PowerSafe, which manufactures and sells BMS. As part of this partnership, Pricol will licence BMS product and technology from BMS Powersafe and will sell in India. The management expects to start its BMS business from H2FY26, with full scale revenue accruing from FY27. However, it does not expect huge sales from BMS given the stiff competition in this segment. We view this decision to be value additive as BMS will be margin dilutive given the: i) competitive intensity, ii) use of licensing products, and iii) lack of technological knowhow.

4) Fuel pump module: Pricol has developed a new fuel pump module which is used in fuel injection systems. The module supplies fuel from the tank to the injection system and is compliant with BS-VI emission standards. It is expected to enter mass production in FY26.

Recent product launches

Product	OEM	Model name	Launch quarter
2W			
TFT cluster	Hero MotoCorp	Hero Vida V1 Plus and Pro	Q4FY24
TFT cluster	TVS Motor Company	TVS iCube (EV)	Q1FY23
TFT cluster	TVS Motor Company	TVS Apache RTR 310	Q2FY24
Digital	TVS Motor Company	TVS Raider	Q2FY25
Digital	Hero MotoCorp	Hero Xtreme 125R	Q3FY24
Digital	Bajaj Auto	Bajaj Pulsar NS200	Q4FY24
Digital	Bajaj Auto	Bajaj Pulsar NS400	Q1FY25
Digital	Hero MotoCorp	Hero Maverick 440	Q3FY24
PV			
Digital	Tata Motors	Nexon	Q2FY24
Digital	Tata Motors	Tigor EV	Q3FY23
Digital	Tata Motors	Nexon EV	Q3FY24
Digital	Tata Motors	Punch - Nova EV	Q3FY24
Digital	Tata Motors	Punch	Q3FY24
Digital	Force Motors	Gurkha	Q1FY25
CV			
Digital	Switch Mobility Automotive	lwV3/4 Series	Q4FY25
Digital	Tata Motors	Tata ACE EV	Q1FY25
LCD Type - DIS	Force Motors	Urbania	Q3FY23
LCD Type - DIS	Daimler Truck Holding	Prime model	NA
LCD Type - DIS	Tata Motors	12V and 2V ERGO	TBC
LCD Type - DIS	Ashok Leyland	New-gen CVs	NA

Product	OEM	Model name
Pumps and mechanical products		
Oil pump	PSA Group	308 PV
Oil pump	Citroen	C3 AirCross - PV
Water pump	Citroen	C3 AirCross - PV
Fuel pump	TVS	Jupiter, Pep+
Fuel pump	Hero MotoCorp	Passion Pro, Glamour, Extreme
Electronic purge valve	Hero MotoCorp	All BS-VI motorcycles and scooters
Export		
Water pump	CAT	LPSD
Water pump	Harley-Davidson	La Motta
Water pump	BMW	Kr7 water/oil pump
Oil pump	Harley-Davidson	La Motta
Oil pump	Ducati	Panigale

Sundaram Auto acquisition – A strategic fit

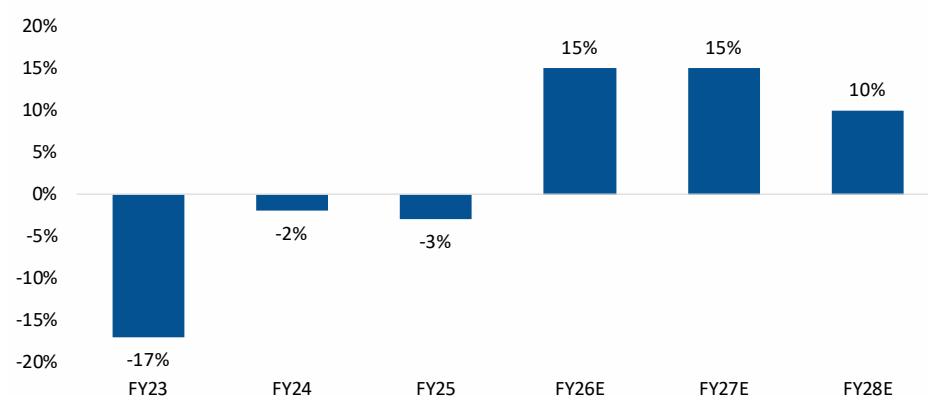
Pricol acquired the plastic injection module business of Sundaram Auto Company Ltd (SACL) from the TVS group in December 2024. Formal approvals were received in February and the new business will be consolidated under Pricol Precision Products, a wholly owned subsidiary. SACL was acquired at a total enterprise value of ₹2.15 bn, implying a FY24 EV/EBITDA of 3.4x. It has a net debt of ₹800 mn, implying an equity value of ₹1.32bn and a FY24 P/E of 6.9x.

