

Pricol has entered into an agreement for acquiring the plastic injection molding business of Sundaram Auto Components (SAC; FY24 sales/PAT of Rs7.3bn/190mn; [press release](#)) on all-cash, debt-free basis at an attractive valuation of ~8x FY24 PER. SAC's products cater to interior and exterior plastic parts for 2Ws, PVs, and CVs, with strong presence within TVSL (SAC is wholly-owned subsidiary of TVSL; TVSL contributes ~50% of revenue). The acquisition enables Pricol to scale up its existing molding operations into a growth-focused, independent vertical (vs current usage for backward integration) amid high cross-selling opportunities; it appears attractive on the valuation and balance sheet (~0.1x net debt/equity ahead, on *pro forma* basis) fronts, with potential ~6% EPS upgrade on Sep-26E EPS (not built-in). We retain BUY on Pricol, with unchanged estimates and TP of Rs600 at 27.5x Sep-26E PER (~26x on *pro forma* basis), as we believe it is a prime premiumization play.

Pricol: Financial Snapshot (Consolidated)

Y/E Mar (Rs mn)	FY23	FY24	FY25E	FY26E	FY27E
Revenue	19,586	22,718	26,337	32,051	36,857
EBITDA	2,285	2,731	3,297	4,295	5,086
Adj. PAT	1,150	1,406	1,817	2,471	2,946
Adj. EPS (Rs)	9.4	11.5	14.9	20.3	24.2
EBITDA margin (%)	11.7	12.0	12.5	13.4	13.8
EBITDA growth (%)	26.5	19.5	20.8	30.3	18.4
Adj. EPS growth (%)	125.0	22.3	29.2	36.0	19.2
RoE (%)	18.0	18.1	19.5	22.0	21.8
RoIC (%)	20.1	24.1	27.6	31.5	29.9
P/E (x)	52.5	42.9	33.2	24.4	20.5
EV/EBITDA (x)	26.5	21.9	17.9	13.7	11.7
P/B (x)	8.6	7.1	5.9	4.9	4.1
FCFF yield (%)	1.4	2.0	1.7	0.2	0.0

Source: Company, Emkay Research

SAC – EV-agnostic product profile with strong presence in TVSL

SAC is a wholly-owned subsidiary of TVSL, engaged in manufacturing automotive plastic components for 2Ws, PVs, and CVs. Established in 1988, SAC operates in 6 locations (Hosur, Chennai, Nalagarh, Mysore, Bhiwadi, and Sanand). Key products include body panels and other exterior parts, seat bases, etc in 2Ws, dashboard, roof rails, fenders, spoilers and functional parts in PVs, and interior and exterior parts in CVs. It also makes parts for EVs (eg battery cell holders and battery covers for 2Ws). Historically, TVSL has been an anchor client, forming ~50% of revenues as of FY22 ([link](#)); the company also counts Royal Enfield (RE), AL, BMW, Daimler, Ather, Stellantis, and several Tier-1 players among its clientele. SAC management on its part has decided to exit the injection molding plastic component solutions business, hence the slump sale.

Inexpensive acquisition for Pricol enabling greater growth focus

For Pricol, the acquisition is in line with its stated intent to grow via organic as well as inorganic means, and enables it to scale up its current injection molding operations (being used primarily for backward integration at present) into a more dedicated and growth-focused independent vertical. In our view, the acquisition price (~8x trailing PER adjusted for interest, as acquisition is on debt-free basis) appears inexpensive, given: a) SAC's strong presence in TVSL (fastest growing 2W OEM), b) interesting EV-agnostic product profile with opportunities for higher content per vehicle, c) possibility of higher cross-selling to other OEM customers, d) steady-state operations (ie not a distressed /turnaround acquisition), and e) limited strain on the balance sheet (Net Debt/Equity at ~0.1x, even after the acquisition, on *pro forma* basis).

