Investment memo – Pricol **Date:06/07/2026**

Mcap (Rs bn)	**76**	**Shares O/S (mn)**	**122**
Promoter shareholding	**39%**	**Price (Rs)**	**620**
Pre-tax ROCE	**24%**	**Trailing P/E**	**30**

Investment summary

1) We see Pricol growing its sales/PAT at ~15%/~17% CAGR, in the next 3 years led by:
   a. Display Information Systems (DIS) sales will increase by ~15% CAGR, driven mainly by rising content per vehicle due to rising penetration (29% to 40% in 2Ws, in next 3-4 years) of TFT clusters. Unit value of TFT clusters is 2-3X and ~9X of LCD and mechanical clusters, respectively. We expect similar growth in the non 2W portfolio as well.
   b. We expect ACFMS segment to grow at ~15% CAGR driven by ~10% CAGR growth in the base portfolio (actuation systems, fuel pumps etc) and rising sales in disc brakes segment. Disc brake sales will scale up to ~Rs1.5 bn (Rs350 mn in FY26) in the next 2 years. Also, 2W handle-bar controls/switches business will start contributing from 2HFY28 onwards
   c. PAT will grow a bit faster than sales led by gradual increase in margins due to – operating leverage, rising contribution of exports in ACFMS and backward integration in TFT screens (from FY29 onwards).
2) There are adjacencies which can drive strong growth beyond the next 2-3 years.
   a. In our view, Pricol can gain market share in 4W DIS segment in the long term. As per our understanding, manufacturing a 4W display cluster is easier versus a 2W. A 2W cluster has to weather external elements (rain, sun, heat etc) and perform, which makes it more complex. Hence, we believe that knowhow and execution rigor required for success in the 4W DIS segment is already there with the company; its just a matter of cracking one more (apart from Tata Motors) OE client.
   b. 2W handlebar control products business starting in 2HFY28 can reach sales of Rs5-6 bn in 3 years; total market size as of FY26 is to the tune of ~Rs45bn.
3) Customers love it. Pricol is able to offer globally benchmarked quality at Indian prices. Its competitive positioning is extremely strong.

In our view, the company can deliver ~2X returns in the next 3 years led by: a) ~17% CAGR growth in earnings and b) expansion of P/E multiple from ~25X (on 4Q26 annualised PAT) to ~35X. In our view, given the level of tech. it has built and its strong competitive positioning, Pricol deserves to trade at a premium to most of Indian auto ancs while it is the reverse as of now, creating scope for P/E re-rating.

Company profile

- Pricol was incorporated in 1975, by Mr. Vijay Mohan, to manufacture 2W mechanical display clusters. The company got listed in 1993. Mr. Vijay Mohan left executive responsibilities in FY18, passing over control to his son Mr. Vikram Mohan, who has been running the company since then. Mr. Vikram Mohan's family (2 daughters) have also been inducted into the business.
- Pricol is the leader in 2W display clusters in India with a market share of ~50%. Its market share in 2W TFT clusters (most premium) is ~70% (ex-Honda). DIS segment accounted for ~60% of FY26 consolidated sales.

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- ACFMS segment accounted for ~17% of FY26 consolidated sales. Two main product lines are: Actuation and Control Systems (ACS) and Fluid Management Systems (FMS). ACS help to control certain dynamics of the vehicle through products like cabin tilting system and disk brakes. FMS helps in maintaining supply of fluids to different systems at a defined pressure. Products include fuel pumps, oil pumps, water pumps, electric oil pumps, and electric coolant pumps. Most products cater to ICE and hybrid vehicles, but product launches like electric oil pumps, water pumps, and electric coolant pumps also cater to EVs. Almost 6% of standalone sales are from products which cater to 2W ICEs which are at risk of obsolescence in case of rapid EV penetration.
- Plastic products (injection moulding) account for ~23% of sales (FY26). Pricol entered into this business through acquisition of SACL from TVS group in Dec-24. Total consideration paid was Rs2.2 bn (EV; debt was Rs800 mn), implying valuation of 3.4X EV/EBITDA.
- Pricols market share in 2W, 4W, CVs and off-highway vehicle DIS is ~50%, ~7%, ~80% and ~80%, respectively.
- Break up of DIS revenue (FY25) – 2Ws (includes a bit of 3Ws as well), PVs, CVs, tractors and other off-road vehicles contribute 65%, 10%, 10%, 6% and 9%, respectively to sales.
- Pricol has entered into multiple JVs and technical collaborations with global companies in the past. Important ones are -
    - It entered into technical collaboration with Nippon Seiki (globally dominant company in auto DIS) in 1980s to manufacture instrument clusters for 2Ws.
    - In 1991, it entered into technical agreement with Denso which was later converted into a JV. In 1997, Denso acquired 12.6% stake in Pricol. In 2013, Pricol entered into a JV (49% stake with Pricol) with Denso to manufacture display clusters for PVs. In 2015, it exited this JV as it was proving to be a hindrance for its growth. With the exit a non-compete clause was triggered which forbade Pricol's entry into 4W display clusters till 2020.

  Above technical collaborations have proved instrumental in developing the tech back-bone of the company. Company's top management has been prudent to have consistently invested behind its tech stack to maintain its leading edge in the industry.

- The company got into balance sheet problems (high debt with declining profits) in FY16-20, on account of its two overseas acquisitions.

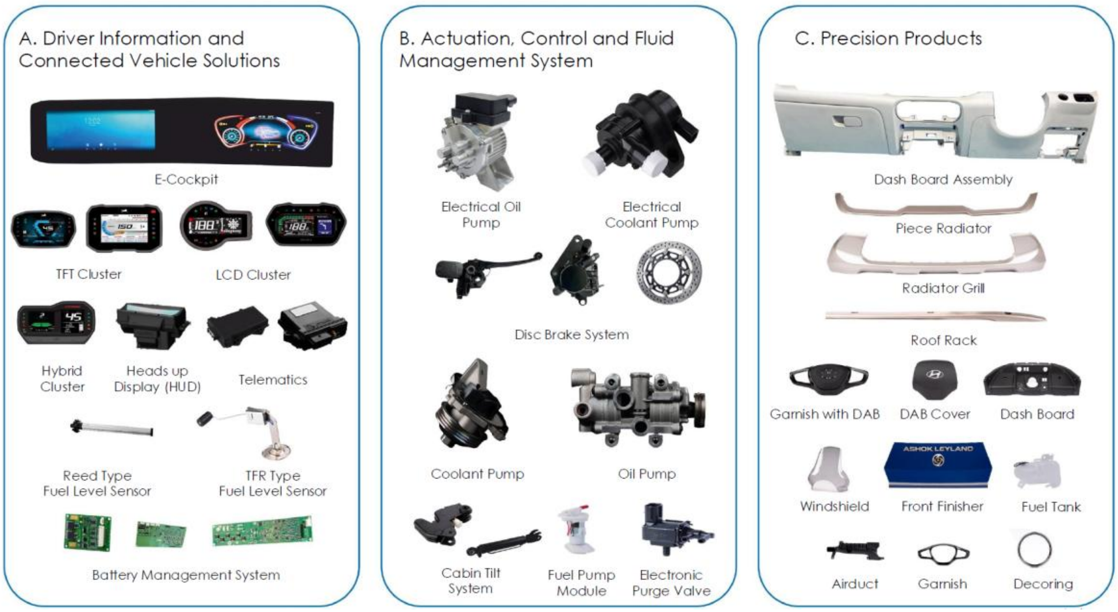
    - It acquired Melling Do Brazil Componentes Automotives from Dana Corporation in Jan-2015. The company was mainly into auto pumps and had a diverse customer base including Ford Motor Company, General Motors, Volkswagen Group, and Harley-Davidson. The business started struggling from FY19 (PAT loss of Rs540 mn) as the Brazilian economy slowed down. Pricol sold the business in Feb-20.
    - Pricol acquired the wiping systems division from the Ashok Piramal group, in FY18, to supplement its pump business in Brazil. The acquired business had three plants in Mexico, Czech Republic, and India. This business was also sold in two transactions in Feb-20 and Aug-20