SACL manufactures plastic injection modules for vehicles, a commoditised product with limited technological benefits. As it is a commoditised product and with limited technical change between the various companies, sales are driven by relationships. Segment-wise, the 2W business is the biggest (~50%) revenue contributor where company underperformed by 2%/3% in FY24/FY25. The underperformance is because of i) SACL couldn't sell outside the TVS group, and ii) the incremental price difference is limited given the commoditised nature of the product. We expect Pricol to turn around the business in coming years. The entire 2W market will now open up for SACL. We see limited risk of a loss in market share from the TVS group given its good relationship with Pricol. We forecast a gradual increase (2%/3% in FY26/FY27E) in outperformance.

Capacity utilisation is at just ~60%, well below the nominal level of 80% utilization. As the company opens to new 2W OEMs, utilisation will rise, thus driving higher economies of scale. We expect a decent sales growth in FY26/FY27 and also EBITDA margin expansion. Management has targeted doubling of sales in FY28 (from FY24 levels) and EBITDA margin of ~10%.

Besides 2Ws, SACL also caters to PVs (~35%) and CVs (~15%). We see limited turnaround in PVs and expect the business to underperform over FY25–27. SACL's performance has been volatile. It underperformed the PV market by ~26% in FY24, after a 25% outperformance in FY23. With above opportunities, we believe there can be a turnaround in SACL in coming quarters.

2W outperformance



Source: Company, LKP Research

Prudent capital allocation wins investor confidence

Pricol management has shown good agility and swiftness over the past which has been instrumental in improving company returns. It divested five loss-making foreign subsidiaries over last five years including the loss-making subsidiaries of Brazil and Wiping systems. This improved EBITDA margin from 1% in FY19 to 9% in FY20, while RoIC losses reduced. We believe that these challenges have made the management wiser and prudent in their capital allocation policy. This is evident in the track record as subsidiaries sales and PAT has increased by 15%/20% CAGR over last two years.

PT Pricol Surya Indonesia

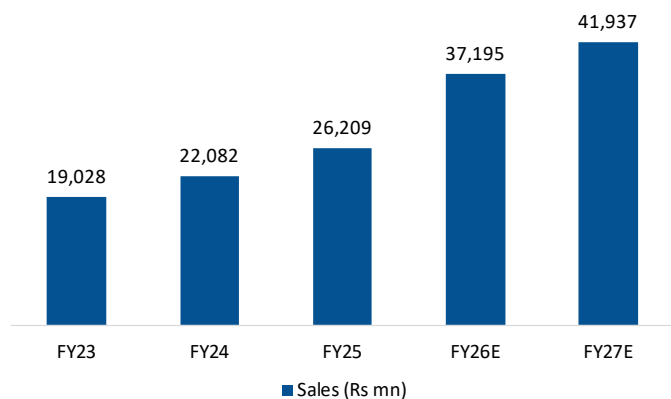
Incorporated in 2007, PT Pricol Surya Indonesia is involved in the manufacture and sale of instrument clusters to 2W OEMs in Indonesia and Thailand. It has manufacturing unit in Jakarta (Indonesia). Sales declined by 43% YoY in FY24 to IDR37.2 mn, with adjusted EBITDA margin contracting to 12.5% in FY24 from 19.7% in FY23. The decline in sales was driven by weak exports, which plummeted by 54% YoY. It closed its wholly owned subsidiary PT Sipri Wiring Systems in May 2023, resulting in a one-time gain of IDR615.8 mn (~₹33lk). One of the key worries is falling sales which have impacted profitability and RoIC of Pricol. RoIC declined to just 6% in FY24 from 26% in FY23. Though part of this fall is due to the winding down of the wiring division, concerns remain especially given its track record with foreign subsidiary.

Pricol Asia Pte

Singapore-based Pricol Asia Pte is the purchasing arm of Pricol. It aids procurement of raw materials and components. The company has two step-down subsidiaries — Pricol Asia Exim DMCC/Pricol Electronics Pvt based in Dubai/India. Reported sales for the group doubled over the last two fiscal to USD69.8mn. EBITDA has also doubled, driven by sales growth, while EBITDA margin is broadly stable.