Almost 6% potential EPS upgrade; Pricol a prime play on premiumization

Per our *prima facie* estimates on *pro forma* basis (assuming consolidation from FY26E), the acquisition could lead to a potential ~6% EPS upgrade (not built into our numbers). We reiterate BUY on Pricol as we believe it is a structural play on premiumization (digitization of instrument clusters) with strong growth triggers from new client addition (eg Honda 2Ws over coming 18-24 months) and expansion into a multi-product company (potential re-rating trigger). Our TP remains unchanged at Rs600, at 27.5x Sep-26E PER.

Target Price – 12M	Sep-25
Change in TP (%)	-
Current Reco.	BUY
Previous Reco.	BUY
Upside/(Downside) (%)	21.2
CMP (02-Dec-24) (Rs)	495.1

Stock Data	Ticker
52-week High (Rs)	543
52-week Low (Rs)	328
Shares outstanding (mn)	121.9
Market-cap (Rs bn)	60
Market-cap (USD mn)	712
Net-debt, FY25E (Rs mn)	-1,450
ADTV-3M (mn shares)	-
ADTV-3M (Rs mn)	134.8
ADTV-3M (USD mn)	1.6
Free float (%)	61.5
Nifty-50	24,276
INR/USD	84.7
Shareholding, Sep-24	
Promoters (%)	38.5
FPIs/MFs (%)	15.7/15.7

Price Performance			
(%)	1M	3M	12M
Absolute	3.3	(1.1)	45.1
Rel. to Nifty	3.4	3.0	21.1

1-Year share price trend (Rs)



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Exhibit 1: SAC financials – FY24 revenue/adjusted PAT stood at Rs7.6bn/Rs192mn, respectively (Pricol would be acquiring the plastic molding business, which formed ~95% of overall SAC revenues as of FY24)

Sundaram Auto Components (Rs mn)	FY19	FY20	FY21	FY22	FY23	FY24	FY19-24 CAGR
Revenue	5,997	5,257	4,595	6,063	7,832	7,638	5%
Growth YoY (%)	-47	-12	-13	32	29	-2	
RM Cost	4,061	3,440	3,112	4,233	5,528	5,334	
% of Sales	67.7	65.4	67.7	69.8	70.6	69.8	
Gross Profit	1,936	1,818	1,483	1,830	2,304	2,304	4%
Gross margin (%)	32.3	34.6	32.3	30.2	29.4	30.2	
Employee Cost	781	778	692	759	870	884	
% of Sales	13.0	14.8	15.1	12.5	11.1	11.6	
Other Expenses	701	640	655	709	892	802	
% of Sales	11.7	12.2	14.2	11.7	11.4	10.5	
EBITDA	454	400	136	363	543	618	6%
EBITDA margin (%)	7.6	7.6	3.0	6.0	6.9	8.1	
Depreciation & Amortization	169	221	199	209	211	226	
% of Gross Block	5.6	6.6	6.3	6.2	5.8	5.9	
EBIT	285	179	-62	154	332	392	7%
EBIT margin(%)	4.8	3.4	-1.4	2.5	4.2	5.1	
Other income	15	38	32	18	38	9	
Interest expenses	126	152	160	129	129	113	
% of Debt			10	9	12	13	
EBT	174	64	-191	43	241	288	11%
Tax	80	15	-66	20	86	96	
Tax Rate	46.3	23.9	34.5	46.3	35.6	33.2	
Adj PAT	93	49	-125	23	155	192	16%
PAT margin(%)	1.6	0.9	-2.7	0.4	2.0	2.5	
Gross Block	3,041	3,329	3,176	3,376	3,637	3,853	5%
Addition YoY (%)	33.2	9.5	-4.6	6.3	7.7	6.0	

Source: Capitaline, Emkay Research

Exhibit 2: Potential ~6% upgrade in our Sep-26E EPS on *pro forma* basis following the SAC acquisition