  Overall, both the acquisitions were a disaster. Pricol incurred losses of Rs4 bn on both these acquisitions, putting its balance sheet in a precarious position. Eventually, to repair the balance sheet the company did a rights issue in Dec-20, at a price of Rs30 per share, to raise Rs810 mn.

- Minda Corporation, flagship company of the Spark Minda Group acquired 15.7% stake in Pricol in Feb-23, for ~Rs4 bn. It subsequently approached the Competition Commission of India, for permission to increase its stake to 24.5%. Pricol's mgmt. regarded this move as hostile. Eventually, Minda Group had to sell its entire (15.7%) stake in the open market; it made good money (almost 2X) in this transaction. In our view, competing company trying to acquire a controlling stake in Pricol is testament to its perceived technical prowess in the DIS industry and its excellent customer franchise.

- On 27th June 2026, the board of directors of the company approved a proposal to split the company into two companies with identical shareholding structures. Hence, all current holders of Pricol Limited would get one share each of Pricol Autotech (DIS business) and Pricol Limited (would contain all the other businesses except DIS). In our view, the move would be good in the long term as nature of both the businesses is different and hence, they need to pursue a different strategic direction to position them strongly in future. For example –
    - DIS business is more innovation led where the company has to invest upfront in R&D and product development to remain at the forefront of technology curve. These investments then position the company to gain/maintain market share 3-4 years hence. Critical investments in the business are on human resource (R&D), product development, creation of global R&D centers and new technology and investments in plant/machinery though necessary, are secondary.
    - ACFMS business on the other hand is more about industrial precision manufacturing. Value creation in this business is function of scale the company can achieve which enables operational efficiency, giving it ability to offer a competitive price. The business requires investments into manufacturing infrastructure, automation and process excellence. Requirement of human resource is more for process excellence and not as much for R&D and product development.
- In our view, the new structure would also position the company to get a strategic tech partner (who could buy a stake) in the DIS business (under Pricol Autotech). In the DIS business, to be able to do any meaningful backward integration (beyond simple processes like optical bonding and making PCBs for TFT screens) requires significant technology inputs which can only possibly come from a global display technology company. Hence, in our view, in case Pricol is able to induct a global display technology company as a strategic partner in the DIS business, it would position the company very strongly in the coming years.

Product Verticals



Financial parameters of Pricol, March fiscal year-ends

	2020	2021	2022	2023	2024	2025	2026
Consol. revenue (Rs mn)	**12,394**	**14,131**	**15,447**	**19,586**	**22,718**	**26,919**	**40,408**
DIS	**6,119**	**6,965**	**9,750**	**12,731**	**15,902**	**18,605**	**24,246**
- 2W	4,589	5,015	6,338	8,275	10,337	13,520	17,550
- PV		330	683	637	991	1,520	2,053
- CV and off road	1,530	1,620	2,729	3,819	4,574	3,565	4,643
ACFMS	**5,884**	**6,938**	**5,484**	**6,545**	**6,652**	**6,685**	**6,714**
Disc brakes	-	-	-	-	-	-	360
Non - disc brakes	-	-	-	-	-	-	6,354
P3L revenue				-	-	**1,629**	**9,448**
Standalone Sales (Rs mn)	**12,003**	**13,903**	**15,234**	**19,276**	**22,554**	**25,290**	**30,960**
Domestic	11,161	12,992	13,946	17,901	21,131	23,917	-
Exports	842	912	1,288	1,375	1,422	1,373	-
Margins (%)							
Gross margin	30.7%	31.7%	30.8%	29.9%	31.5%	30.9%	30.9%
EBITDA margin	6.9%	12.6%	11.7%	11.7%	12.0%	11.6%	11.6%

Nature of the business

Display Information Systems –

2Ws

- In our view, 2W DIS market will grow at a CAGR of ~13% in the next 5 years driven by – a) rising salience of TFT clusters (43% by volume versus 29% in FY26), and b) 7% CAGR volume growth of the 2W industry.
    - In our view trend of premiumisation (rising penetration of TFT clusters) in display systems is very clear as – a) display systems play a critical role in enhancing the brand image of a product in minds of consumers, b) consumers expect increased functionality in the display systems with features like telematics, navigation, etc integrated into the display.
    - Major players in the industry are – Pricol (~50% market share), JNS, Napino and Visteon. JNS is a JV between JP Minda Group and Nippon Seiki of Japan. Napino has a JV with Continental. Visteon and Napino have low market share but are coming up gradually. Except Pricol and JNS, rest of the players are not significant in this business as of now.
    - Market shares differ widely across 2W OEMs. For example – In Honda, JNS and Nippon Seiki have ~50% and ~28% share of business and Pricol's share is in low single digits. However, in all the other OEs Pricol is the dominant supplier. It has 70-80% share in TVS, and ~50% each in Hero and Bajaj.
    - Pricol's market share (ex-Honda) in TFT clusters is higher (~70%) versus its share in the other 2 segments.

4Ws

- In our view, 4W DIS market will growth at a CAGR of ~13% in the next 5 years driven by – a) rising salience of TFT clusters (100% penetration versus 68% in FY26), b) Increasing content by way of increasing screen sizes and c) 7% CAGR in industry volumes.
    - Visteon is the top player in 4W-DIS.
    - Pricol could not enter the 4W DIS business till FY20 as it had signed a non-compete clause with Denso when it exited its JV in 2015. Post that, Pricol has managed to get an entry into Tata Motors; it has ~70% market share in this account.
    - Pricol's market share in the 4W DIS industry is ~7%.

