



PRICOL LIMITED

Passion to Excel

109, Race Course,
Coimbatore-641 018, India

+91 422 433 6000

connect@pricol.com

pricol.com

CIN: L34200TZ2011PLC022194

CUSTOMERS EMPLOYEES SHAREHOLDERS SUPPLIERS

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Friday, 12th May 2023

Listing Department National Stock Exchange of India Limited “Exchange Plaza”, C-1, Block G Bandra-Kurla Complex, Bandra (E), Mumbai – 400 051	Corporate Relationship Department BSE Limited 1 st Floor, New Trading Ring Rotunda Building, P J Towers, Dalal Street, Fort, Mumbai 400 001
Script Code: PRICOLLTD	Script Code: 540293

Dear Sir,

Sub: Con-call Transcript

Pursuant to Regulation 30 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, we herewith submit the Transcript for the Con-call held on 11th May 2023 pertaining to Company’s audited financial results for the quarter and year ended 31st March 2023.

This is for you information and records.

Thanking you

Yours faithfully,
For Pricol Limited

T.G.Thamizhanban
Company Secretary
ICSI M.No: F7897

Encl: As above



Pricol Limited
Q4-FY23 Earnings Conference Call
May 11, 2023

Moderator: Ladies and gentlemen, Good day and welcome to the Q4 FY23 Earnings Conference Call of Pricol Limited hosted by Valorem Advisors. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal the operator by pressing “* then ‘0’ on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Anuj Sonpal from Valorem Advisors. Thank you and over to you, Mr. Sonpal.

Anuj Sonpal: Thank you. Good afternoon everyone and a warm welcome to you all. My name is Anuj Sonpal from Valorem Advisors. We represent the Investor Relations of Pricol Limited. On behalf of the company, I would like to thank you all for participating in the company’s earnings call for the fourth quarter and financial year ended year 2023.

Before we begin, let me mention a cautionary statement. Some of the statements made in today’s earnings call may be forward-looking in nature. Such forward-looking statements are subject to risk and uncertainties which could cause actual results to differ from those anticipated. Such statements are based on management belief as well as assumptions made by and the information currently available to management. Audiences are cautioned not to place any undue reliance on these forward-looking statements in making any investment decisions.

The purpose of today’s earning’s call is purely to educate and bring awareness about the company’s fundamental business and financial quarter under review. Let me now introduce you to the management participating with us in today’s earning’s call and hand it over to them for opening remarks. We have with us Mr. Vikram Mohan – Managing Director, Mr. P. M. Ganesh – Chief Executive Officer and Executive Director, Mr. Siddharth Manoharan – Director of Strategy, Mr. Priyadarsi Bastia – Chief Financial Officer. Without any further delay, I request Mr. Vikram Mohan to start with his opening remarks. Thank you and over to you, Sir.

Vikram Mohan: Thank you Anuj for that introduction and a very good evening on behalf of my team participating today and thank you all for your participation in this earnings call for Q4 FY23 and also for the financial year ended FY23. Without further ado, I will just go straight into the presentation and we will be able to take questions at the end of the presentation. Can we have the presentation please? The key financial highlights consolidated of the company our revenue

from operations EBITDA and EBITDA margin of 12.23% for the quarter ended FY23 are in the top left corner and for the financial year 23 our revenue from operations has been 19,028 million. EBITDA of 2,358 million and then EBITDA margin of 12.39% with the PAT margin of 6.04%. This excludes exceptional items of 97.5 million. Without the exceptional items we have had our highest ever annual and quarter 4 sale in the history of our company.

Some of the business highlights in this quarter have been significant production capacity enhancements in our tool room, plastic component, manufacturing shops and PCB assembly lines by adding new state of the art lines from top notch manufacturers in Japan. We have also been fortunate to receive two awards one from CII as trendsetters in business innovation for the various innovations done on driver information and connected vehicle solutions which is helping us in the premiumization of our product range. We have also received an award from Honda motorcycle and Scooter for best Delivery management at their annual supplier conference.

Our quarterly consolidated performance our revenue from operations have grown by 26.26% over the corresponding quarter in the previous financial year. Our cash profit has increased by 33.65% EBITDA by 14.06% and profit after tax by a record 126.87%. On a financial year FY22 versus FY23 our revenue from operations have grown by 26.85% which is far in excess of the market growth. EBITDA growth has been 33.41% cash profit 45.5% and profit after tax by 125%.

