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CUSTOMERS EMPLOYEES SHAREHOLDERS SUPPLIERS

PL/SEC/TGT/2024-2025/098 Friday, 8th November, 2024

Listing Department **National Stock Exchange of India Limited** "Exchange Plaza', C-1, Block G Bandra-Kurla Complex, Bandra (E), Mumbai - 400051	Corporate Relationship Department **BSE Limited** 1st Floor, New Trading Ring Rotunda Building, P J Towers, Dalal Street, Fort, Mumbai 400 001
Scrip Code: PRICOLLTD	Scrip 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 7th November 2024 pertaining to Company's unaudited financial results for the quarter ended 30th September 2024.

This is for your information and records.

Thanking you
Yours faithfully,
For Pricol Limited

THANGAVEL GAJALAKSHMI THAMIZHANBAN
Digitally signed by THANGAVEL GAJALAKSHMI THAMIZHANBAN
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T.G.Thamizhanban
Company Secretary
ICSI M.No: F7897

Encl. As above

PRICOL Limited
PRICOL Limited Q2 and H1 FY25 Earnings Conference Call
November 07, 2024

Moderator: Ladies and gentlemen, good day and welcome to the Q2 and H1 FY 2025 Conference Call of PRICOL Limited.

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 this conference call, please signal an operator by pressing '*' then '0' on your touchtone phone.

Please note that this conference is being recorded. At this time, I would like to hand the conference over to Mrs. Purvangi Jain from Valorem Advisors.

Thank you, and over to you.

Purvangi Jain: Good evening everyone and a warm welcome to you all. My name is Purvangi Jain 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 second Quarter and Financial Year 2025. Before we begin, let me mention a short cautionary statement. Some of the statements made in today's concall may be forward-looking in nature. Such forward-looking statements are subject to risks and uncertainties, which could cause actual results to differ from those anticipated. Such statements are based on management's beliefs as well as assumptions made by and information currently available to the 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 Earnings 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 earnings 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; and Mr. Priyadarsi Bastia – Chief Financial Officer.

Without any delay, I request Mr. Vikram Mohan to start with his opening remarks, followed by financial and operational highlights of the company. Thank you, and over to you, sir.

Vikram Mohan: Good evening to all participating in this call today to go over the H1 Financial Performance of our Company. We thank you for your presence. The presentation has already been uploaded and I hope all of you have had a chance to look at the presentation. In terms of questions at the end of the presentation, to give everyone a fair hearing and a chance to ask questions, we ask you to restrict yourself to one question at a time and rejoin the question queue, please.

I am pleased to announce that we have had higher than market growth for the Quarter 2 of Financial Year 2025, quarter ending 30th September. Our revenue from operations stands at 6,500 million with an EBITDA of 871 million resulting in an EBITDA margin of 13.4% with a PAT of about 450 million and a PAT margin of 6.93% resulting in a basic EPS of 3.70 Rupees per equity share. This is on a consolidated basis.

For the half year ending 30th September, for Q1 and Q2 put together, we have had sales of close to 12,530 million, EBITDA of 1,677 million, an EBITDA margin of 13.39%, profit after tax of 906 million, profit after tax margin of 7.23% and a basic EPS earning per share of equity share of 7.44 Rupees. I am also happy to inform you that at a consolidated level, our long-term borrowings are nil and we have comfortable cash reserves in the company as of 30th September. Our revenue from operations on a quarter-to-quarter basis between FY24 and FY25, we have grown at around 15.54% in spite of having muted sales in the automotive industry in Q2.

Our EBITDA has grown by 24.7% for the same period and for the half yearly results, we have grown pretty similarly at 15.51% and EBITDA has grown at 23%. All the other details of the financial performance are loaded on the website. We will go straight away to the question-and-answer session.

Once again, I remind everyone to ask one question and rejoin the question queue as there are many people who have already posted questions. Thank you. Thank you very much.

Moderator: We will now begin the question-and-answer session. We will take a first question from the line of Omkar Chitnis from Trade Brains Pvt. Ltd. Please go ahead.

Omkar Chitnis: My first question is with the increase in India's defense budget and growing demand for defense equipment, how does companies plan to capitalize on opportunities in defense equipment region? Are there any specific planned initiatives to benefit from focus on domestic defense production?

Vikram Mohan Mr. Chitnis, while the company currently has no business in the defense segment. As a management, we are exploring some inorganic opportunities to enter into the railway and defense segment in India which will give us higher margins and impetus for growth. It is very early stages right now, but rest assured we are evaluating opportunities and hopefully in the coming quarters we may have some good news for the company.

