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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 10th November 2022 on the unaudited financial results for the quarter and half year ended 30th September 2022.

This is for you information and records.

Thanking you

Yours faithfully,
For Pricol Limited

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



Pricol Limited
Q2 FY23 Earnings Conference Call
10 November 2022

Moderator: Good day ladies and gentlemen, and welcome to the Q2 FY23 Earnings 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 the 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 now like to hand the conference over to Mr. Anuj Sonpal from Valorem Advisors. Thank you and over to you sir.

Anuj Sonpal: Thank you Michelle. Good afternoon everyone and a very warm welcome to you all. My name is Anuj Sonpal from Valorem Advisors. We represent the investor relations for 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 our financial year 2023.

Before we begin, let me mention a short cautionary statement. Some of the statements made in today's con call 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 which are based on management's beliefs as well as assumptions made by an information currently available to management. Audiences are cautioned not to place any undue reliance on these forward-looking statements and to make 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 them for opening remarks. We have with us 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 further delay, I request Mr. P. M. Ganesh to start with his opening remarks. Thank you, and over to you, sir.

P. M. Ganesh:

Good afternoon to all of you and welcome to the Earnings Conference Call for Q2 FY 23. I will go straight into the financials of Q2 of FY23. The operations have been at the height ever you in the history of Pricol at INR. 480.17 Cr. for Q2 of FY23. The EBITA stood at INR 55.01 Cr., and in terms of percentage it was 11.46%. We have to mention here that the strong headwinds continue to be there in Q2 as well with the FOREX going to as high as INR 82 and you know that many of components used by Pricol are import dependent. So, we have strong headwinds because of FOREX depreciation and the semiconductor shortage continues in Q2 as well. We expect the same trend to continue for a few more quarters as well.

Barring that we have done 11.46%. On a consolidated basis, we have crossed the INR 500 crore mark, we are at INR 501. EBITA stood at INR 65 Cr. and the EBITA margin on the consolidated level worth 12.97%. At the consolidated level long term borrowing was nil, inclusive of FY23. During the same period of last year, it was at INR 142.45 Cr..

The key financial highlights for Q2FY23 have been that when compared to the previous year same time we have grown by 27.70% on a standalone basis. The PBT has grown by 61.41%. The cash profit has doubled when compared to the same period last year, and the profit after tax has grown by close to 150%. On a consolidated basis, the similar percentage of growth you can see that 26.64% was the growth when compared to the last year. The profit before tax was at 81.34%. The cash profit has doubled again here and was at 104.51% and profit after tax was at 157.53%. These are the details we have highlighted for you on the quarter ended Q2, and also the half year of this year where we stand. A half year where we stand we are at the total revenue of INR 922 Cr. of sales, and EBITA stood at INR 103.93 Cr. for the half year and INR 55.01 during the quarter ended September. As the percentage EBITA has been at 11.46% for the quarter ended and at half yearly we are at 11.62%

The cash profit for H1 has been INR 97.22 Cr. and for the quarter ended has been at INR 61.98 Cr. on the standalone basis. I just touch upon the cash profit on the consolidated basis, it has been at INR 112.42 Cr. for the H1 and the quarter ended it has been at INR 69.83 Cr.

I will just highlight some of the Select launches which has happened. You would have been in the media and press reports that we have launched state of art, Driven Information System, first of its kind in the industry with Hero MotoCorp and which was one big recognition for Pricol. Even two days back there was a ceremony, where Pawan Munjal has awarded the Best Technology Award for Pricol for making the state of art, Driver Information System for the first ever EV scooter. We also had a few of launches during the last quarter wherein we launched new product For TVS, Apache, Bajaj Pulsar and also our new touchscreen TFT type of clusters for TVS Motor. I think that ends my presentation and now we are open for questions.

Moderator:

Thank you very much. We will now begin the question-and-answer session. We have the first question from the line of Jinesh Gandhi from Motilal Oswal Financial Services. Please go ahead.

Jinesh Gandhi: Hi Sir. A few questions from my side. Firstly, how has been trending our exports, we hear about abroad based pressures on exports across, players in auto components as well as auto OEM side, are we also seeing similar trends?

P. M. Ganesh: Jinesh our export has been at 10% of the total revenue quarter on quarter. Of course, we are seeing some slowdown in the US and Europe, thereby it has impacted the export in a very minor way, but not to be really concerned at this point of time, because we have been winning lots of export business as well. We have highlighted during last call that we have started the production for Caterpillar, which has been supporting us to offset some of the slowdown in the industry, both in the US and Europe market. We are confident that we will be able to sustain this 10% and grow up to 20% in the next two years' time.

Jinesh Gandhi: Okay, so the 10% growth in exports will be in second quarter or first half?

P. M. Ganesh: No it is not the 10% growth...

Jinesh Gandhi: Oh 10% of sales...

P. M. Ganesh: The overall revenue, 10% contributes to our export sales.

Jinesh Gandhi: Right and this you expect to increase to 20% in the next two to three years?