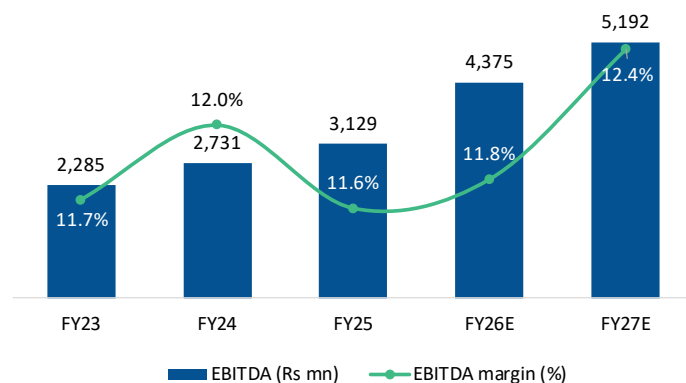
Financial Chart

Sales (₹ mn)



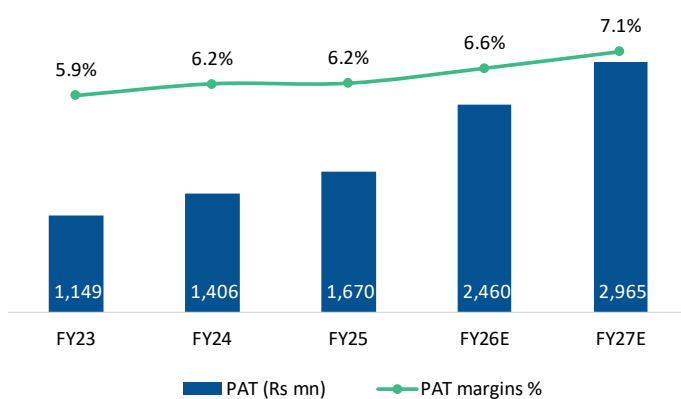
Source: Company, LKP Research

EBITDA (₹ mn) v/s EBITDA margin (%)



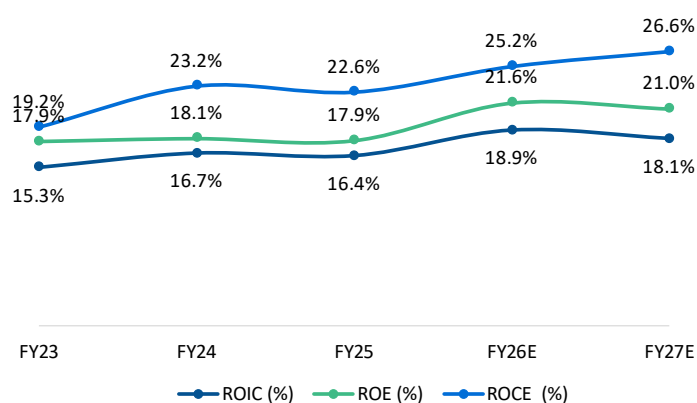
Source: Company, LKP Research

PAT (₹ mn) v/s PAT margin (%)



Source: Company, LKP Research

ROE (%) v/s ROCE (%)



Source: Company, LKP Research

Outlook & Valuation

Pricol has emerged as a reputed global brand in the automotive instruments and products business in the last four decades with rich legacy. It offers customer-centric, feature-driven, and interface-rich instrument cluster that have become paramount for OEMs and customers. Digitization and premiumization are transforming this space as digital and TFT clusters replace mechanical ones in coming years. Being the domestic market leader (50%/70%/90% share in 2W/CV/off-highway), it is best placed to capture growth. It has successfully diversified its ACFMS business, with product launches (disc brakes and electric coolant pumps) driving sales growth. It is entering into the highly profitable e-cockpit and heads-up display business. Its eight domestic manufacturing plants cover all major auto clusters along with one plant in growing market like Indonesia. Led by a strong management team and robust corporate governance, it can successfully turnaround the recently acquired Sundaram Auto Components. We expect company to post revenue/EBITDA/PAT CAGR of 25%/29%/33% over the period between FY25-27E. The stock is currently trading at 18x times FY27E earnings, which looks quite attractive, considering net cash positive balance sheet, >20% return ratios, transformation to multi-product company via expansion into adjacencies like e-cockpit, heads-up displays, telematics, BMS, disc brakes etc, thus leveraging its strength in electronics/software. We therefore initiate coverage on Pricol with a BUY rating and TP of ₹600 (valuing at 24x FY27E earnings), attaining an upside of 30%.

Key Risks

- **Subdued 2W demand**

Pricol has a 2W revenue exposure of ~60%. In case 2W demand is lower-than-expected, it will impact our base case numbers.

- **Slower than expected EV adoption**

The TFT cluster has become one of the key defining features in EV models. Lower than expected EV adoption will impact TFT cluster growth, which may impact our estimates.

- **Failure in turning turn around the SACL business**

Under Pricol's ownership, SACL will be able to supply its plastic injection module business outside the TVS group. This will boost sales and improve capacity utilisation. In the event that Pricol is unable to turn around the business, it will impact sales and profitability.