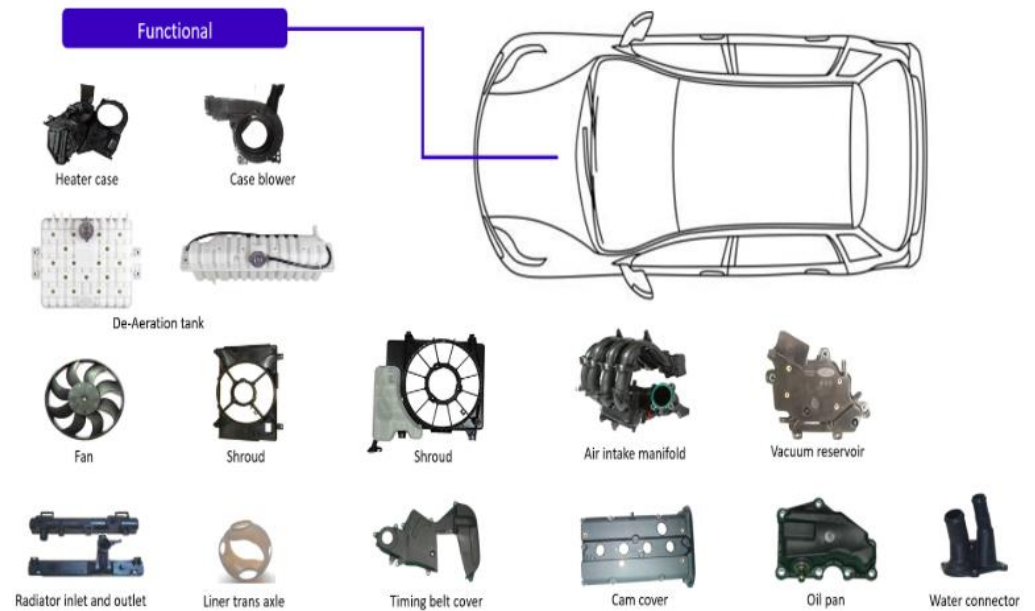
Pricol - Key Financials (before acquisition; Rs mn)	FY19	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E	FY27E
Revenue	18,137	12,394	14,131	15,447	19,586	22,718	26,337	32,051	36,857
Growth YoY (%)		-31.7	14.0	9.3	26.8	16.0	15.9	21.7	15.0
Gross Profit	5,446	3,809	4,483	4,751	5,853	7,166	8,202	10,128	11,647
Gross margin (%)	30.0	30.7	31.7	30.8	29.9	31.5	31.1	31.6	31.6
EBITDA	241	854	1,779	1,806	2,285	2,731	3,297	4,295	5,086
EBITDA margin (%)	1.3	6.9	12.6	11.7	11.7	12.0	12.5	13.4	13.8
EBIT	-699	-106	837	987	1,506	1,910	2,384	3,204	3,795
EBIT margin(%)	-3.9	-0.9	5.9	6.4	7.7	8.4	9.1	10.0	10.3
Adj PAT	-937	-259	158	511	1,150	1,406	1,817	2,471	2,946
PAT margin(%)	-5.2	-2.1	1.1	3.3	5.9	6.2	6.9	7.7	8.0
EPS (Rs)	-9.9	-2.7	1.3	4.2	9.4	11.5	14.9	20.3	24.2

Pricol - Key Financials (post-acquisition; Rs mn)	FY19	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E	FY27E
Revenue	18,137	12,394	14,131	15,447	19,586	22,718	26,337	41,293	47,023
Growth YoY (%)	0	-31.7	14.0	9.3	26.8	16.0	15.9	56.8	13.9
Gross Profit	5,446	3,809	4,483	4,751	5,853	7,166	8,202	12,925	14,728
Gross margin (%)	30.0	30.7	31.7	30.8	29.9	31.5	31.1	31.3	31.3
EBITDA	241	854	1,779	1,806	2,285	2,731	3,297	5,070	5,954
EBITDA margin (%)	1.3	6.9	12.6	11.7	11.7	12.0	12.5	12.3	12.7
EBIT	-699	-106	837	987	1,506	1,910	2,384	3,731	4,402
EBIT margin(%)	-3.9	-0.9	5.9	6.4	7.7	8.4	9.1	9.0	9.4
Adj PAT	-937	-259	158	511	1,150	1,406	1,817	2,649	3,086
PAT margin(%)	-5.2	-2.1	1.1	3.3	5.9	6.2	6.9	6.4	6.6
EPS (Rs)	-9.9	-2.7	1.3	4.2	9.4	11.5	14.9	21.7	25.3