Snapshot of display industry

FY26					FY31					5 yr CAGR (%)
2W volume (mn)	Penetration (%)	Segment	Price per unit (Rs)	Value (Rs bn)	2W volume (mn)	Penetration (%)	Segment	Price per unit (Rs)	Value (Rs bn)	
27	20	Mech.	600	3.2	37.9	7	Mech.	600	1.6	
	51	LCD	1,500	20.7		50	LCD	1,500	28.4	
	29	TFT	4,500	35.2		43	TFT	5,000	81.4	
Industry value (Rs bn)				59.1	**Industry value (Rs bn)**				111.4	13.5%
Car volume (mn)	Penetration (%)	Segment	Price per unit (Rs)	Value (Rs bn)	Car volume (mn)	Penetration (%)	Segment	Price per unit (Rs)	Value (Rs bn)	
5.5	32	LCD	4500	7.9	7.7	0	LCD	4500	0.0	
	68	TFT	6500	24.3		100	TFT	8000	61.7	
Industry value (Rs bn)				32.2	**Industry value (Rs bn)**				61.7	13.9%

Note

1) We have assumed 2W and 4W industry to grow at 7% CAGR in the next 5 years.

2) We have assumed 2% CAGR inflation in the price of TFT screen for 2Ws.

3) We have assumed 4% CAGR inflation in the price of TFT screen for 4Ws.

Pricol's DIS business has grown much faster versus the auto industryled by rising content per unit

Production vol. (mn units)	FY19	FY20	FY21	FY22	FY23	FY24	FY25	FY26	7 - year CAGR
PV	4.03	3.43	3.06	3.65	4.58	4.90	5.06	5.54	**4.7%**
2W	24.50	21.04	18.35	17.83	19.46	21.47	23.88	26.69	**1.2%**
CV	1.11	0.75	0.62	0.81	1.04	1.07	1.03	1.17	**0.7%**
Tractor	0.79	0.71	0.90	0.84	0.95	0.88	0.94	1.16	**5.7%**
Total	**30.4**	**25.9**	**22.9**	**23.1**	**26.0**	**28.3**	**30.9**	**34.6**	**1.8%**
Pricol's DIS sales	6,795	6,119	6,965	9,750	12,731	15,902	18,605	24,246	**19.9%**

Competition profile

JNS intruments Ltd	**FY19**	**FY20**	**FY21**	**FY22**	**FY23**	**FY24**	**FY25**	**FY26**	**CAGR (1)**
Sales	10,503	9,969	9,008	8,930	11,017	12,982	16,721		8%
EBITDA	626	511	453	447	697	745	1,152		
PBT	17	-96	-80	-215	44	261	179		
PAT	10	-118	-86	-215	44	261	179		
Margin (%)									
Gross margin	20.0%	20.6%	20.6%	22.0%	20.8%	18.5%	18.3%		
EBITDA margin	6.0%	5.1%	5.0%	5.0%	6.3%	5.7%	6.9%		
Sources of funds									
Equity	446	310	224	9	53	314	493		
Debt	2,421	1,954	1,924	2,026	1,727	2,371	3,592		
Ratios									
ROE (%)	2.3%	-38.1%	-38.4%	-2316.5%	82.5%	83.1%	36.3%		
Pre - tax ROCE (%)	7.2%	5.5%	3.0%	-2.9%	14.1%	10.2%	11.1%		
Nippon Seiki instruments India pvt ltd.									
Sales	6,435	6,370	6,559	4,246	4,169	4,930			-5%
EBITDA	367	50	-155	157	143	507			
PBT	485	61	-80	135	413	435			
PAT	500	-90	-87	108	252	279	384		
Margin (%)									
Gross margin	15.8%	15.9%	11.2%	23.4%	22.2%	33.1%			
EBITDA margin	5.7%	0.8%	-2.4%	3.7%	3.4%	10.3%			
Sources of funds									
Equity	1,427	1,337	1,250	1,358	1,610	1,889			
Debt	443	404	230	77	79	21			
Ratios									
ROE (%)	35.0%	-6.8%	-6.9%	7.9%	15.7%	14.8%			
Pre - tax ROCE (%)	18.4%	-7.6%	-43.7%	-1.2%	-4.7%	17.6%			
Minda Corporation									
Sales	30,920	22,226	23,679	29,759	43,001	46,511	50,562	61,853	10%
Revenue from clusters	4,635	3,810	3891	3,273	6,020	6,977	8,090	10,515	12%
Clusters as % of sales	15	17	16	11	14	15	16	17	
Pricol Ltd									
Revenue	18,137	12,394	14,131	15,447	19,276	22,554	26,919	40,408	12%
DIS revenue	6,795	6,119	6,965	9,750	12,731	15,902	18,605	24,246	20%
DIS as a % of total reve	37.5%	49.4%	49.3%	63.1%	66.0%	70.5%	69.1%	60.0%	

Note:

1) Sales CAGR for JNS and Nippon Seiki is for 6 and 5 years, respectively.

- Manufacturing a display system requires – a) skills in hardware (PCB) design, b) PCB manufacturing and c) software design and coding. Both LCD and TFT (high value) screens are imported from outside India and hence gross margins (% terms) in the DIS business are low.
- A good DIS vendor brings the following value add (apart from good software/hardware design) to the table –
    - A good R&D department which can enter into product development partnerships with OEs and successfully deliver products as per OE specifications. Typically, a DIS vendor is onboarded 2-3 years before the product launch since – a) display cluster is a very important part of the vehicle design and aesthetics and b) modern display clusters need to display a lot of parameters (engine health, battery life, etc) and hence need to be connected to critical parts of the vehicle. Typically, once a model is commercialized, product development partner retains the business. However, in case of problems (with the product or pricing) OEs can bring a second vendor as it is not difficult to reverse engineer a DIS system. Apart from the above, a good R&D department also has to be tuned into constant change in tech happening in the display technologies worldwide.
    - R&D (including product development) requires a lot of investment. Pricol spends almost ~3-4% of its topline on R&D, which is around the maximum we have seen any Indian auto ancillary doing; absolute level of spending was ~Rs720 mn in FY25. In FY25, out of 1000 white collar employees of the company, almost 480 were working in R&D and product development. Pricols R&D spend is also very efficient - our channel checks suggest that Pricol's product development cost is almost ~25% of the cost that global companies incur/charge as their product development is mostly outside India.
    - Fast TAT and reasonable product development cost to enable the customers to iterate quickly through the available options.
    - Usual value add (of any dominant B to B business) of giving partial benefits of bulk sourcing of expensive RMs (like TFT screens) to OE customers.