P. M. Ganesh: Yeah, but it all depends upon again the industry situation as you know that US and Europe has gone into a little bit of slowdown at this point of time. So, we anticipate that there could be some delays happening because of the start of new programs, but the mission of the company is that we should be at a 20% export in the next two to three years' time.

Jinesh Gandhi: With respect to imports, how imports will be as a percentage of sales for us?

P. M. Ganesh: Sorry Jinesh, can you just repeat?

Jinesh Gandhi: Imports, can you give clear of imports as a percentage of sales, how much it will be for us?

P. M. Ganesh: Imports?

Jinesh Gandhi: Yeah.

P. M. Ganesh: Okay, so I will break it down into two. We have two categories of products; one is the Driver Information System and the second category of the product is pumps and mechanical products or we now call as actuation and fluid controls. The actuation and fluid controls have very minimal inputs. It is a very small number, but the Driver Information System, where it is becoming more electronic that is where there has been more import content and import content has been increasing. Primarily the screens, the semiconductors, those things are not

available today in India and have to be imported. The percentage would be very difficult for me to say because it varies from product to product, but overall, there has been an increasing trend in terms of imports primarily because of the electronic content which is there in the Driven Integration System.

Jinesh Gandhi: Okay, and how does the pricing of FOREX volatility work for imported components for us...

P. M. Ganesh: Can I please request that if you could restrict your question to one because there are others in the call, I will request that each one should get chance...

Jinesh Gandhi: Sure I shall call back in queue.

Moderator: Mr. Gandhi, please rejoin the queue. Ladies and gentlemen, in order to ensure that the management will be able to answer questions from all participants, please limit your questions to two per participant. Should you have a follow up question, please rejoin the queue. Thank you. Participants may press "*" and "1" to ask a question.

We have the next question from the line of Vipul Shah from Sumangal Investment. Please go ahead.

Vipul Shah: Hi sir. Congratulations, for the good set of numbers. So, my question is related to vertical Driver Information System and actuation control and fluid management. So, can you split the turnover between the two if that is possible?

P. M. Ganesh: Yeah, it is approximately 70 and 30, 70% is from the Driver Information System and 30% is from the fluid control and actuation.

Vipul Shah: What will be the margin profile for both the vertical?

P. M. Ganesh: Fluid control systems or more into the exports. Their margins would be little better than the Driver Information System which is predominantly into the domestic

Vipul Shah: Okay sir. I have further questions, but I will join the queue. Thank you.

P. M. Ganesh: Thank you.

Moderator: Thank you. A reminder all the participants anyone who wishes to ask a question may please press "*" and "1" now.

We have the next question from the line of Mr. Naidu, an individual investor. Please go ahead.

Mr. Naidu: Yeah, sir. I have two questions. One is on the other expenditure, which have gone up from INR 20 Cr. to INR 30 Cr., are there any one-time items in this or it's the general uptrend, that is my

first question. Second question is you said that change of tax regime have made a change of INR 15-1/2 Cr. difference in the tax expenditure. Can you break that into current tax and deferred tax?

P. M. Ganesh: Yeah, Mr. Naidu I request to my colleague, Mr. Priyadarsi, CFO to answer both your questions.

Mr. Priyadarsi Bastia: Mr. Naidu to answer your first question on another expenditure, there is no one time nature of expenditure, which has been captured in the quarter. It is all in the regular nature. The second question which is on the tax, the tax impact of INR 15.5 Cr. which you said that we have shown in Q2, that is, the majority of it is coming from deferred tax because of the tax regime change and the balance is the current year

Mr. Naidu: My first question still portion is there, 20 Cr. to 30 Cr. is a 50% increase? So what could be the reason for the 50% increase in that item?

Mr. Priyadarsi Bastia: Mr. Naidu there are multiple items, you can get a detailed break up from our company on that. Most of these expenditures are of recurring nature, the regular nature expenditure, there is no one time expenditure booked in other expense.

Mr. Naidu: Okay, thank you.

Moderator: Thank you. A reminder to all the participants anyone who wishes to ask a question may please press "*" and "1" now. We have the next question from the line of Nidhi Babaria from Envision Capital. Please go ahead.

Nidhi Babaria: Hi and thank you for taking my question. So the exceptional item in this year which we have booked is there any more part of the erstwhile subsidiary which is expected to come in the coming quarters?

P. M. Ganesh: I will ask Siddharth, Director of Strategy to answer the question please.

Siddharth Manoharan: Thank you. Miss Nidhi, I think we have recovered almost all the claims that are due to us and I think at this point in time, we don't see any more exceptional items coming in the upcoming quarter.

Nidhi Babaria: Okay, and if you can quantify the opportunity for PSA and Caterpillar Book which we have got, orders which we are expecting like the production which have started in this quarter.

Siddharth Manoharan: May be it would be difficult for us to quantify the exact numbers, but we know that Caterpillar is a global leader, and the off-road vehicle and the orders is quite sizable, since we have an NDA with Caterpillar, we are not able to disclose the exact value, but it will be quite significant as we are going along.