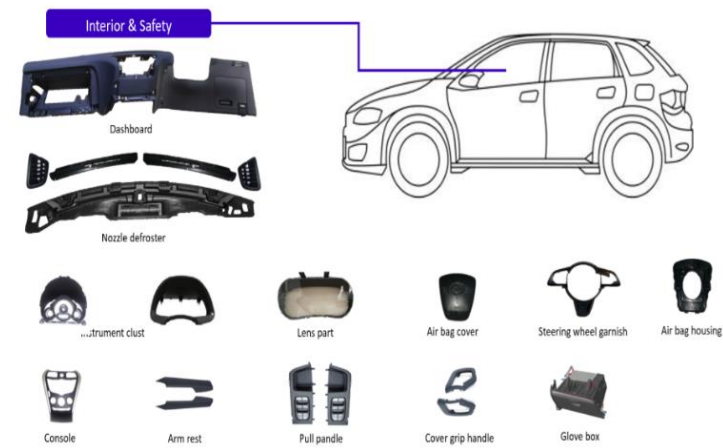
Source: Company, Capitaline, Emkay Research; Note: We assume consolidation of acquired business from FY26E

Exhibit 3: Sundaram Auto Components – Product profile for 2Ws, including E-2Ws

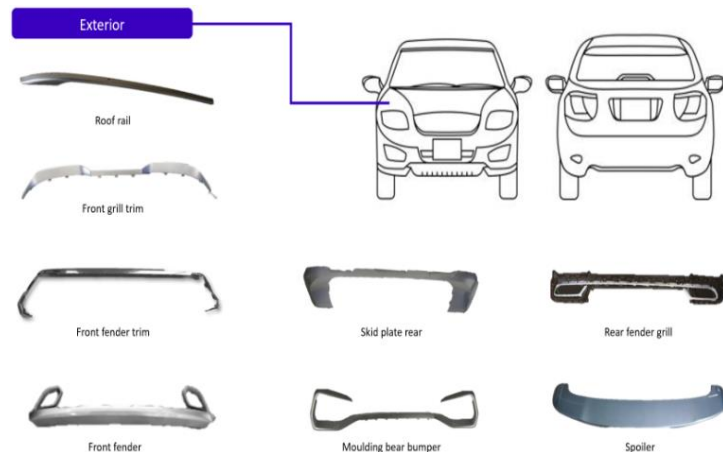
Source: Company, Emkay Research

Exhibit 4: Sundaram Auto Components – Functional product profile for PVs

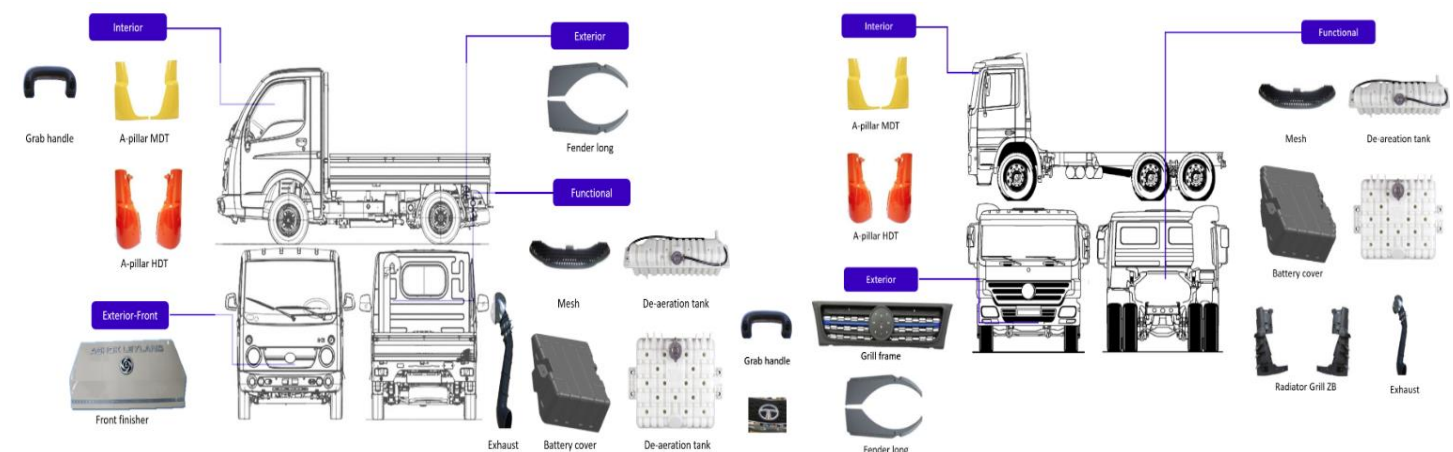
Source: Company, Emkay Research

Exhibit 5: Sundaram Auto Components – Interior products for PVs

Source: Company, Emkay Research

Exhibit 6: Sundaram Auto Components – Exterior products for PVs

Source: Company, Emkay Research

Exhibit 7: Sundaram Auto Components – Product profile for CVs

Source: Company, Emkay Research

Exhibit 8: Sundaram Auto Components serves clients across 2Ws, PVs, and CVs, with TVSL as its anchor client (~50% of revenue as of FY22)

Source: Company, Emkay Research