Income Statement

(₹ mn)	FY24	FY25	FY26E	FY27E
Total Income	22,718	26,919	37,195	41,937
Change (%)	16.0	18.5	38.2	12.8
RM Cost	15,552	18,607	25,924	28,956
Employees Cost	2,626	3,247	4,249	4,746
Other Expenses	1,809	1,936	2,647	3,042
EBITDA	2,731	3,129	4,375	5,192
Margin (%)	12.0	11.6	11.8	12.4
Depreciation	821	898	1,157	1,325
EBIT	1,910	2,231	3,218	3,867
Finance Cost	183	132	211	231
Other Income	132	166	212	239
PBT bef. EO Exp.	1,859	2,266	3,220	3,876
Exceptional Items	0	0	0	0
PBT after EO Exp.	1,859	2,266	3,220	3,876
Total Tax	453	596	760	911
Reported PAT	1,406	1,670	2,460	2,965
Adjusted PAT	1,406	1,670	2,460	2,965
Change (%)	22.3	18.8	47.3	20.5
Margin (%)	6.2	6.2	6.6	7.1

Source: Company, LKP Research

Key Ratios

YE Mar	FY24	FY25	FY26E	FY27E
Per Share				
Adj EPS	11.5	13.7	20.2	24.3
Cash EPS	18.3	21.1	29.7	35.2
BV/Share	69.4	83.4	103.6	127.9
Valuation (x)				
P/E	39.4	33.2	22.5	18.7
P/BV	6.6	5.5	4.4	3.6
EV/Sales	2.4	2.1	1.5	1.3
EV/EBITDA	20.1	17.8	12.8	10.3
Return Ratios (%)				
RoE	18.1	17.9	21.6	21.0
RoCE	23.2	22.6	25.4	27.0
RoIC	16.7	16.4	19.0	18.2
Working Capital Ratios				
Fixed Asset Turnover (x)	5.3	4.6	4.9	4.8
Asset Turnover (x)	1.7	1.6	1.7	1.6
Inventory (Days)	69.5	67.0	66.0	65.0
Debtor (Days)	44.7	51.5	52.0	53.0
Creditor (Days)	71.4	76.5	77.0	78.0
Leverage Ratio (x)				
Current Ratio	1.4	1.3	1.4	1.7
Net Debt/Equity	-0.1	0.0	0.0	-0.1

Source: Company, LKP Research

Balance Sheet

(₹ mn)	FY24	FY25	FY26E	FY27E
Equity Share Capital	122	122	122	122
Reserves & Surplus	8,331	10,038	12,500	15,468
Total Networkth	8,453	10,160	12,622	15,590
Non-current Liabilities				
Long term debt	0	678	1,178	1,678
Other non curent liabilities	648	1,086	1,086	1,086
Total non-current liab & provs	648	1,764	2,264	2,764
Current Liabilities				
Trade payables	3,258	4,546	6,392	5,984
Short term provs+ borrowings	736	874	1,075	1,167
Other current liabilities	1,262	2,150	2,150	2,150
Total current liab and provs	5,256	7,569	9,616	9,300
Total Equity & Liabilities	14,356	19,494	24,503	27,654
Assets				
Net block	4,592	7,065	8,258	9,333
Intangible assets	784	799	799	799
Other non current assets	1,548	1,824	1,824	1,824
Total non current assets	6,924	9,689	10,882	11,957
Cash and cash equivalents	1,125	1,011	1,561	4,385
Inventories	3,203	3,626	5,749	4,564
Trade receivables	2,870	4,727	5,871	6,308
Other current assets	234	440	440	440
Total current Assets	7,432	9,805	13,621	15,698
Total Assets	14,356	19,494	24,503	27,654

Source: Company, LKP Research

Cash Flow

(₹ mn)	FY24	FY25	FY26E	FY27E
Profit/(Loss) before Tax	1,859	2,266	3,222	3,878
Depreciation	821	898	1,157	1,325
Interest & Finance Charges	183	132	208	228
Direct Taxes Paid	-381	-567	-760	-911
(Inc)/Dec in WC	43	437	-1,420	339
Others	24	-72	0	0
CF from Operations	2,548	3,093	2,408	4,860
Capex	-1,433	-2,163	-2,350	-2,400
(Pur)/Sale of Investments	57	155	0	0
Others	83	-1,762	0	0
CF from Investments	-1,293	-3,770	-2,350	-2,400
Inc/(Dec) in Debt	-428	781	701	592
Interest Paid	-182	-133	-208	-228
Dividend Paid	0	0	0	0
Others	-78	-86	0	0
CF from Fin. Activity	-689	562	493	363
Inc/Dec of Cash	566	-115	551	2,823
Opening Balance	560	1,125	1,011	1,561
Closing Balance	1,125	1,011	1,561	4,385

Source: Company, LKP Research

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