These are again figures in detail which are already uploaded and I am sure all of you had an opportunity to go through. The key point to note is our EPS has more than doubled in this and we have hit an EPS of 2.45. On a historical statement, FY20-21-22 and 23 we have the numbers. FY22 has been restated because of the merger of our small wiping division which was erstwhile consolidated as a subsidiary and now has emerged as a division of the company and hence the need for the restatement. There is no significant impact on account of that, but these are the numbers and FY23 we have had an EPS of Rs. 10.23 per share. Some of our balance sheet statements you would notice that we are almost debt free and have a very favorable debt equity ratio and also have very favorable financial ratios in our company that we have achieved in this financial year.

Just to give a synopsis of our stock performance where we stand today versus the SENSEX you would realize that we have fairly outperformed the SENSEX. Thank you very much and all other details are on the slide that has been uploaded and we would be happy to ask some questions, some housekeeping rules for the benefit of all the people in the call today kindly restrict yourself to one question at a time and join back onto the call for your next question. Thank you very much.

Moderator:

Thank you very much sir. We will now begin the question-and-answer session. The first question is from the line of Yash Dantewadia from Dante Equity Research. Please go ahead.

Yash Dantewadia: So, my question is regarding your target of top line of 4,000 crore which you have given, so how do you plan on reaching there and by when do you plan on reaching there?

Vikram Mohan: Top line or sorry can you repeat again please.

Yash Dantewadia: Top line of 4000 crore you have given a target right in the next by FY26 if I am not mistaken.

Vikram Mohan: That is right.

Yash Dantewadia: So how do you plan on reaching there and by when do you plan?

Vikram Mohan: We have informed in the earlier investor call, but I would be happy to answer that again. We have a clear order pipeline for the next three years number one. Number two the area of concern is our exports which we will not achieve our desired target. As of now, we have a visibility to hit about 3,600 crores. We have a CAPEX spend of about 600 crores also that we have undertaken which over the next 7 to 8 quarters we will complete 400 of which will be used for organic and 200 of which will be used for inorganic and we are fairly hopeful with this inorganic spend reaching that 4,000 crore top line with a steady state EBITDA of about 13%.

Moderator: Thank you. The next question is from the line of Kaushal Kedia from Wallfort PMS. Please go ahead.

Kaushal Kedia: Sir, I just wanted to know in DICVS what are we doing are we doing build to spec or are we doing build to print?

Vikram Mohan: The product is coevolved with the customers. So it's not a build to print or a build to spec product. It is coevolved with the customer as to what is going to be the positioning of the vehicle and what will be required to attract ultimate end customer to the vehicle and we coevolves the product with recalls proprietary solutions.

Kaushal Kedia: You are doing something in the middle you are doing more of value additions than build to print, is that what you are saying?

Vikram Mohan: Yes so coevolved the product. We arrive at what would be the right pricing for that product and in that what should be the value of the driver information system and what features can be offered on that. So it is coevolved as a solution with the customer. I do not think we are really building a product, but rather we are moving towards building a solution for the end customer based on market research of the OEMs and then they work closely with us. I think gone are the days where like in our other division ACFMS where we build to print. Here it is a solution that we are coevolving with the customer based on the market research done by the customer.

Moderator: Thank you. We have the next question from the line of Rushabh from RBSA Investment Managers. Please go ahead.

Rushabh: Are we pivoting from multi segment, multi product, multi customer company where in the concentration of each segment could we say less than one-third or so as a total revenue, is that the direction that we are heading towards?

Vikram Mohan: We are focusing on three vehicle segments two-wheeler being a large part of that followed by commercial vehicles for off road vehicles all of these which we already have lead positions. We have reentered the passenger vehicle four-wheeler segment and today have a 70% market share in Tata Motors for the driver information system and we are in the process of entering a few other four-wheeler Indian based OEM. Our plan is not to become a market leader in the personal passenger vehicle segment four-Wheeler in India but focus on two-wheeler on off road vehicle and commercial vehicles not just in India, but globally. Second is from an inorganic standpoint in order to remove the dependence on auto which is cyclical we want to enter into instrumentation in the industrial segments where the margins are better and it is de-risking our business model and we are evaluating the same how do we enter in a using inorganic means. The third vertical we are in today is a ACFMS which stands for actuators, controllers and fuel management system. We anticipate between 60% to 65% revenue coming from driver information systems and connected vehicle solutions and about 35% to 40% coming from the ACFMS vertical. This is where we hope to be in 2000 for FY26. I hope I have been able to answer your question.