Exhibit 9: Revenue model – We expect 18%/28% revenue/EPS CAGR over FY24-27E

(Rs mn)	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E	FY27E
Revenue	12,394	14,131	15,447	19,586	22,718	26,337	32,051	36,857
Growth YoY (%)	-31.7	14.0	9.3	26.8	16.0	15.9	21.7	15.0
EBITDA	854	1,779	1,806	2,285	2,731	3,297	4,295	5,086
Growth YoY (%)	254.7	108.4	1.5	26.5	19.5	20.8	30.3	18.4
EBITDA margin (%)	6.9	12.6	11.7	11.7	12.0	12.5	13.4	13.8
EBIT	(106)	837	987	1,506	1,910	2,384	3,204	3,795
EBIT margin (%)	-0.9	5.9	6.4	7.7	8.4	9.1	10.0	10.3
PAT	(259)	158	511	1,150	1,406	1,817	2,471	2,946
PAT margin (%)	-2.1	1.1	3.3	5.9	6.2	6.9	7.7	8.0
EPS (Rs)	(2.7)	1.3	4.2	9.4	11.5	14.9	20.3	24.2
Capex	1,631	(624)	420	612	1,502	2,000	2,500	3,500
% of sales	13.2	(4.4)	2.7	3.1	6.6	7.6	7.8	9.5
Net debt	3,842	2,030	1,006	228	(579)	(1,450)	(1,372)	(1,023)
Net D/E (x)	1.0	0.4	0.2	0.0	(0.1)	(0.1)	(0.1)	(0.1)
Post-tax ROCE (%)	0.7	16.1	19.7	28.7	27.1	24.7	28.0	27.9
ROE (%)	-5.8	3.4	9.3	18.0	18.1	19.5	22.0	21.8