Pricols R&D spend is significant in the Indian auto-anc landscape

Pricol Ltd.	**FY19**	**FY20**	**FY21**	**FY22**	**FY23**	**FY24**	**FY25**
Standalone sales (Rs mn)	13,773	12,003	13,903	15,234	19,276	22,554	25,290
Total R&D spend	451	478	240	382	752	744	720
R&D as % of turnover	**3.28%**	**3.98%**	**1.73%**	**2.51%**	**3.90%**	**3.30%**	**2.85%**
Sona BLW Precision Forgings Ltd.							
Net Sales	6,992	5,387	14,000	19,390	24,686	28,931	32,328
Total R&D spend	11	9	11	442	731	793	946
R&D spend as a % of turnover	**0.16%**	**0.18%**	**0.08%**	**2.28%**	**2.96%**	**2.74%**	**2.92%**
Sedemac Mechatronics Ltd.							
Net Sales	2,164	2,013	2,403	2,833	4,230	5,307	6,584
Total R&D spend	174	204	209	329	733	505	444
R&D spend as a % of turnover	**8.03%**	**10.12%**	**8.69%**	**11.62%**	**17.32%**	**9.51%**	**6.74%**
Fiem Industries Ltd.							
Net Sales	14,490	13,800	12,212	15,723	18,481	20,288	24,226
Total R&D spend		103	89	96	213	279	482
R&D spend as a % of turnover		**0.75%**	**0.73%**	**0.61%**	**1.15%**	**1.37%**	**1.99%**
UNO Minda Ltd.							
Net Sales	34,930	35,247	37,006	49,597	71,871	89,833	1,24,557
Total R&D spend	915	732	572	1,115	1,990	2,245	2,123
R&D spend as a % of turnover	**2.62%**	**2.08%**	**1.55%**	**2.25%**	**2.77%**	**2.50%**	**1.70%**
Motherson Sumi Wiring India Ltd.							
Net Sales				56,350	70,680	83,274	93,194
Total R&D spend				264	299	332	415
R&D spend as a % of turnover				**0.47%**	**0.42%**	**0.40%**	**0.45%**

- Given that the most expensive RM component (TFT) is 100% imported, the business exhibits high asset turns of ~3X. We have deduced this from the balance sheet of JNS as it is a pure play DIS business. Asset turns of Pricol could be a little bit lower as in our view, it maybe be doing more components inhouse versus JNS. Assuming – a) asset turns of 2.5X, b) EBITDA margin of ~11.5% and c) 30 days of working capital, the business yields pre-tax ROCE of ~20% (on greenfield basis).

Asset turns in case of JNS Instruments Ltd.

	FY19	FY20	FY21	FY22	FY23	FY24	FY25
Sales (Rs mn)	10,503	9,969	9,008	8,930	11,017	12,982	16,721
Gross block (excluding intangible assets)	3,133	3,563	4,022	4,151	4,323	4,440	4,846
Asset turns (X)	**3.4**	**2.8**	**2.2**	**2.2**	**2.5**	**2.9**	**3.5**

Capital efficiency parameters of Pricol, standalone, March fiscal year-ends

	2020	2021	2022	2023	2024	2025	2026
Working capital (no. of days of sales)							
Inventory days	48	67	59	57	50	43	55
Debtor days	48	51	59	55	49	55	58
Payable days	105	108	108	92	69	79	74
Working capital days	**-9**	**11**	**10**	**20**	**30**	**18**	**39**
Gross block (ex intangible assets)	6,718	6,626	7,330	7,967	9,061	10,566	12,643
Asset turnover	**1.79**	**2.10**	**2.08**	**2.42**	**2.49**	**2.39**	**2.45**
Return ratios (%)							
ROE	-50%	3%	8%	17%	16%	15%	18%
Post - tax ROCE	-1%	-37%	11%	15%	18%	19%	17%
Pre - tax ROCE	-1%	-49%	15%	20%	23%	25%	22%

ACFMS (Actuators, Controllers and Fluid Management)

- This vertical consists of disparate precision engineering products like fuel and water pumps, cabin tilting systems (for off-highway vehicles and CVs), speed limiting devices, sensors and disc brakes.
- We don't have understanding of exact composition of this segment. Broadly, water, fuel and oil pumps form around 60-70% of sales. Roughly 6% of standalone sales of the company is into pumps which are linked to 2W ICE engines and hence at risk given possibility of rapid increase in penetration of EVs. The company manufactures -
    - Fuel, oil, water, coolant pumps and electronic purge valves for ICE engines. In this segment, Pricol is the second largest player in India with market share in the range of 30-40%.
        - Fuel pumps are used to inject precise amount of compressed fuel and air into the injector which in turn supplies this mixture in the combustion chamber. They are part of the electronic fuel injection system which consists of a pump, injector and a controller.
        - Oil pump is the heart of the engine lubrication system.
        - Coolant pumps circulate coolant through the engine block and radiator.
        - Electronic purge valves are used to trap fuel vapors created in the fuel tank and prevent them from escaping into the air; this is part of the evaporative emission control system.
        - Electric coolant pumps are used to cool down components (battery, motor, controller unit etc in EVs) where thermal management is required.
    - To diversify the risk on account of phasing out of ICEs in 2Ws, the company is incrementally participating in pumps which are used in off-highway vehicles, CVs etc where risk of product obsolescence is much lower.

ACFMS product mix

Product	2w	3w	PV	CV	Tractors	ORV	Industrial	EV Ready?
Fuel Level Sensor Reed Type	–	–	–	✓	✓	✓	–	
Fuel Level Sensor TFR Type	✓	✓	✓	–	–	–	–	
Cabin Tilting System	–	–	–	✓	–	–	–	**Yes**
Wiping System	–	–	✓	✓	–	–	–	
Disc Brake	✓	–	–	–	–	–	–	**Yes**
Fuel Pump	✓	✓	–	–	✓	–	✓	
Electrical Oil pump	–	–	–	–	–	✓	–	**Yes**
Oil Pump	✓	✓	✓	✓	✓	✓	✓	
Electrical Coolant Pump	✓	✓	✓	✓	✓	✓	✓	**Yes**
Coolant Pump	✓	✓	✓	✓	✓	✓	✓	
Electronic Purge Valve	✓	–	–	–	–	–	–	**Yes**

