Research Analyst – Aman Agrawal

Pricol Ltd.

Date: 11 July 2025 **Price: 454** **Action: BUY**

Industry/Sector	Target Price	Upside Potential	Investment Duration
Auto Components & Equipment's	540 to 580	18 to 27%	12 to 18 Months

About Company:

- Four-decade old company, which commenced operations in Coimbatore, Tamil Nadu in 1975.
- Pricol is a leading automotive components supplier, operating primarily in two segments: Driver Information & Connected Vehicle Solutions (DCIVS) and Actuation, Control & Fluid Management Systems (ACFMS).
- **DCIVS segment** comprises four primary product lines: Driver Information Systems (DIS), Connected Vehicle Solutions (CVS), Sensors and Battery Management Systems (BMS). The DIS product line includes various types of instrument clusters—such as LCD, TFT and hybrid displays—that provide real-time information to drivers and vehicle occupants on parameters such as speed, oil levels, RPM, temperature and more.
- **ACFMS segment** consists of two major product lines: Actuation Control Systems (ACS) and Fluid Management Systems (FMS). The ACS product line supports vehicle dynamics through components such as cabin tilting systems and disc brakes. The FMS product line ensures the regulated supply of fluids across various vehicle systems at defined pressure levels. Key products in this category include fuel pumps, oil pumps, water pumps, electric oil pumps and electric coolant pumps. While a majority of these products are designed for internal combustion engine (ICE) and hybrid vehicles, newer product developments—such as electric oil and coolant pumps—are also compatible with electric vehicles (EVs).

- Have 8 manufacturing plants & 5 key strategic partnerships.
- Have 2 technology centers & spent roughly 3 to 5% of Total revenue on R&D every year.
- In Jan 2025, company had divested their wiping business division (contributed marginally to sales & EBITDA).
- 2W segment constitutes 65% of the company's total revenue.
- Company generated its 95% of revenue domestically.
- Segment Wise-revenue mix: DCIVS (Instrumental Cluster)– 65 to 68%, ACFMS – 32 to 35% in FY25.
- Promoters holding is 38.51% as of 31 March 2025.

- **Major Customers**:- some recently won customers names shared below.
  - ➢ TFT Clusters (2W Segments) for- Hero Vida V1 Plus & Pro, TVS iCube EV, TVS Apache RTR 310, Bajaj Chetak EV, etc.
  - ➢ Digital Clusters (2W Segments) for- TVS Apache RTR 160, TVS Jupiter 125, Bajaj Pulsar N150, NS200, NS400, Hero Xtreme 125R, etc.
  - ➢ Digital Clusters (PV Segments) for- Nexon, Nexon EV, Tigor EV, Punch, Punch EV, Force Motors-Gurkha, etc.
  - ➢ Digital Clusters (CV Segments) for- Switch Mobility Automotive, Tata ACE EV, Force Motors – Urbania, etc.

- **Subsidiary Company – Pricol Precision Products Private Limited (P3L)**
  - ➢ 100% owned subsidiary of Pricol Ltd.
  - ➢ Had acquired the Injection Moulded Plastic Component Solutions Division of Sundaram Auto Components Limited on a slump sale basis for INR 215.3 crore & the transaction completed on January 31, 2025.
  - ➢ Acquired company- had an EBITDA margin of ~7.2% at acquisition time & PAT of 30 Cr in FY24.
  - ➢ Has 6 manufacturing plants & 1 Technology center.
  - ➢ 218 Injection Molding Machines & 9 Blow Molding Machines.
  - ➢ FY25 total income of 842 Cr (Total Income value includes past entity financials before acquisition); only month of Feb and Mar 2025 has been consolidated in Pricol's Financials of acquired company.

- **Major Customers: -**

OEMs	TVS, Ashok Leyland, BMW, Daimler, Royal Enfield, Stellantis
EV OEMs	Ather, Simple, Ultraviolette Automotive, Atumobile, Tork Motors, River, Switch, Montra Electric, Raptee
Tier 1	Autoliv, Continental, Toyoda Gosei, Mando, Modine, Seoyon E-HWA, Hyundai Mobis, BorgWarner, Denso, Mahle, PSA Groupe, AVTEC, Tata Toyo, Kemet Electronic Components, Minda Kyoraku, ZF, Rane, Bosch, Hanon Systems, Krishna Maruti Ltd., Mann+Hummel, Visteon, cikautxo
Indirect OEMs	Maruti Suzuki Way of Life!, Toyota, Tata, Mahindra, Hyundai, Kia, Renault Nissan Mitsubishi, Honda