Source: Company, Emkay Research

Pricol: Consolidated Financials and Valuations

Profit & Loss					
Y/E Mar (Rs mn)	FY23	FY24	FY25E	FY26E	FY27E
Revenue	19,586	22,718	26,337	32,051	36,857
Revenue growth (%)	26.8	16.0	15.9	21.7	15.0
EBITDA	2,285	2,731	3,297	4,295	5,086
EBITDA growth (%)	26.5	19.5	20.8	30.3	18.4
Depreciation & Amortization	779	821	914	1,091	1,292
EBIT	1,506	1,910	2,384	3,204	3,795
EBIT growth (%)	52.5	26.8	24.8	34.4	18.4
Other operating income	0	0	0	0	0
Other income	46	132	138	152	160
Financial expense	183	183	119	89	59
PBT	1,369	1,859	2,403	3,267	3,895
Extraordinary items	(98)	0	0	0	0
Taxes	219	453	585	796	949
Minority interest	0	0	0	0	0
Income from JV/Associates	0	0	0	0	0
Reported PAT	1,247	1,406	1,817	2,471	2,946
PAT growth (%)	144.1	12.8	29.2	36.0	19.2
Adjusted PAT	1,150	1,406	1,817	2,471	2,946
Diluted EPS (Rs)	9.4	11.5	14.9	20.3	24.2
Diluted EPS growth (%)	125.0	22.3	29.2	36.0	19.2
DPS (Rs)	0.0	0.0	1.0	2.5	4.0
Dividend payout (%)	0.0	0.0	6.7	12.3	16.6
EBITDA margin (%)	11.7	12.0	12.5	13.4	13.8
EBIT margin (%)	7.7	8.4	9.1	10.0	10.3
Effective tax rate (%)	16.0	24.4	24.4	24.4	24.4
NOPLAT (pre-IndAS)	1,265	1,445	1,803	2,424	2,870
Shares outstanding (mn)	121.9	121.9	121.9	121.9	121.9

Source: Company, Emkay Research

Cash flows					
Y/E Mar (Rs mn)	FY23	FY24	FY25E	FY26E	FY27E
PBT	1,369	1,859	2,403	3,267	3,895
Others (non-cash items)	859	1,027	1,033	1,180	1,351
Taxes paid	(368)	(381)	(585)	(796)	(949)
Change in NWC	(295)	43	140	(1,018)	(782)
Operating cash flow	1,663	2,548	2,990	2,633	3,515
Capital expenditure	(842)	(1,376)	(2,000)	(2,500)	(3,500)
Acquisition of business	142	62	0	0	0
Interest & dividend income	9	0	0	0	0
Investing cash flow	(691)	(1,293)	(2,000)	(2,500)	(3,500)
Equity raised/(repaid)	0	0	0	0	0
Debt raised/(repaid)	(457)	(428)	(100)	(180)	(100)
Payment of lease liabilities	68	211	0	0	0
Interest paid	(181)	(182)	(119)	(89)	(59)
Dividend paid (incl tax)	0	0	0	(122)	(305)
Others	0	(78)	0	0	0
Financing cash flow	(638)	(689)	(219)	(391)	(464)
Net chg in Cash	334	565	771	(258)	(449)
OCF	1,663	2,548	2,990	2,633	3,515
Adj. OCF (w/o NWC chg.)	1,958	2,505	2,850	3,651	4,297
FCFF	821	1,172	990	133	15
FCFE	648	989	871	44	(44)
OCF/EBITDA (%)	72.8	93.3	90.7	61.3	69.1
FCFE/PAT (%)	51.9	70.4	47.9	1.8	(1.5)
FCFF/NOPLAT (%)	64.9	81.1	54.9	5.5	0.5

Source: Company, Emkay Research

Balance Sheet					
Y/E Mar (Rs mn)	FY23	FY24	FY25E	FY26E	FY27E
Share capital	122	122	122	122	122
Reserves & Surplus	6,921	8,331	10,026	12,193	14,651
Net worth	7,043	8,453	10,148	12,314	14,773
Minority interests	0	0	0	0	0
Deferred tax liability (net)	407	348	348	348	348
Total debt	1,103	609	509	329	229
Total liabilities & equity	8,553	9,410	11,005	12,991	15,350
Net tangible fixed assets	2,678	3,122	4,209	5,618	7,826
Net intangible assets	2,032	2,032	2,032	2,032	2,032
Net ROU assets	566	566	566	566	566
Capital WIP	146	383	383	383	383
Goodwill	695	596	596	596	596
Investments [JV/Associates]	12	12	12	12	12
Cash & equivalents	876	1,188	1,959	1,701	1,252
Current assets (ex-cash)	6,054	6,457	7,425	9,469	11,033
Current Liab. & Prov.	4,506	4,947	6,176	7,385	8,350
NWC (ex-cash)	1,548	1,511	1,249	2,084	2,683
Total assets	8,553	9,410	11,005	12,991	15,350
Net debt	228	(579)	(1,450)	(1,372)	(1,023)
Capital employed	8,553	9,410	11,005	12,991	15,350
Invested capital	7,519	7,827	8,651	10,896	13,703
BVPS (Rs)	57.8	69.3	83.2	101.0	121.2
Net Debt/Equity (x)	0.0	(0.1)	(0.1)	(0.1)	(0.1)
Net Debt/EBITDA (x)	0.1	(0.2)	(0.4)	(0.3)	(0.2)
Interest coverage (x)	0.1	0.1	0.0	0.0	0.0
RoCE (%)	28.7	27.1	24.7	28.0	27.9