Moderator: The next question is from the line of Bhomik Shah an individual investor. Please go ahead.

Bhomik Shah: Sir, just wanted to check with you as a recent development actually in which the Minda has just one week before only have given the application to competition commission about raising their stake into our company. So, as per our last concall and actually your last press release what is our current standpoint of the management on that actually, in the last checkpoint you had committed that our credit management is fully committed to be with the company, so we are maintaining that trend?

Vikram Mohan: Yes, I would like to break up my answer into two parts. Minda Corporation had very clearly stated that their intent was to only acquire 15.57% as a financial investor in our company. Now on the second of May they have announced that they are applying to CCR to increase their stake to 24.5%. We take all legal measures whatever is required to oppose that petition for the simple reason they are competitors and they have not sought prior permission from CCI number one. Number two, I would like to reiterate that the current management stands absolutely committed to running and growing this business in the coming years and I have absolutely no intention of seizing control of our business at not just now, but any point in time in the near future. We will take whatever steps necessary, legally and financially to maintain

absolute control of management and board of this company to continue to nurture value for all of our stakeholders.

Bhomik Shah: Thank you so much sir. This was really helpful for us actually because as stated earlier actually the Minda Corporation intention does not look like just a financial investment as there moves clearly suggests that their intention is something else which you stated correctly and we are taking word of commitment from your side that you are fully with the company so this will be taken as a great insulating for the market as well?

Vikram Mohan: Mr. Shah I would like to further reiterate. This is a statement that I have made in person to the leadership at an MD and CEO level to each one of our key customers number one. I have publicly made it to each and every employee of ours and each and every significant supplier of ours. So, I have made the statement publicly to all of our stakeholders and I will do whatever it takes legally and financially to ensure that I uphold this promise that I have made.

Moderator: Thank you. The next question is from the line of Chirag Singhal from First Water Capital. Please go ahead.

Chirag Singhal: Just two questions first on the 4,000 crores target that we have said, so is this based on some commitments under the existing contracts with your clients or you are factoring in some growth based on outlook that you have over the next three years?

Vikram Mohan: I will answer this in three parts. Number one, we have assumed that the India growth story is going to be muted in the next three years. So, in all of our assumptions we have taken very muted growth because we believe that whatever economically is happening in the rest of the world will have some resultant impact on India. So, we have factored that into our growth projections point number one. Point number two, we are working on many of our products or solutions and not like a casting or a wiring harness which are just built against the specification and delivered to our customer. So, many of our products from being given the LOI confirmed commitment from the customers, to start a production is anywhere between 18 to 24 months. So, we know what our top line and what our capacity utilization is going to look like for the next 24 to 30 month. It is against that that we are creating capacity for investments and we are projecting what our turnover is likely to be and as I mentioned earlier to. Mr. Dantewadia when she had asked this question is we have failed to grow in certain areas whereas we have grown better in certain areas. So, we have put all of these probabilities into projecting that number. Lastly, we are also looking at product premiumization where we see a mechanical driver information system moving into electro mechanical and electromechanical moving into an LCD and an LCD moving into TSD which means even if vehicle production remains fairly flat the value per product is going up which is going to give us top line and bottom line growth. I hope I have been able to answer your questions.

Chirag Singhal: So, what I understand is that the most of the growth in the top line that you are targeting to achieve in the next three years will mainly come from the existing commitments that you have because you mentioned that you already have a visibility of the next 24 months based on the orders that you get from the clients.

Vikram Mohan: Chirag can I just request you to follow the housekeeping rule and come back into the queue I think many of the other people have come back on to their queue for their next set of questions.

Moderator: Thank you. We have the follow up question from the line of Yash Dantewadia from Dante Equity Research. Please go ahead.

Yash Dantewadia: So, my next question is regarding EVs what percentage of your sale goes towards EV for information systems as of today?

Vikram Mohan: We are completely EV ready and we are engaging with multiple players on multiple EV platform. As a percentage of our driver information system and connected vehicle solution vertical are sales to EV is just about 7% to 8% now, but which will keep growing in the years to come because I just like to explain to you in a driver information system whatever be the form of propulsion the driver information system will have to work. So, whether it is filled with fuel or hydrogen or electricity or fuel cell the driver information system continues to do its job of showing speed, left right navigation, Bluetooth connectivity, fuel level whatever form of fuel and other indicators and currently we are working with almost 22 EV vehicle makers in the country small and big.

Yash Dantewadia: Right now your percentage of sale is only 7%, 8% in the next two years how do you see this shaping up and is it a higher margin business compared to the rest of the business?