- ACFMS segment accounts for 90% of the export (exports were ~6% of sales in FY26) revenues of the company. 70% of exports are to US and Europe is the second largest destination. The company supplies these products to marque customers like Caterpillar, Harley Davidson, Polaris, Generac, Kohler etc.
- As per our understanding, margins in this business are much higher (almost 2X) versus the OEM business in India.
- The company is adding new products into this vertical –
  - Disc brakes –
    - Total market size of disc brakes, in India, is ~5 mn units per annum. As per our understanding, given that disc brakes are used on premium bikes which are growing faster, overall volume growth in the disc brake market would be ~10% CAGR (in case underlying 2W industry grows at ~7% CAGR) in the next 5 years.
    - As of now, Endurance is the market leader in this industry with annual volumes at ~3 mn (capacity is 100% utilized). It is expanding capacity to 6 mn units in the coming 1-2 years.
    - Apart from Endurance, there are Japanese vendors who manufacture locally and supply to Honda.
    - ~1 mn disc brake units are imported (mainly from China). In our view, almost the entire volume being imported will be substituted with domestic production in the coming years.
    - Pricol has set up a capacity of 0.5 mn units which is already commercial. It has started business with 2 EV companies in 1HFY26 and most likely would start with one of the large OEMs in 1HFY27. At full utilization, this capacity will generate sales of ~Rs1.2 bn (average realz per unit is Rs2500).
    - The company would expand this capacity to 3 mn units in the next couple of years.
    - Disc brakes market in India could expand meaningfully (3X) in case government makes ABS (Anti-lock Braking System) mandatory for all 2Ws (versus only 2Ws above 125 CC as of now). This regulation was supposed to be implemented in Jan 2026 but was postponed at the behest of 2W OEs who feared the impact of price increase on industry volumes. Incase, the above regulation is implemented in future it could significantly accelerate growth of Pricol in this business.
  - 2W handle-bar control products
    - Pricol has entered into a technology license agreement (TLA) with Italy based Domino SRL which is a global leader in motorcycle control systems. Under this agreement, Pricol will manufacture 2W handle bar control products like

switches, throttles, levers etc and sell these products in both India and South East Asia. Revenues from this segment would start in 2HFY28.

    - As per the mgmt. , the TLA partner was identified by OE customers only who then encouraged Pricol to enter into an agreement.
    - The above 2 customers (2 large OEMS is how the management described) are the anchor customers for this business.
    - As per our understanding total market size in India is to the tune of Rs40-45 bn. Uno Minda is the leader by far with a market share of ~60%. Other players are Varroc, Spark Minda and Lucas TVS.

- In our view, ACFMS business should grow at 15-20% CAGR in the next 3-5 years. Growth got stalled a bit in FY26. At the start of FY26 the mgmt., was targeting to grow ACFMS business faster (20-30% CAGR) than the DIS business, however FY26 growth was lower on account of slowdown in exports and exports to US (~5% of overall standalone sales) specifically getting impacted on account of significant increase in duties on Indian products. As per the management growth in the coming years will be led by a) fuel pump modules in the short term, b) disc brakes business ramp up starting FY27 onwards, and c) 2W switches business from 2HFY28 onwards.
- On an overall basis, Pricol's standalone business generates a pre—tax ROCE of ~23% (average of last 4 years) at reasonable levels of utilization. We would expect that with the company investing aggressively to increase capacity across all business lines and also entering into new businesses over the next 2 years, pre-tax ROCE should trend towards ~20%

Injection moulding business – P3L

- The company acquired this business from Sundaram Auto Parts (TVS group company) on slump sales basis for Rs.2.2 bn (at 3.5X FY24 EV/EBITDA) in Jan 2025. At the time of acquisition turnover of the business was ~Rs7 bn and EBITDA margin of ~7%. Pricol could acquire this business at low valuation as –
    - The business was subscale given that ownership of TVS group precluded sales of its product slate to other competing OEs.
    - Product profile of the company was commoditized with mostly simple injection moulded components rather than precision components and assemblies.
    - Pricol had to invest Rs2.5 bn (over ~2 years) into capex in order to upgrade plant and machinery to be able to meet quality and scale parameters of OEs.
- As per the management, the endeavor is to grow sales 2X in 3 years (from date of acquisition) and improve EBITDA margins from ~7% to ~10% in the same duration. As of end FY26, sales and EBITDA margins have grown to Rs9.3 bn and ~9.5%, respectively.
- In our view, this business is not as high value-added as rest of the business of the company. The company has started to make R&D investments (creating center of excellence) in the business and hence it is possible that in the next 3-5 years, it is able to position this business into much higher value added products and assemblies.

Investment rationale

- We expect the company to grow it sales and PAT at ~15% and ~17%, CAGR, respectively in the next 3-5 years driven by –
  - As explained earlier (under 'nature of business' section) we expect the 2W and 4W DIS market to grow at a CAGR of ~13%. Underlying assumptions (next 5 yrs) are –
    - 2W and 4W market (volume) growth of ~7% CAGR each.
    - TFT cluster price inflation at 2% CAGR in 2W. As per our channel checks, even though there is limited scope to increase screen size in 2Ws, still, on account of consumer demand for higher screen sizes, screen size will be on a rising trend in the coming 3-5 years. For example – current models of Honda scooters feature a 4.2 inch screen (~Rs4k). Upcoming launches in the near term would feature a 5 inch (~Rs4.6k) and launches further down the line would feature a 7 inch screen (~Rs5.2k). We would presume that other 2W OEs would follow a similar trajectory of product development.
    - Average TFT cluster price for cars will move from Rs6.5k to Rs8k in 5 years given that there is trend (and also space) towards bigger screens which we expect to continue in the coming years.

There are some tailwinds/headwinds for Pricol's market share in 2W DIS, which we are enumerating below –

- Pricol had negligible presence (~1-2% market share till FY25) in Honda which accounts for ~24% of industry 2W (ICE+EV) volumes. Honda historically has been sourcing from its Japanese partners (at global level), JNS (JV between Nippon Seiki and JP Minda Group) and Nippon Seiki (100% India sub). Almost 80% of DIS volumes of Honda are catered to by Nippon Seiki (either through JNS or Nippon Seiki) with other vendors being Spark Minda and Visteon. Honda (global parent) also has ~5% stake in Nippon Seiki (global parent). Our channel checks suggest that Honda has given order of its Shine model to Pricol which can enable Pricol to move its share to ~6% in the coming year.
- In the last 2-3 years. Honda has aggressively shifted its DIS systems to TFT; now TFT accounts for ~70% of all volumes of Honda. This is reflected in sharp scale up of sales in JNS in the last few years. In our view, other OEs would also have to rapidly move towards TFTs as a higher end screen plays a significant role in enhancing brand appeal of a vehicle and other OEs wont like to give Honda an upper hand in that department. Given that Pricol's market share in other OEs (excluding Honda) is much higher; It will gain as other OE move their DIS towards TFT.
- Recent increase in petrol price has led to significant increase in demand for EV 2Ws. EV 2W sales are up by ~63% in the first two months of the year. In our view, this trend towards EV scooters will sustain even as oil prices cool down as the product offers better drive quality (versus ICE), lower operating expenditure, and easy charging. Most of the EV 2Ws have either LCD or TFT clusters and hence this trends towards EVs will accelerate sales of LCD/TFT DIS, leading to faster growth of the DIS market. On top of this, Pricol has a major market share with the top 3 OEs in 2W EVs (TVS, Bajaj and Ather) which altogether have 64% share of the EV 2W market. Hence, we expect Pricol to be a major beneficiary of this trend and could possibly gain market share in the next 1 or 2 years.
- As per our channel checks, there are 2 major vendors for DIS emerging in 2Ws- Visteon and Napino (Hero group company; it has JV with Continental). Amongst these two, in our view, Visteon can pose a challenge to incumbents as Visteon has