Thank you, Mr. Chitnis.

Moderator: Thank you. We will take our next question from the line of M. N. Kumar, an individual investor. Please go ahead.

M. N. Kumar: Sir, it looks like the working capital, trade receivables have gone higher this year, this 6 months. Can you explain the reason, what is happening there?

Priyadarsi Bastia: Good evening. See, the receivables have gone up marginally because the sales have gone up, 15% growth in sales is there and last quarter when you compare it with March, the amount of factoring which we have used is higher than compared to September. So, receivable is looking higher.

M. N. Kumar: So, that 46 to 55 days, 46 is a little lower and remain.

Priyadarsi Bastia: Yeah, number of days is maintained.

M. N. Kumar: March end it was 46 and September it appears to be 55 days.

Vikram Mohan: Yes, sir, like Mr. Bastia explained, A, we had higher factoring in March. We have reduced our factoring because of our financial position, good financial position. So, obviously the receivable shows marginally higher and please also see that the sales has increased by 15%. So, this represents the same. So, the number of days of receivables is well under control.

M. N. Kumar: Okay. Typically, what is the receivable days? Is it 55 or 50 days, which is it approximately?

Priyadarsi Bastia: We operate with all domestic customers 30 to 45 days, which extends up to 60 days in terms of exports.

Moderator: Thank you. Next question is from the line of Khush Nahar from Electrum PMS. Please go ahead.

Khush Nahar: Sir, I just want to update on the new products, which are the **which are the E-cockpit, Telematics and BMS.** So, at what stages they are in and if, you know, from when they can start contributing some revenue?

Vikram Mohan: Revenue is at least 18 to 24 months away. The product has been completely got ready and has also been submitted to customers for testing.

Khush Nahar: So, they are included, and we are on track with the target of 3200 crores of revenue in FY26 as a guidance. Are we on track on achieving 3200 crores of revenue as guided before in FY26?

Vikram Mohan We are pretty much on track to meet our numbers as a combination of organic and inorganic, we are very much on track to meet our numbers.

Moderator: Thank you. We will take our next question from the line of Vijay Pandey from Nuvama. Please go ahead.

Vijay Pandey: So, I wanted to check if you can give some light on the margin profile of the business, like between the products. So, my thinking was that the BMS margin profile will be somewhat margin diluted. I might be wrong here, but I just wanted to check if you can.

Vikram Mohan: Margins for which would be diluted? Sorry, you were not very clear.

Vijay Pandey: The battery management, BMS and brakes.

Vikram Mohan: Okay. Battery management system, we have still not made a commercial foray. It is still under testing with the customers, so we have not made a foray. So, whatever numbers represented here do not represent any BMS revenue whatsoever.

Vijay Pandey: Okay and anything about the disc brakes?

Vikram Mohan: Disc brakes has already started commercial production and we have started supplies to about 6 manufacturers and next financial year will be the ramp up phase when volumes will reach some degree of maturity.

Vijay Pandey: Okay. Next financial year, FY26.

Vikram Mohan: Yes, that is right because we have just gone into production. Yes.

Moderator: Thank you. We will take our next question from the line of Maan Asher from Growth Sphere Ventures. Please go ahead.

Maan Asher : So, I just wanted to confirm about the industry. So, there were figures that the inventory pile-up has begun at the dealership network and the inventory were 80-85 days last month. This month was pretty good for 2-wheeler due to festivities. How do you see the demand for 2-wheeler shaping up, say, from a year now?

Vikram Mohan: Demand is very muted in the industry. My industry peers also tell me that their performance is also very muted. And as usual, the Q3 Quarter, which traditionally is the lowest quarter in the automotive industry, will remain very muted, but a little more muted than normal. In terms of exports, because of the Elections in the US, and the policies of the Republican government that have come in, exports have been extremely muted for us, much-much lower than demand that was initially projected by our customers. We are hoping in the next quarter or two, exports demand will go back to normal level which will also help us in terms of top line and bottom line, but domestic demand will continue to remain muted, and Q3 is expected to be a very weak quarter for the industry.

Moderator: Thank you. We will take our next question from the line of Madhav Agarwal from SG Investments. Please go ahead.

Madhav Agarwal: Hi. My question was already answered. Thank you.

Moderator: Thank you. We will take our next question from the line of M. N. Kumar, an individual investor. Please go ahead.