Vikram Mohan: No, the margins of the driver Information system will continue to remain the same because I do not see any reason whatever is the form of propulsion, the product is going to remain the same. So, there is going to be no impact on the margin and this will keep growing as the sector keeps growing whatever is the sectoral growth of EV penetration we will be maintaining the same thing because we are working with all the EV makers.

Moderator: The next question is from the line of Kaushal Kedia from Wallfort PMS. Please go ahead.

Kaushal Kedia: Sir, how much of a market share do you have in TVS iQube?

Vikram Mohan: 100%.

Kaushal Kedia: So, if TVS as per the monthly update they sold 1 lakh units till now since inception you are supplying 1 lakh DIS to them in their electric vehicles, is that a fair assumption?

Vikram Mohan: No a fair assumption is the fact.

Kaushal Kedia: And so we can assume so if TVS iQube keeps growing I think it is a proxy or maybe our product is a proxy?

Vikram Mohan: Many of the platforms we are single vendors so whatever is the growth of that platform we will also be growing at that level not just in TVS, but with other customers also which I will not be at the liberty to discuss because this would be a conflict of interest with the customers.

Moderator: Thank you. The next question, which is a follow up question is from the line of Rushabh from RBSA Investment Managers. Please go ahead.

Rushabh: So just want to understand what is the Pricol pricing strategy across the product segments, is there a range that you can share versus the competitors?

Vikram Mohan: We do, are you talking of strategy or are you talking of market share can you be clear Rushabh please?

Rushabh: I am just asking in terms of pricing versus competition, are you charging at par with the competitors this is slightly premium or discount if you just give a range across the product range wherever we are not a single vendor?

Vikram Mohan: So, it is based on the hardware and the software that goes into the product, but let me also reiterate I will not be paid a huge premium over the competition because end of the day the vehicle maker also has to maintain his EBITDA and his profitability. So, that is how in fact very recently I had someone asking if there is so much of software going into your DIS compared to three years ago. The software companies enjoy an EBITDA of 35% is why is Pricol not having an EBITDA of 30%, 35% in its product especially in the DIS and my answer to that is I will have to be in line with what my customers are enjoying in terms of profitability. I cannot have a 30% profitability when my customer has an average of 11% to 12% if my customer has a profitability of 11% to 12% at most in some of my solutions I can go up to 15% which is why to improve our profitability we are looking at non-automotive industrial instrumentation which in terms of technology is at least a decade behind automotive instrumentation where the profitability is much higher and that will help overall from our instrumentation business improve the profitability.

Moderator: Thank you. We have the next question from the line of Himanshu Singh from Prabhudas Lilladher. Please go ahead.

Himanshu Singh: So I just wanted to understand what are your growth forecast or your growth assumptions for the two-wheeler industry over the next three years?

Vikram Mohan: I think I had answered in an earlier question or a context of an earlier question. We are assuming fairly muted growth for the next two to three financial years because of various global incidences and global economic meltdown. We still believe in India story we believe that the India story will be a slightly muted story. So, at least in our internal cash flow assumptions we have assumed 7.8% growth of the two-wheelers or 5% to 6% two-wheeler growth in India and we have based our assumptions on that. In fact, I have told our CFO please assume 0% growth and work on your cash flows. So, where our growth will come from is premiumization of the product as I mentioned earlier which will keep growing our top line to achieve our desired level of 3,600 to 4,000 crores based on the current quarter pipeline and share of business and LOIs that we have.

Himanshu Singh: So, most of the growth should come from electric vehicles and ICE should be flattish or decline?

Vikram Mohan: ICE will not be declining. We now see a lot of entry level ICE launches also like the Honda Shine etcetera which is going to see some growth. EV will grow at a much faster rate than ICE vehicle. I am talking two-wheeler as a whole I believe will grow at around 5% to 8% average over the next three years.

Moderator: Thank you. The next question is from the line of Dhairya Trivedi from BJD Investments. Please go ahead.

Dhairya Trivedi: I just had a question on the CAPEX how are we planning to fund this CAPEX of 600 crores over the next two years, is there kind of take on debt or is it all through internal accruals?

Vikram Mohan: I think I have answered it in an earlier investor call and I am happy to answer it again for the benefit of participants in today's call. We are anticipating about 600 crores of CAPEX over the next 24 months most of which is going to be funded by internal approvals or rather all of it is going to be funded by internal approvals. The timing of investment versus the cash influence the company could have a mismatch. So, I mentioned to the earlier call that about 200 crores of debt we will be taking on, but it is not going to be long term debt it is going to be bridge capital that we will be taking up because of the timing of the cash flows.