        significant scale (dominant in 4W DIS) and also it has been aggressive with pricing. In contrast with other global vendors like Nippon Seiki, Visteon has its global design center in India (it employs almost 2000 engineers in total) and hence its design and development cost is lower than other global players and hence it can afford to be aggressive on price to gain market share in 2W DIS.

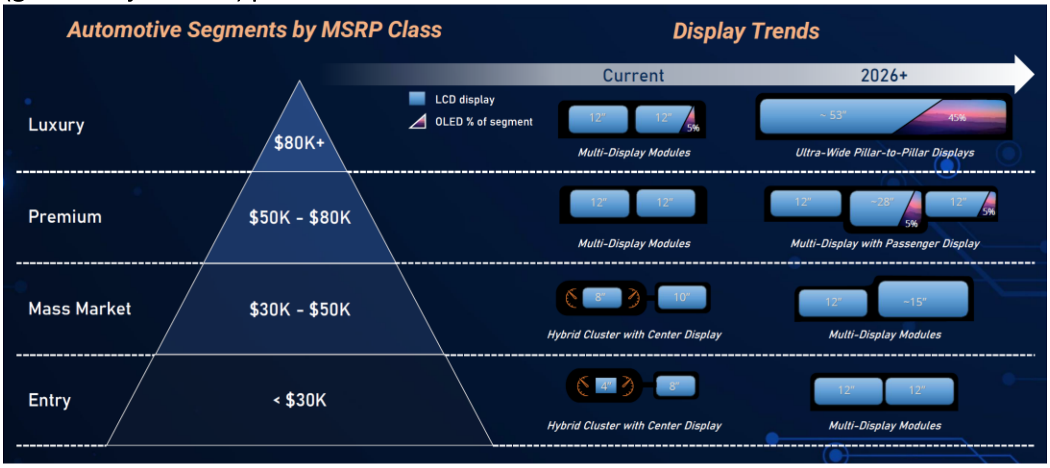
    - In our view, there is a reasonable probability that Pricol would be able to gain market share in the 4W DIS business. As of now, it supplies DIS to only Tata Motors and has ~70% market share. In our view, there is scope for Pricol to gain market share –
        - There is possibility of making inroads into M&M. M&M is the only other OE (apart from Tata Motors) which does not have a global tie-up for this product and hence can give some business if convinced of the value proposition. As per our channel checks, Visteon is the dominant vendor in this account.
        - As per our understanding, manufacturing a 4W DIS is simpler versus a 2W DIS as- 2W DIS has to be robust enough to handle very high vibrations and also it needs to be more resistant to elements of nature (rain, sun etc) as it is always exposed to these. 4W DIS in contrast needs to handle much lower vibrations and is not in contact with elements of nature at any point of time. Hence, in our view, a company which can make good 2W DIS should also be able to offer a good product in 4W DIS.

          Hence, in our view, there is reasonable probability that Pricol should be able to gain share in 4W DIS in the long term.

- Competitive positioning of Pricol is very strong in its core DIS business. Customers love it (came across in our channel checks). Strong competitive positioning of the company is evident in the superior growth the company has exhibited versus competition in the last 5-7 years (refer the exhibit under 'nature of the business' section). In our view, the fact that an Indian company has managed to create a dominant market share (in 2W DIS) in a product (LCD/TFT DIS) in which global companies compete and which requires significant technology inputs itself says a lot about capability set of Pricol both from technology and execution point of view. As per our understanding, Pricol's strong competitive positioning comes from –
    - Years of significant spends on R&D (for data refer 'nature of the business' section) which have enabled it to create a good product which is able to compete with all global players in all respects, like quality, features, contemporary technology etc.
    - At the same time, Pricol is able to price its products at a price which is a bit lower than global companies which makes the value proposition very good for OE customers.
    - Pricol's R&D and product development cost is much lower versus global competition as its entire R&D HR is in India. The other dominant company in 2W DIS, JNS (and Nippon Seiki) has its product development and R&D center in Japan, which makes its product development cost almost 4X of Pricol. Other global companies like Visteon and Continental have their GCCs in India and hence would have lower cost than Nippon Seiki but we presume that Pricol will still have a cost edge (though not that significant) versus the likes of Visteon given global companies much higher corporate overheads versus scrappy Indian companies.
    - In our view, Pricol's has built its culture in a manner which places emphasis on R&D. The company has had major success in its non-DIS business as well. Pricol was the company which broke the monopoly of Bosch in fuel pumps, which is a significant achievement in our view.

  In the coming years, with the company backward integrating into manufacturing of TFT screens in India, its competitive positioning might get bolstered further.

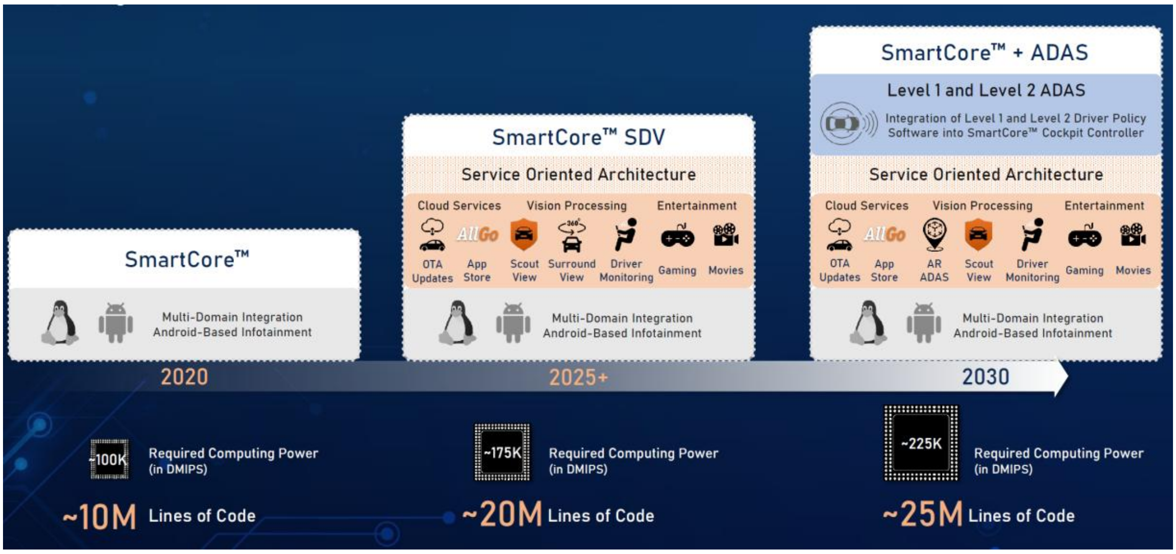
- DIS is a good auto ancillary business to hold onto, even beyond the next 3-5 years for which we have projected given that – a) content per vehicle will keep on rising even beyond the next 3-5 years and b) given the high value add in this component and perceived value for customers (car buyers), in our view, pre-tax ROCE would sustain at 20-25% range .
  - As per our understanding the content (for DIS) per vehicle is increasing in the developed markets also, in the coming years, which implies that for India it is going to continue for the next 10 years, atleast. Increasing content in developed markets is evident in Visteon's (global major in DIS) presentations –