M. N. Kumar: Sir, this is related to the balance sheet. When we look at ROE and ROCE related aspects, one line item that comes through is intangible assets of almost 54 crores. It looks like everything is related to software. Is there any way in which we can expense them out rather than capitalize it, and then after that write off as the product matures or otherwise?

Priyadarsi Bastia: See, this intangible asset was capitalized in the year '17-18, and IndAS does not allow us to charge it off to P&L. So it will be there in the balance sheet.

M. N. Kumar: Okay. So, similarly, this deferred tax liability would also be staying like that only, because they seem to be permanent in nature. No, no.

Priyadarsi Bastia: Deferred tax liability is like it is only recognition of the tax which you are coming. It is just a timing difference. So the treatment of that in IndAS is different, and for the intangible assets it is different.

M. N. Kumar: When I looked at the annual report, it talks about permanent and temporary. If it is a timing difference, it should be temporary, right? But a substantial part of it seems to be permanent.

Priyadarsi Bastia: Exactly. So permanent difference is coming. Only timing difference means you are creating a deferred tax liability, which when the time arrives, the original tax liability comes, you reverse that deferred tax liability, and the actual provision you make in your books.

M. N. Kumar: Sir, what I mean to say is that the magnitude of the ones which are permanent in nature seems to be much higher than the temporary. Therefore, I was asking this question.

Priyadarsi Bastia: No, no. I understand that. In our case, it is this way only.

M. N. Kumar: Oh, it's only timing difference only. Okay.

Moderator: Thank you. Next question is from the line of Jaimin Desai from Emkay Global. Please go ahead.

Jaimin Desai: So my question was related to the margin performance in the Quarter. It seems that there has been some softening at the gross margin level when I compare Q2 versus Q1 for consolidated operations. Can you call out a reason for this? Was it due to some commodity impact or maybe mix impact?

Vikram Mohan	Mr. Desai, this was just based on product mix. This marginal difference in margins, which you will keep seeing from quarter to quarter, plus from the 1st of July, there has been a wage increase for our permanent workers and also for the staff, which has seen some impact of the margins, which will come back to normal with the productivity increase. This is an annual phenomenon that we see.
Jaimin Desai:	Understood, sir. And if you could also provide an outlook on margins going forward?
Vikram Mohan:	It will be pretty similar to where we are. I have always maintained in many quarters that our 13 to 13.5% EBITDA is what we intend to maintain and what looks reasonable for our set of products. Margins will be a little better when exports resume. Exports, this was probably the weakest quarter in many quarters, so when exports resume or comes back, margins will go up about 50 basis points.
Moderator:	Thank you. We will take our next question from the line of Sahil Sanghvi from Monarch Networth Capital. Please go ahead.
Sahil Sanghvi:	Thank you for the opportunity, sir, and congratulations for beating the industry. Just one follow-up question from the previous participant. In terms of product mix, can you give some more details as to how the adverse product mix affected the margins? And the second question would be on CAPEX . I think we have deployed something like 100 crores in the first half. So, in the full year, what will we deploy next year, what will be the numbers?
Vikram Mohan:	In terms of margin mix, it is very, very difficult to explain because when a mechanical cluster suddenly demand goes up by a couple of 10,000 units, the margin gets muted because the margins in a mechanical cluster is low. In an electronic cluster, the margin is much higher, the rupee profit. So, it is very difficult because we are a diverse product company even in the driver information system. Our export margins are higher, significantly higher than domestic margins. So, when exports become muted, the margins go for a toss, anywhere between about 50 to 80 basis points. Coming to the CAPEX, I have always maintained that we are looking at around 600 crores of CAPEX over 3 years. And we are on track on the 600 crores of CAPEX and we are continuing to maintain the same outlook. And this year would again be about 200 crores. Correct me if I am wrong. I am requesting my CFO to correct my statement and next year will be about 150 to 180 crores.
Sahil Sanghvi:	Where also will this be deployed? If you can give some more details?
Vikram Mohan:	I suggest that you can get in touch with our CFO who can throw light on this. I can give it to you, but many a time I have repeated in many of our calls. Because we are creating a new plant in Pune. We are expanding our plant in Manesar. We are buying land to create 2 new plants for the future. We are upgrading our lines to the tune of about 150 crores. We are investing in a new plastic component molding shop. We are upgrading our tool room. We are buying 14

new PCB lines to make PCBs. So it is a whole host of things. So if I just bring out the whole list, it will not make sense on a call.

Moderator: Thank you. Next question is from the line of Chandragupta, an individual investor. Please go ahead.