Key Technology Partnerships for Product Development:

Date	Company	Speciality
January 2018	Dongguan Shenpeng Electronics Company, China	For the supply of Electric Coolant Pumps (powertrain-agnostics) to both domestic & international markets.
In FY 2020-21	PV Clean Mobility Technologies India Pvt	For the exclusive supply of Brushless DC (BLDC) fuel pumps.
August 2021	Candera, Austria	To integrate HMI (Human–Machine Interface) technology into its Driver Information System (DIS) products, including e-cockpit platforms.
July 2022	BMS PowerSafe, France	BMS (Battery Management Systems) platform and software solutions
March 2023	Sibros Technologies, USA	Over-the-Air (OTA) software systems for connected vehicles used in DIS and telematics
October 2023	Heilongjiang Tianyouwei Electronics, China	DIS products like e-cockpit, control panels, display solution, and heads-up display

Historical Financial Performance:

5 Yrs. Financial Performance (Consolidated)							
Amounts In Cr.	**FY21**	**FY22**	**FY23**	**FY 24**	**FY25**	**1 Yr Growth**	**3 Yr CAGR**
Operating Revenue	1,413.1	1,544.7	1,958.6	2,271.8	2,691.9	18.49%	20.34%
Operating Profit (OP)	177.9	180.6	228.5	273.1	312.9	14.57%	20.11%
OPM %	**12.59%**	**11.69%**	**11.67%**	**12.02%**	**11.62%**		
Total PAT (Net Profit for EPS)	41.5	55.1	124.7	140.6	167.0	18.78%	44.72%
PAT Margins %	**2.94%**	**3.57%**	**6.37%**	**6.19%**	**6.20%**		
OCF (Operating Cash Flows)	128.60	182.70	166.30	254.8	309.3		
OCF / OP	72.3%	101.2%	72.8%	93.3%	98.8%		
OCF / PAT	309.9%	331.6%	133.4%	181.2%	185.2%		
ROE	7.9%	9.5%	17.7%	16.6%	16.4%		
ROCE	11.0%	14.0%	19.3%	22.4%	20.0%		

Potential Future Growth Possibilities:

- **Growing EV penetration will boost TFT cluster adoption:** Premiumisation continued in the last few years with customers looking for added features like navigation, Bluetooth connectivity and other smart functions like OTA connectivity and customisable themes. **New generation models, especially in EVs, are switching to TFT clusters.** TFT cluster 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 customised themes and OTA updates, which were not possible in the case of an LCD cluster.
  - **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 2 to 3 years, thus driving 8–9% growth in average selling price (ASP).**
  - Company's TFT cluster finds use in flagship & popular models of TVS Motor, Bajaj Auto & Hero MotoCorp.

- **Turnaround of Sundaram Auto Components in next 18 to 24 months will opens up new business opportunities:**
  - Management targets high single-digit EBITDA margins in FY26 & double-digit over next year post-modernization.
  - Planned capex of 225 to 250 cr. over next 2 years for modernization, automation & capacity debottlenecking.
  - Strategic benefit – cross-selling opportunity: previously restricted to TVS as customer but now pricol's management will start engaging with other 2W OEMs and is expected to drive both revenue and margin expansion in future.

- **ACFMS segment contributing roughly 32 to 35% to group sales. Its product portfolio includes fuel, oil, and water pumps for non-EV models and electric oil & electric coolant pumps and e-purge valves for EV models.**
  - Company has started delivering these products to CVs and the off-highway vehicle (OHV) segment, where there is minimal threat of electric vehicles.
  - 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.
  - Its product portfolio is 95% powertrain agnostics and can be used on any ICE, hybrid or electric vehicle.

- **Disc Brake:**
  - Launched its disc brake products last year and has gained good traction among OEMs with orders from 6 OEMs. Production on these orders has already started, with management guiding for volume ramp over the next 8 to 12 months. Company has raised its disc brake capacity to 300 Cr. from 120 cr. The capacity addition is part of its last three capex plans of 600 cr.
  - As sale of premium vehicles rise (higher cc bikes), the demand for disc brakes will definitely grow in India.

- **Smart Cockpit (e-cockpit):**
  - Company 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 & CVs with some enquiries coming in from 2W OEMs also.

- **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.

- **Fuel pump module:**
  - ➢ Company 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.

- An Income tax bonanza by the central govt, rate cuts by RBI and good monsoon will boost consumption and disposable income, especially in smaller income households, which most probably will drive the demand of two-wheelers.