  - Apart from hardware, in our view, the software part of the product would also keep on seeing higher value add in terms of new features/functionality for which the DIS vendors would get to increase prices gradually. For example –
    - With advent of concept of integrated digital cockpit solution which incorporates all the various elements of the physical dashboard (like infotainment system, AC and other controls and driver information systems) on a single screen which runs from pillar to pillar, there is need for a control unit or a centralized CPU which in turn controls all the various functions running on all screens inside the vehicle. Centralized control unit obviates the need for using multiple processors for different functions on the dash board (like one each for infotainment, DIS, ADAS etc) and hence is more efficient. For a DIS vendor this has the potential to significantly increase value add (apart from hardware) from software point of view as software needs to be pretty elaborate to manage all the various functions on the screen. For example – it needs to distribute computing power in a way so as to enable ADAS and other critical systems like DISs to function despite the infotainment system having crashed. We have presented 2 slides from Visteon's presentation which give an idea of increasing value of software in DIS.

Exhibit: Illustrates various features Visteon has been able to offer customers with combination of hardware and software.

Exhibit: Illustrates increasing complexity of the software powering the DIS.

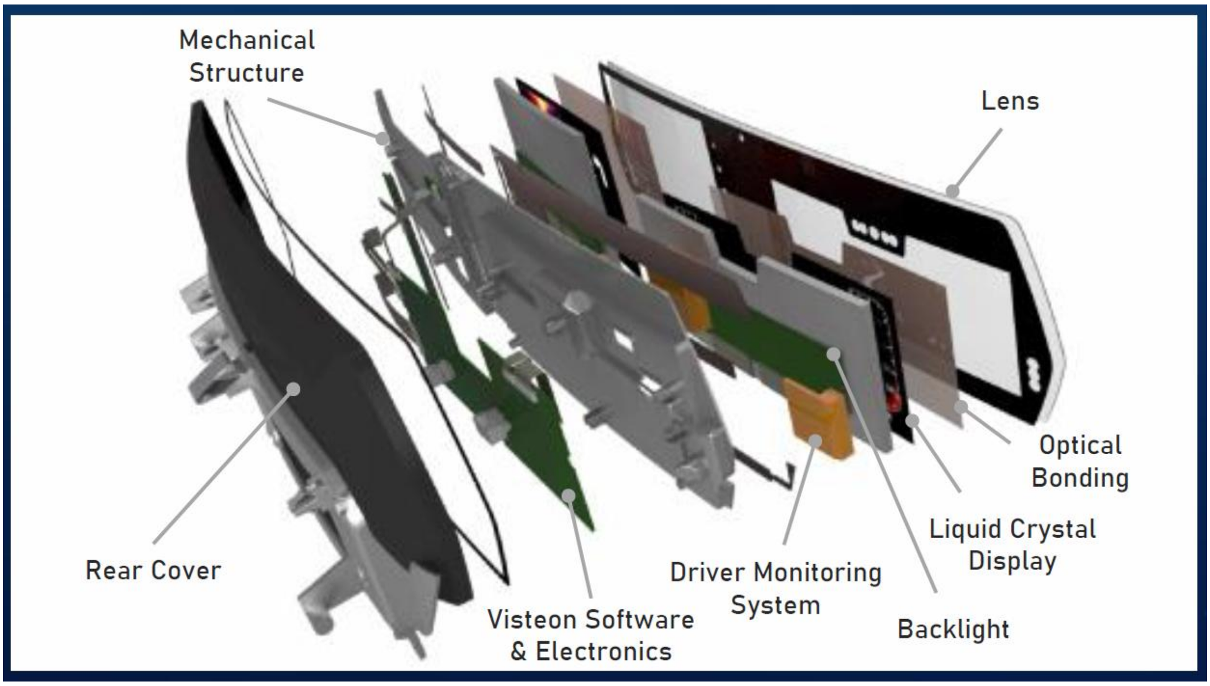


- Entry barriers in DIS are higher versus other auto ancillary components as –
    a. DIS vendor gets associated with a project (a new vehicle model) right in the beginning of the development process and hence gets the business once the model is commercialized. Typically cycle from product development to commercial launch is ~2-3 years. The customer almost never switches the vendor at the time of commercial launch or thereafter.
    b. DIS vendor has control of its IP (mainly software) which is part of the product and hence there is friction involved in switching vendors in case OE were to give the front-end design to a new vendor for it to reverse engineer the product.
    c. Most of the auto ancillary products like forgings/castings/mouldings are build to print (and hence easy to copy) and hence it is easy for an OE to change the vendor.

    Hence, typically a DIS vendor is not changed till the time there is a major problem on the quality front.