Chandragupta: You mentioned about inorganic opportunities in railway and defense equipment sector and in the past also you have mentioned about an acquisition. So just wanted to know roughly what size this acquisition will be in a ballpark figure that you have in mind and how it will be funded.

Vikram Mohan: It will be a 2-digit figure. We are a debt-free company. We have cash reserves. But depending on the size of the acquisition, we are not only looking at this. We are looking at other inorganic play also, safe inorganic play in allied areas and as I have maintained in my earlier calls, up to about 300 crores of debt, we are looking at probably raising based on the kind of acquisition.

Chandragupta: Okay, 300 is the maximum that you will raise?

Vikram Mohan: Yes. We are anticipating it. You know, when we are evaluating opportunities, we are looking at about 4 or 5 different opportunities and 1 or 2 of them are moving very fast. So it could be somewhere around 300 crores that we are looking at debt for an acquisition. Not necessarily in the defense or railway space, but in the auto space.

Moderator: Thank you. We will take our next question from the line of Sahil Sanghvi from Monarch Networth Capital. Please go ahead.

Sahil Sanghvi: Just wanted to understand the proportion of exports in our revenue this quarter versus same quarter last year, sir.

Vikram Mohan: Same quarter last year was about 9% and this year is about 6.5%.

Moderator: Thank you. We will take our next question from the line of Madhav Agarwal from SG Investments. Please go ahead.

Madhav Agarwal: Just wanted to understand how do we see the EV market playing out for us? How big of an opportunity do we see there?

Vikram Mohan: We really don't... We are not affected by EV, number one, because we are... Our products are agnostic to propulsion, as I have maintained in many earlier calls and we are working with almost 20 EV players for our products. But the EV adoption I have always maintained is going to be slow and other people have been saying it is going to be very fast and I think, I am not a prophet, but my prophecy of very slow adoption is what is happening today and it is going to take until 2030 to reach certain maturity and size before it's, probably 50% of the market and we are propulsion agnostic, so whether it's an ICE vehicle or an EV vehicle, it is of no consequence to us.

Moderator: Thank you. We will take our next question from the line of Vignesh from Ksema Wealth. Please go ahead.

Vignesh: Sir, just want to understand the opportunity size for our BMS products.

Vikram Mohan: I would not like to comment on it, because it is so fragmented, the market. Everyone is jumping into it. Vehicle makers are not very clear what they intend to do with it. So BMS is something that even I am not very, very bullish about, and all our projections are taken into account without a significant amount of BMS revenue.

Vignesh: Okay, sir. Any other products apart from disc brakes we are planning to enter into, sir?

Vikram Mohan: So the smart cockpits and the connected vehicle solutions, which already we are starting to see traction and growth. This in itself is a very large opportunity is what I am talking about.

Moderator: Thank you. We will take our next question from the line of Smit Shah from Monarch Networth Capital Limited. Please go ahead.

Smit Shah: Sir, my question is regarding the split of mechanical, digital, and TFT for the quarter and some bit of color on the premiumization trend. How much has it played out according to you, and what is the outlook ahead?

Vikram Mohan: For the quarter, it is very difficult because it keeps changing the product mix, but approximately, are you asking by volume or value, Mr. Shah?

Smit Shah: Value, sir.

Vikram Mohan By value, mechanical would be about 30%, and TFT would be about 30%, and the rest would be somewhere in between. Okay.

Smit Shah: Sir, what is your outlook in terms of the new launches that are happening?

Vikram Mohan: Mechanical is going to stop, slowly fade out, moving into LCDs, and whatever is LCD will move towards TFT. That's the way the market is growing and I mentioned in earlier calls that we saw our average product value move from Rs. 300 10-12 years ago to Rs. 1200, and we see it jumping to about Rs. 2500 in next 2 to 3 years for a two-wheeler.

Smit Shah: Okay. Sir and what was our contribution from the PV clusters this time?

Vikram Mohan : It is about 9% to 10%.

Moderator: Thank you. That was the last question for today.

Vikram Mohan: Thank you very much. Since there are no more questions, I would like to take this opportunity for your active participation in today's call. As is the practice in our company, the managing director participates in H1 and H2 calls, and the CEO handles Q3 and Q1 calls. So I look forward to connecting with all of you at the end of the financial year. Thank you very much. Have a good evening. Jai Hind.

Moderator: Thank you, sir. On behalf of Pricol Limited, that concludes this conference call. We thank you for joining us, and you may now disconnect your lines. Thank you.