Source: Company, Emkay Research

Valuations and key Ratios					
Y/E Mar	FY23	FY24	FY25E	FY26E	FY27E
P/E (x)	52.5	42.9	33.2	24.4	20.5
P/CE(x)	31.3	27.1	22.1	16.9	14.2
P/B (x)	8.6	7.1	5.9	4.9	4.1
EV/Sales (x)	3.1	2.6	2.2	1.8	1.6
EV/EBITDA (x)	26.5	21.9	17.9	13.7	11.7
EV/EBIT(x)	40.2	31.3	24.7	18.4	15.6
EV/IC (x)	8.1	7.6	6.8	5.4	4.3
FCFF yield (%)	1.4	2.0	1.7	0.2	0.0
FCFE yield (%)	1.1	1.6	1.4	0.1	(0.1)
Dividend yield (%)	0.0	0.0	0.2	0.5	0.8
DuPont-RoE split					
Net profit margin (%)	5.9	6.2	6.9	7.7	8.0
Total asset turnover (x)	2.4	2.5	2.6	2.7	2.6
Assets/Equity (x)	1.3	1.2	1.1	1.1	1.0
RoE (%)	18.0	18.1	19.5	22.0	21.8
DuPont-RoIC					
NOPLAT margin (%)	6.5	6.4	6.8	7.6	7.8
IC turnover (x)	2.6	2.9	3.0	2.9	2.7
RoIC (%)	20.1	24.1	27.6	31.5	29.9
Operating metrics					
Core NWC days	28.9	24.3	17.3	23.7	26.6
Total NWC days	28.9	24.3	17.3	23.7	26.6
Fixed asset turnover	1.8	1.9	2.0	2.1	2.0
Opex-to-revenue (%)	18.2	19.5	18.6	18.2	17.8

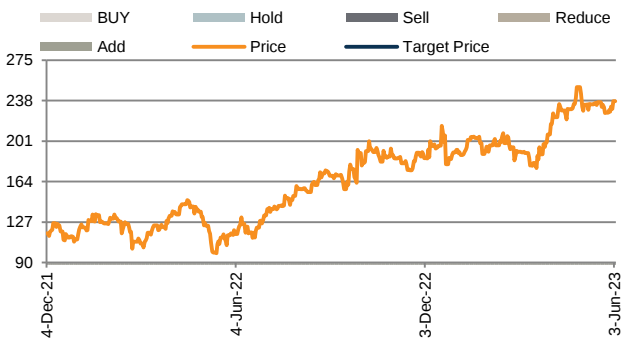
Source: Company, Emkay Research

RECOMMENDATION HISTORY - DETAILS

Date	Closing Price (INR)	TP (INR)	Rating	Analyst
08-Nov-24	466	600	Buy	Chirag Jain
08-Nov-24	466	600	Buy	Chirag Jain
10-Sep-24	482	600	Buy	Chirag Jain
10-Sep-24	482	600	Buy	Chirag Jain
02-Aug-24	517	600	Buy	Chirag Jain
02-Aug-24	517	600	Buy	Chirag Jain
16-May-24	452	525	Buy	Chirag Jain
16-May-24	452	525	Buy	Chirag Jain
06-Feb-24	396	525	Buy	Chirag Jain
06-Feb-24	396	525	Buy	Chirag Jain

Source: Company, Emkay Research

RECOMMENDATION HISTORY - TREND



Source: Company, Bloomberg, Emkay Research

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