Moderator: Thank you. There is a follow up question from the line of Kaushal Kedia from Wallfort PMS Please go ahead.

Kaushal Kedia: Sir, in what products do we compete with Minda?

Vikram Mohan: In the driver Information system is the common product of course they are significantly smaller than us. We have a very large market share vis à vis Minda.

Kaushal Kedia: But is not our product are far superior like it is not even like comparable, would that be a fair statement to make?

Vikram Mohan: I would not like to answer this question Kaushal because I think it is not ethical on my part to comment about the competitors product, but the fact that we have a significant market share and have grown significantly is probably a testament to our product and this product quality.

Kaushal Kedia: But sir the market share is more because is iQube has a larger market share, is that again a fair statement to make?

Vikram Mohan: You are only talking of one platform iQube. There are 40 vehicle platforms in India that we supply to. You cannot just base it on one platform iQube from TVS, that is not ruling the market or having a very large market share in the market. In terms of value terms we have about 50% plus of the two-wheeler market in India of the driver information system, but I think it is unfair on your part or on my part to say how good my competitors product is or not, but obviously my product is good I can attach to that because my market share has grown over the last three years significantly.

Moderator: Thank you. The next question is from the line of Shreyansh Agarwal from a retail investor. Please go ahead.

Shreyansh Agarwal: So, just following up from the earlier answer where you had mentioned about premiumization, just wanted to understand that are we also looking to enter into a market segment of bikes like BMW or a premiumization or are we satisfied with the like of TVS or are there any plans around for that regarding BMW?

Vikram Mohan: We are very actively working Shreyansh with BMW. We have not just working on products, but supplying products to BMW and not just to BMW, we are supplying to Harley Davidson, we are supplying to Triumph, we are supplying to Ducati, we are supplying to KTM and just for your information we are the world's second largest driver information system manufacturer for two-wheelers.

Moderator: There is a follow up question from the line of Rushabh from RBSA Investment Managers. Please go ahead.

Rushabh: So, sometime back there was a news interview wherein we were looking to split the Pricol entity into two, three entities, so is there an update on that sir we are trying to appoint strategic in partner with us, so I am not sure there is an update?

Vikram Mohan: We have prepared the company from a manufacturing footprint and from a management organization to be split into multiple company if and when the need arises. We have not appointed anyone of strategic consultant to do that. Now let me elaborate a little bit more on that. This is primarily to unlock better value for the shareholders. Today we have two completely different product verticals under one company. If there is a need to align with some other company let us say a multinational that will help us increase our global footprint or give

us access to technology that will be very, very difficult for us to develop in the short to medium term then we will look at this. So, which is why we have plants for DIS, CBSs which is our driver information and connected vehicle solutions vertical in the South, in the West and in the north for each of the auto hub. We similarly have plants for the ACFMS verticals in each of these. We have segregated the engineering also to have engineering ecosystems for each of these verticals and supply chain and manufacturing ecosystems for each of these verticals. What is common is corporate finance secretarial IT, HR and business development. So if and when an opportunity arises and there is a need which will help us catapult each of these businesses to other geographies and other technologies that will help us significantly increase our footprint and value to our shareholders. We want to be prepared for that and that is what I had mentioned in an interview some time ago.

Rushabh: So we might look into whenever it is required?

Vikram Mohan: Either required or an opportunity arises that will add tremendous value to our shareholders and the organization either or. So we wanted to be ready when an opportunity arises or when a need arises we want to prepare the organization which is what my management team and I have worked on over the last two to three years and created that.

Rushabh: Do you see it happening over the next one year?

Vikram Mohan: Highly unlikely over the next one year.

Moderator: Thank you. As there are no further questions from the participants, I now hand the conference over to the management for closing comments. Over to you, Sir.

Vikram Mohan: Thank you, ma'am. Thank you Valorem for organizing and hosting this call. Thank you to all the participants and thank you all for the valuable questions and your patience hearing. On behalf of by able CEO – Mr. Ganesh, CFO – Mr. Priyadarsi, Siddharth – Director Strategy and myself. I thank you all for participating in this call and look forward to connecting with you all for the H2 call of FY24. Thank you. Good evening.

Moderator: Thank you sir. On behalf of Valorem Advisors that concludes this conference for today. Thank you for joining us and you may now disconnect your lines.