

Date	Report / Update	Report Price (₹)	Buy Range (₹)	Target Price (₹)
18-Apr-24	Quick Insight	393.65	390 – 410	470 – 490


Pricol Ltd.
4QFY24 Quarterly Result Highlight

Pricol Ltd. 4QFY24 top-line growth came at 12% YoY/ 2% QoQ to ₹584cr slightly below expectations on account of delay in commencement of production for few customers with whom the company has LOI in place. On sequential basis, although raw material costs were higher, it was offset by lower operating expenses resulting in EBITDA of ₹74cr up 21% YoY/ 9% QoQ. Resultantly, EBITDA margin stood at 12.7% up 96bps YoY/ 85bps QoQ. As the company remains focused on capacity expansion and new capacity introductions, depreciation charges came at an elevated level coming in at ₹20cr up 17% YoY/ down 4% QoQ. In FY24, total borrowings for the company nearly halved from ~₹89cr in FY23 to ~₹47cr in FY24 resulting in finance costs falling by 22% YoY/19% QoQ to ₹4cr. Additionally, aided by the increase in other income, profit before tax came at ₹55cr, up 33% YoY/ 24% QoQ. For the quarter, profit after tax stood at ₹42cr rising by 39% YoY/ 22% QoQ.

Concall Highlights

- **Delay in revenue recognition** – Revenue comes below expectation owing to delay in start of production from 4 customers, though volumes, production, LOIs are confirmed.
- **Revenue guidance** – Company maintains top-line guidance of ₹3,200cr organic and ₹400cr inorganic revenue by FY26.
- **Disc brakes** – With LOIs from six customers in place, production has started and focus remains on ramping up capacities and increasing no. of LOIs. Current capacity of Disc Brake facility is ~₹130cr per annum which would eventually increase to ~₹300cr per annum.
- **Customer acquisition** – On-boarded Honda Motorcycle & Scooter India Ltd. New client and revenue contribution is going to increase notably as production will go live from 18-24 months from now.
- **Growth drivers** – Incremental growth from 2W and CV segment will come from increase pocket share of existing customers and displacing some of the competition. Secondly, from moving up the value chain, from mechanical to electro-mechanical, etc.
- **Export market** – Current export mix stands at ~8% and management aims to increase it to 10% by end-FY26. Export target of 10% has been scaled down from earlier target of 20% on account of weak economic conditions in US and Europe markets.
- **Revenue mix** – In FY24 revenue mix stands at, 2W - 60-63%, PV - 6.8%, CV - 25%, Balance – ORV. On segmental mix, DICVS - 69% and ACFMS - 31%.
Management aims to increase revenue contribution from PV segment to 10% from existing 6.8%. However, focus area remains 2W, CV and Off-road vehicles wherein company enjoys leadership position currently.
- **Capex** – Capex in FY25 is likely to be ₹200-220cr, part of long term plans of spending ₹600cr over three years. Asset turnover expected would be 4-4.25x.
- **Average selling price** – For various products types are Mechanical Clusters - ₹300, Electro-Mechanical - ₹800, Low-end TFT clusters - ₹1,500, High-end TFT clusters - ₹8,000, Disk Brakes - ₹1,150, Chains - ₹75, Complex Industrial Oil Box - \$800

Important Data

Nifty	22,529
Sensex	73,953
Key Stock Data	
CMP (₹)	451.70
Market Cap (₹ bn)	55.12
52W High/Low	464/211
Shares o/s (crs)	12.19
Daily Vol. (3M NSE Avg.)	43,660
BSE Code	540293
NSE Code	PRICOLLTD
Bloomberg Code	PRICOL:IN

Shareholding Pattern (%) – Mar'24

Promoter	38.51
FIIs	14.39
DIIIs	16.59
Public & Others	30.50

Financials

Particulars	(₹ cr)		
	FY24	FY25E	FY26E
Total Revenue	2,272	2,782	3,435
EBITDA	273	349	446
EBITDA Margin	12%	13%	13%
PAT	141	190	255
EPS (₹)	12	16	21
P/E	39	29	22
EV/EBITDA	20	16	12
ROE	18%	20%	22%