- ACFMS business will grow at 15-20% CAGR. Growth in this vertical would be led by –
    - Fuel pump modules in the near-term. The company started selling fuel pumps in 2020 to 2W OEs is India and outside India. It also exports these pumps to US and Europe mainly for the off-highway vehicles (mining trucks, excavators, tractors etc). We see a significant potential to grow the exports business as globally the dominant vendors would be hesitant to put investments into ICE linked products creating a significant room for Pricol to expand.
    - Disc brake business will scale up in the next 3 years. Capacity of 0.5 mn units is already commercial. Business has started with 2 EV customers in 1HFY26 and 1 large OEM customer would also start in 1HFY27. At full utilization this capacity will produce sales of Rs1.2 bn. The mgmt. is targeting to increase capacity gradually in the next 2 years and achieve sales of Rs3 bn in 3 years time.
    - 2W switches and handle bar control products will start in 2HFY28. As mentioned above, market size is close to ~Rs45 bn as of now (possibly would grow at atleast ~8% CAGR in line with the 2W industry). We expect the company to get a reasonable market share (10-15%) over time (FY29-32).
- EBITDA margins should improve gradually in the coming years led by operating leverage, rising share of exports and backward integration into TFT displays.
    - The company has entered into a technology license agreement with BOE Varitronix (Chinese) to start assembling TFT clusters (for 2Ws) in India. BOE Varitronix is one of the leading global companies in display technologies. As per our understanding, Pricol will start with doing the optical bonding process in the beginning and then gradually get into manufacturing components like backlights and PCBs. Commercial production is slated to begin in FY29, maybe. Our channel checks suggest that domestic manufacturing of TFT screens could lead to 15-20% savings on cost (including saving of import duties).
        - There are other companies in India which are also entering into TFT screen manufacturing in India by entering into tech licensing agreements - A) SJS with BOE Varitronix (for 4Ws), b) Krishna Maruti with Truly (Chinese), c) Nippon Seiki with EDT (Taiwan).
        - In our view, backward integration will add to overall EBITDA margin for the company.

Parts of digital screen



- Pricols management has been guiding for growing exports faster than growth in the domestic business. As per the mgmt. contribution of exports to sales should increase from ~7% of sales as of now to ~10% in the next 3 years. EBITDA margins in exports are ~2X of that of domestic business and hence rising exports share should be a tailwind to margins.
- In our view, the base business growing at ~15% CAGR should provide operating leverage to gradually improve (by 30-50 bps) margins in the next 3-5 years.
- The company has also been front ending investments into high quality human resource in order to prepare for – a) recent/upcoming launches like disc brakes, 2W handle-bar control products etc, b) R& D investments into the plastics business to be able to position the business into higher value added products in the coming years. As these new businesses start and scale up we expect operating leverage to kick in, increasing margins at a gradual pace.

Perspective on valuation and potential returns

We expect the stock to compound at ~20-25% CAGR in the next 3-5 years driven by a combination of growth in earnings (~17% CAGR) and a bit of re-rating of valuation multiples –

- In our view, Pricol is one of the best businesses to own in the auto ancillary space as –
    - There is strong trend of rising content per vehicle which should continue for the next 5-10 years.
    - Value- add in the product (DIS) is much higher than most of the other auto ancillary components (like forgings, castings, lights, plastic components etc). In our view, most of the listed auto ancillary companies (in forgings, castings, lighting, etc) are build-to-print businesses with very little or no component of IP involved in the business.
- In our view, street under-appreciates what Pricol has achieved so far, which is reflected in the lower P/E multiple (~26X 4Q26 annualised PAT) versus other auto ancillary companies which are into lower value-added businesses, which trade at anywhere between 30-40X trailing P/E multiple.

- DIS is a high value-added system requiring deep understanding of hardware and software design. This is borne out by the fact that most of the companies in this product segment are global majors.
- In our view, the fact that Pricol has defended its high market share in an industry which requires technology and where competition is from global majors (Visteon, Nippon Seiki, Continental) is a very significant achievement. We don't think there are many other examples of similar nature in the auto ancillary space

Hence , in our view, there is a case for re-rating (26X to maybe 30-35X) of multiples as the company would continue to deliver growth at the higher end of auto ancillary universe.

Risks

- It could be difficult to defend the high market share (>50% in 2W DIS) that Pricol enjoys as of now. While Pricol's edge (lower development and R&D costs) is significant versus global companies, however, some of the global companies have made significant investments into creating GCCs in India. Our channel checks suggest that Visteon and Continental have ~2k and ~8K engineers in India. Hence, in case any of the global companies decide to go aggressively after market share by leveraging lower product development cost in India to offer lower prices to customers, it could create a problem for Pricol. How this will play out is not clear to us as of now as generally, global companies also load global corporate overheads to the cost structure of local companies and hence it is possible that Pricol's competitive edge might retain to a large extent.
- The business could go through periods of stress on margins in an inflationary scenario which is the case as of now. Gross margin of the business are low (~30%) and hence any large increase in the RM cost could create pressure on margins for a while (2-3 qtrs) before the company is able to offset it through price increase from its customers. In the last 3-4 months there has been consistent depreciation of Rupee which is leading to severe inflation in RM costs (PCB prices are up by ~50% qoq). In our view, there is risk that the company could report weak margins in the next 2-3 quarters.
- The current hyper inflationary environment could also impact demand for autos which could lead to weaker than expected volume growth in FY27.

Financial summary consolidated (Rs mn)

P&L, March fiscal year - end (Rs mn)	2020	2021	2022	2023	2024	2025	2026
Sales	12,394	14,131	15,447	19,586	22,718	26,919	40,408
EBIDTA	854	1,779	1,806	2,285	2,731	3,129	4,694
EBITDA (%)	**6.9%**	**12.6%**	**11.7%**	**11.7%**	**12.0%**	**11.6%**	**11.6%**
Other income	149	78	88	46	132	166	116
Depreciation	959	942	818	779	821	898	1,200
EBIT	-105	837	987	1,506	1,910	2,231	3,494
PBT	-295	485	803	1,466	1,859	2,266	3,309
PAT	-259	158	511	1,247	1,406	1,670	2,508
EPS	-9.47	3.81	4.19	10.23	11.54	13.7	20.57
Balance sheet							
Equity	3,974	5,248	5,762	7,043	8,453	10,160	12,549
Debt	4,314	2,480	1,281	892	466	1,245	3,629
Other non - current liabilities	913	1,023	919	780	645	1,084	530
Total sources of funds	**9,201**	**8,751**	**7,962**	**8,715**	**9,564**	**12,489**	**16,708**
Fixed assets	7,217	6,268	5,964	5,902	6,249	8,645	10,448
Other non - current assets	1,019	779	524	533	675	1,044	1,383
Working capital	223	712	735	1,050	1,283	1,351	3,126
Other current assets	269	237	211	355	168	360	493
Cash and investments	472	755	528	876	1,188	1,090	1,258
Total uses of funds	**9,201**	**8,751**	**7,962**	**8,715**	**9,564**	**12,489**	**16,708**
Cash flow statement							
Cash from operations (incl. interest)	1,512	1,282	1,826	1,628	2,548	3,093	2,813
Cash used in working capital	1,073	-660	122	-330	43	437	-1,246
Capex	-756	-320	-449	-849	-1,433	-2,163	-3,234
FCF	**242**	**603**	**1,122**	**598**	**932**	**798**	**-721**
Return ratios (%)							
ROE	-7%	3%	9%	18%	17%	16%	20%
ROCE pre-tax	-1%	12%	15%	21%	25%	22%	24%

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