Key Strengths:

- **Robust Balance Sheet and Strong Cash Flow Generation Over the Past Five Years:**
  - ➢ The company has significantly strengthened its financial position, **reducing total debt from 431 cr. in FY20 to 47 cr. in FY24.** However, total debt increased to ₹125 crore in FY25 due to the strategic acquisition of the Injection Moulded Plastic Component Solutions Division of Sundaram Auto Components in January 2025.
  - ➢ **Net debt improved markedly from 346 cr. in FY20 to a cash-positive position of 180 cr. in FY24**. As of FY25, net debt stands at roughly 25 cr.
- Concurrently, over the past five years, company incurred net capital expenditures totalling 492 cr. and generated **cumulative operating cash flows of 1,042 cr. Additionally, it generated free cash flows amounting to 615 cr. during the same period**.
- In last 5 years, company has been investing 3 to 5% of their revenue on R &D and design to provide customised & localised high-tech solutions to OEMs in India.

Potential Risks:

- Export revenues, which are margin-accretive, are expected to remain subdued over the next 2 quarters, primarily due to ongoing tariff-related challenges. The US accounts for approximately 70% of the company's total export revenue and around 5% of overall revenue, making it a significant contributor to this headwind.
- Several export customers have deferred imports, adversely affecting both export revenue and profitability. Moreover, continued uncertainty regarding trade tariffs may lead to disruptions in the supply chain and potential production delays. Management anticipates a resolution of these issues within the next two quarters.
- In the near term, consolidated margins are likely to face pressure due to recent acquisition-related costs, increased employee expenses and higher depreciation charges. These factors may have a negative impact on the company's valuation from a market standpoint.

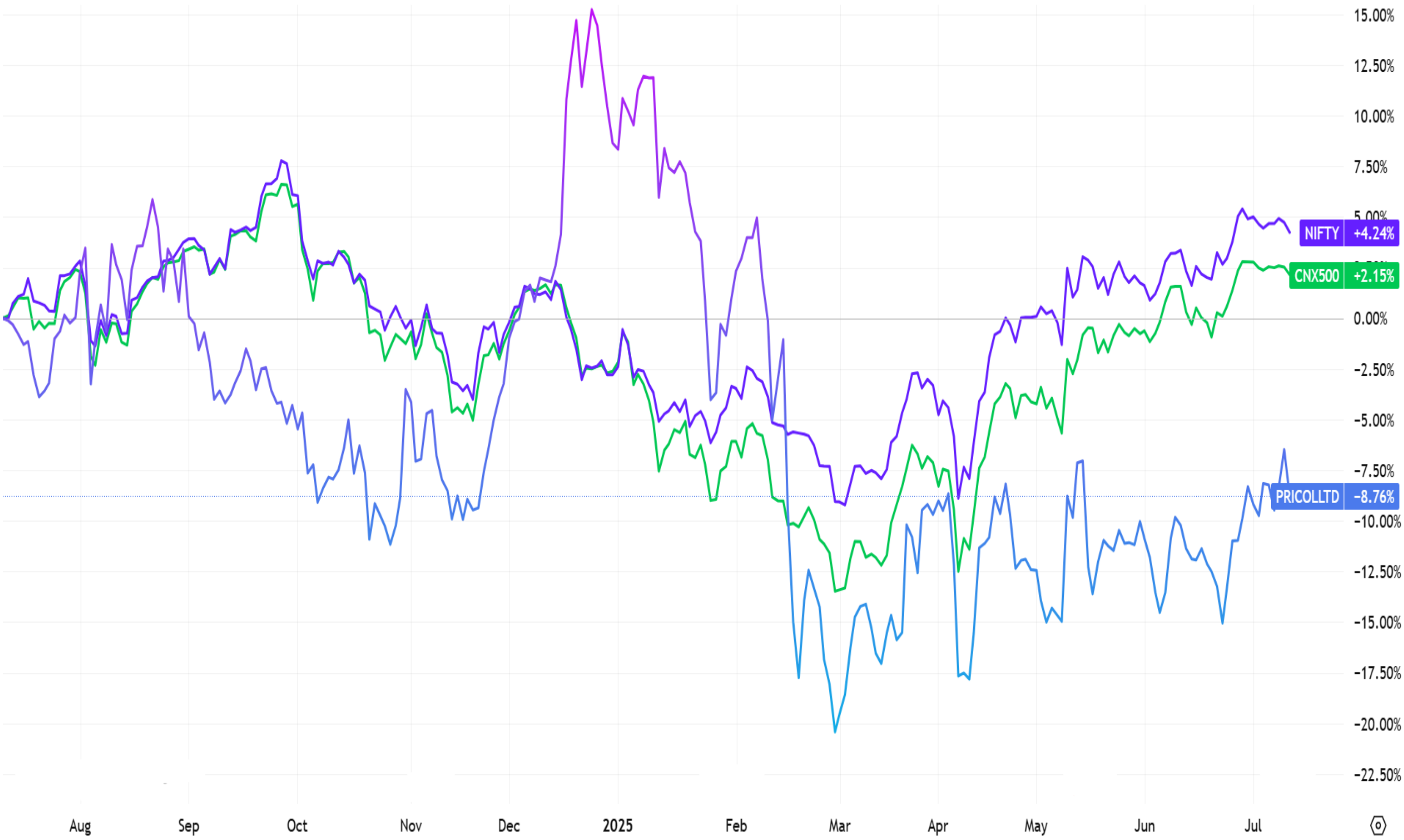
Management Guidance:

- **Pricol Standalone Business:** revenue growth guidance of 13–15% for FY2026. Management anticipates that EBITDA margins will improve to approximately 12.5–13%, beginning in the third quarter of FY2026.
- **Sundaram Auto Components Limited (SACL division– Acquired Entity):** For FY2026, SACL is expected to achieve 10% organic revenue growth. The business currently operates at an EBITDA margin of approximately 7%, with management projecting a gradual improvement to high single-digit levels in the near term and double-digit margins over the following year, supported by ongoing modernization efforts.
- **Capital Expenditure – Pricol (Standalone):** The company is in the final phase of its capital expenditure cycle, with planned investments of 200 to 225 crore in FY2026, primarily allocated to its Pune and Manesar facilities.
- **Capital Expenditure – SACL:** SACL division plans to invest approximately 225 to 250 cr. over the next 2 years. These funds will be utilized for machinery replacement, capacity expansion through automation and the elimination of operational bottlenecks.
- **Revenue Target (P3L, subsidiary company):** Management has reaffirmed its ambition to double revenues from 750 crore to 1,500 crore over the next 3 years, leveraging both organic growth & inorganic opportunities.
- **Product Expansion and Market Diversification:** The company expects that new product launches and entry into new market verticals—particularly in the 2Ws and PVs segments—will begin contributing to revenue over the next two years, with full-scale contributions anticipated within three years.
- **Consolidated Revenue Guidance for FY2026:** The company projects total consolidated revenues of approximately 3,600 cr., including both organic and inorganic components. If emerging growth opportunities ("green shoots") materialize, consolidated revenues could potentially reach 4,000 cr.

Peer Comparison:

	Pricol	Minda Corporation	Varroc Engineering	Uno Minda
Market Cap (Cr.)	5,564	12,372	8,615	62,927
P/E Ratio	33.3	48.4	75.2	67.2
EV/ EBITDA	17.1	22.9	11.8	31.3
Price to Sales	2.07	2.45	1.06	3.75
Revenue Mix	DCIVS segment (Instrumental Cluster)– 65 to 68%, ACFMS division – 32 to 35%	Wiring Harness- 78% and Casting of Non-ferrous Metal - 22%	Lightning - 37.5%, Polymer - 35%, Metallic - 12%, After market aut Parts -8.5% and other segments - 3%	Switches - 25%, Lightning - 22%, Casting - 19%, Seating -7%, Acoustic - 4% and other segments- 23%
ROE	16.4%	11.6%	3.9%	16.5%
ROCE	20.1%	13.8%	22.9%	17.8%

1 Yr. Return Movement Comparison b/w Pricol and Benchmarks (Nifty50 & Nifty500):



Conclusion:

- Our outlook on Pricol Limited is positive and we recommend a BUY at the current market price for a medium- to long-term investment horizon despite short-term headwinds such as tariff uncertainties, increased headcount and depreciation expenses, and temporarily lower margins resulting from the recent acquisition.
- We believe the company's strong management capability is a key strength. Notably, Pricol has significantly improved its financial position—transitioning from a net debt of 346 cr. in FY20 to a cash-positive position of 180 cr. in FY24. Over the past five years, the company has generated cumulative operating cash flows (OCF) of 1,042 cr. and free cash flows (FCF) of 615 cr., reflecting robust operational efficiency.
- We believe that Pricol's management can navigate potential future risks and deliver our projected PAT growth rate of 17% to 20% over the next 2 years. Based on these fundamentals & reasonable valuations (PE of 33 & EV/EBITDA of 17), we estimate an upside potential of 18% to 27% over an investment horizon of 12 to 18 months.

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