Source: Company, Way2Wealth Research

Relative Performance

Return(%)	1Yr	3Yr	5Yr
Pricol	93%	462%	1362%
Nifty50	23%	49%	92%
Sensex	20%	47%	89%

Source: Company, Way2Wealth Research

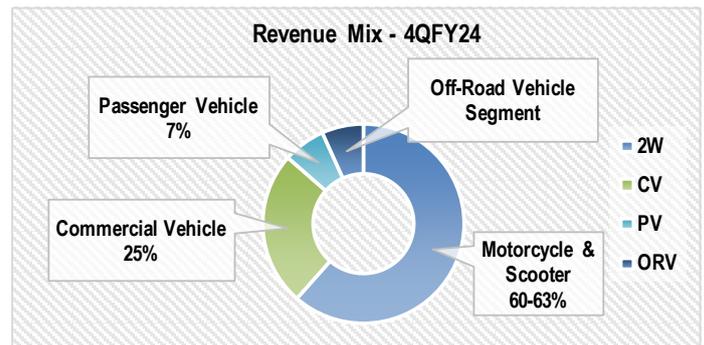
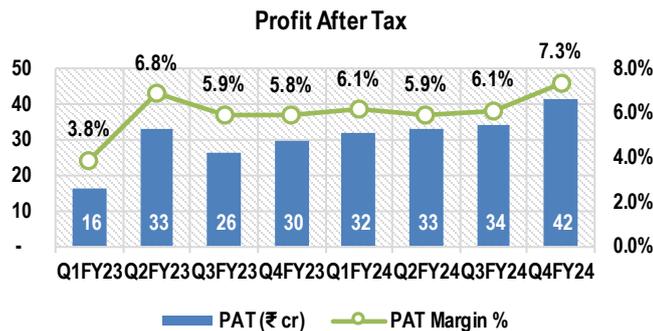
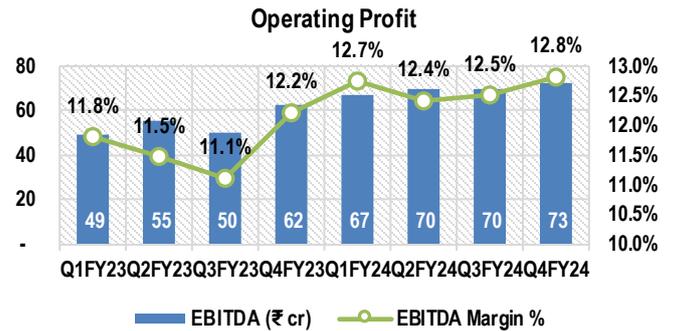
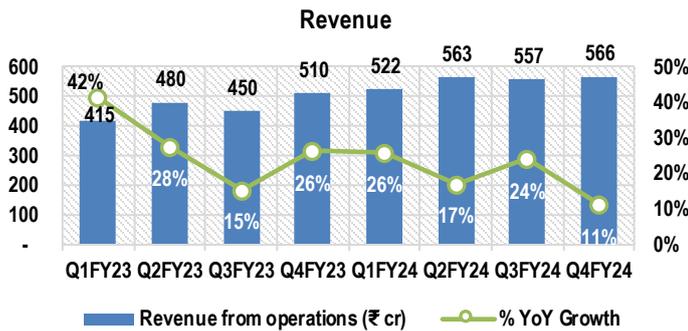
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Outlook and View

Pricol Ltd posted healthy performance during the quarter as the impact due to slightly lower top-line growth was offset by robust operating performance resulting in strong bottom-line profitability. Commencement of production for Disc Brakes would act as immediate driver of revenue growth with confirmed LOIs from six to seven customers already in place. Additionally, management also anticipates key developments on several new product fronts to take place in FY25. As discussion with several customers are already underway on these products such as E-cockpit and Connected Vehicle Solutions, approvals and signing of LOIs would be key business drivers over medium term. Additionally, on-boarding of Hero Motorcycle and Scooter India Ltd. marks a large customer win for the company and revenue contribution would start flowing in from 18-24 months.

The company is currently operating at around full capacity utilization, thus capacity expansion at various sites including new building construction is on the table with an outlay of ₹200cr capex announced for FY25. As management focus remains on 2W, CV and ORV segment where it enjoys leadership position, increasing pocket share by displacing competition and moving up the value chain would be key drivers for growth going forward. Thus, multiple levers are in place for the company to achieve top-line guidance of ₹3,200cr organic and ₹400cr inorganic revenue by FY26. **At CMP ₹451.70, the stock is trading at 22x FY26e P/E value and we recommend to BUY for good potential upside over medium term.**

Story in Charts



Source: Company, Way2Wealth

Quarterly Financials

(₹ bn)

Particulars	Q4FY24	Q4FY23	% YoY	Q3FY24	% QoQ	FY24	FY23	% YoY
Revenue from operations	584	523	12%	573	2%	2,272	1,959	16%
Cost of goods consumed	400	371	8%	389	3%	1,555	1,373	13%
Gross Profit	185	152	21%	183	1%	717	585	22%
Gross Profit Margin	31.6%	29.0%	258	32.0%	-40	31.5%	29.9%	166
Employee Benefits Expense	66	55	20%	69	-4%	263	227	15%
Other Expenses	44	35	26%	46	-4%	181	129	40%
Total Expenses	111	91	22%	115	-4%	444	357	24%
EBITDA	74	61	21%	68	9%	273	228	20%
EBITDA Margin	12.7%	11.7%	96	11.8%	85	12.0%	11.7%	35
Depreciation and Amortisation Expense	20	17	17%	21	-4%	82	78	5%
EBIT	54	44	22%	47	15%	191	151	27%
Finance Costs	4	5	-22%	5	-19%	18	18	0%
Other income	4	2	131%	2	125%	13	5	187%
Profit Before Tax	55	41	33%	44	24%	186	137	36%
Tax Expense	13	11	15%	10	30%	45	22	106%
Profit After Tax	42	30	39%	34	22%	141	115	22%
Exceptional Items	0	0		0		0	10	
Reported PAT	42	30	39%	34	22%	141	125	13%
EPS	3.4	2.5	39%	2.8	22%	11.5	10.2	13%

Source: Company, Way2Wealth

Financials

(₹ bn)

Particulars	FY19	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E	FY23-26 CAGR
Revenue from operations	1,734	1,178	1,359	1,500	1,903	2,208	2,701	3,335	21%
Other operating revenue	80	61	54	45	56	64	81	100	
Total Revenue	1,814	1,239	1,413	1,545	1,959	2,272	2,782	3,435	21%
Cost of materials consumed	1,182	778	928	1,013	1,324	1,510	1,836	2,250	19%
Purchase of stock-in-trade	80	63	55	48	60	71	85	105	
Changes in inventories	7	18	-18	8	-11	-26	-30	-34	
Raw material cost	1,269	859	965	1,070	1,373	1,555	1,891	2,320	19%
Gross Profit	545	381	448	475	585	717	891	1,115	24%
Gross Profit Margin	31%	32%	33%	32%	31%	32%	33%	33%	
Employee Benefits Expense	251	159	167	192	227	263	320	395	20%
Other Expenses	270	136	104	103	129	181	221	274	28%
Total Expenses	521	296	270	294	357	444	541	669	23%
EBITDA	24	85	178	181	228	273	349	446	25%
EBITDA Margin	1%	7%	13%	12%	12%	12%	13%	13%	
Depreciation and Amortisation Expense	94	96	94	82	78	82	94	109	
EBIT	-70	-11	84	99	151	191	255	338	31%
Finance Costs	35	34	43	27	18	18	17	15	
Other income	13	15	8	9	5	13	15	17	
EBT	-93	-30	48	80	137	186	253	340	35%
Tax Expense	1	-4	33	29	22	45	63	85	
Profit After Tax	-94	-26	16	51	115	141	190	255	30%
Exceptional Items	-80	-73	26	-	10	-	-	-	
Reported PAT	-174	-99	41	51	125	141	190	255	27%
EPS	-18	-9	4	4	10	12	16	21	

Source: Company, Way2Wealth

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Disclosure of Interest Statement: Pricol Ltd. as on 22 May 2024

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Analyst's Relative : Yes / No	No
Analyst's Associate/Firm : Yes/No	No
Conflict of Interest	No
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