Nidhi Babaria: Does this order have the opportunity for us to increase our exports 10% to 20%, can it grow in like 60% to 70% kind of growth numbers from current number?

Siddharth Manoharan: Yeah that it right, you are right, because Caterpillar is a very big ticket account for us so we see that there would be good growth in the next 2 to 3 years' time because there are multiple opportunities that we are working with them in the development of pumps and actuation.

Nidhi Babaria: Okay then what about the balanced export contract which we have with the other players like how does their growth aspects look like?

Siddharth Manoharan: See we have been growing consistently with majority of our existing portfolio also. For example, Polaris has been our customer for several years, so we have been continuously growing with them, and there are new opportunities that we are working with them as well. There are many of the recreation vehicle and then the higher cc motorcycles that like KTM, Ducati, Harley Davidson, where we have been traditionally working with them for many years. So, we see a lot of growth opportunity with them in the next few years.

Nidhi Babaria: Okay, and sir can you elaborate a bit more on export products like what are the upcoming products which we will be focusing and how is our like current products doing in export market like the major products not the all...

Siddharth Manoharan: Today, majority of our export is coming from the mechanical products, but going forward, we see very good opportunity in the Driver Information System as well. So, we are working already with multiple customers through the Indian origin also, where it is exported through the Indian JV partners, and then it is exported to their parent company. So, we feel that there is a good opportunity in front of us for the Driver Information System using the new technology like the TFT clusters, whatever now we are launched in the domestic market, we then export to customers as well. So at this point of time, the function mechanical products are more on the export, but as we are going along, we find that it is going to have equal opportunities on both segments growing...

Nidhi Babaria: Okay and sir, can you get some guidance?

Moderator: Miss. Babaria, sorry to interrupt you, but I would request you to rejoin the queue, please.

Nidhi Babaria: Okay. Yeah, thank you.

Moderator: We have the next question from the line of Vinayak Mohta from Stallion Asset, please go ahead. Yeah. Hi.

Vinayak Mohta: Hi, sir just wanted to understand your guidance for the next two years, maybe FY 25, where do you see the company moving towards because after very long, we are consistently profitable for a number of quarters now, and even on a PBT level if we see that we kind of the mark of

the INR 70-80 crore this year. Even if you remove the exceptional item just looking from a broad PBT level. So just wanted to know, what kind of growth are you looking for the next two years, and where do you... if you have anything in mind internally as a target, where can we see Pricol moving towards because you have this presence in the EV segment as well, which is a high growth segment. So just wanted to understand and what would be your EV contribution maybe in the next two to three years?

P. M. Ganesh:

Vinayak, pardon me if I don't make any forward-looking statements, how do we look in terms of our profitability for the next two years, but barring that, I can tell you that definitely we are in the growth path primarily because of our new technology products. Whatever we are seeing in the market. We have gone upstream in terms of value add into our Driver Information System. You know that a few years back we were only in the mechanical type of instrument clusters, we have migrated to LCD instrument clusters and thereby we have moved into electric integration TFT clusters. This is how the technology migration has been happening in the industry, number one and then you know that all the EV vehicles primarily go into this type of technology whatever the recent launches of EV vehicles by the OEMs are affected by the Pricol, so you can see that how the technology is moving about. Also we are working with multiple new companies who have started with EV manufacturing, with the new entrants into the market with these type of technologies, and also there is opportunity for us on to the telematics space as well because for you to monitor the battery performance and the vehicle performance you require telematics also, and as we know, that Pricol has been in the telematics space for more than 10 years. We started with JCB more than 10 years back, and as we speak, there are more than 300,000 telematics successfully running in the field. So we find the opportunities, both in our Driver Information System, and also on the telematics for the EV vehicle, which has picked up momentum and you can see the last month the EV vehicle production has been 75,000 vehicles, it is the all-time high, and we expect this trend to continue in the few years, where I feel for rising crude oil prices, EV could be an alternate where the industry is working. So we are well positioned, if you ask me in terms of the technology that what we can offer for the EV, and, we have also announced that we have entered into a partnership with BMS power state, a French pioneer in making the Battery Management System, and then we have started our activity with connecting with the various customers to explore opportunities into the Battery Management System space as well. So that is where we are positioned, and I hope that it answers your question.

Vinayak Mohta:

Partly so I just wanted to broadly understand at least you know, something on a flavor of all kinds of growth, even if you could give me... Is there any CAPEX that the company is currently undergoing on a major scale?

P. M. Ganesh:

Vinayak, again pardon me what you said, the growth whatever would be again, a forward looking statement, I can only explain to you the new technology and the growth that whatever we can look from these new technology products with our existing customers or new entry customers, and also we explained about the export opportunities, which is going to be there

for the next two or three years on these new technology. We are there in position in terms of the new technology products, and we are ahead of the curve when compared to what others can offer in the market. So, this gives us a good position, you know that we also outperform the market, continuously quarter by quarter, if you see the last three quarters, we have outperformed the market. Our growth has been much more than the market growth, so we are quite well positioned going forward. In terms of percentages be very difficult for me to make a statement.

Vinayak Mohta: No worries and any CAPEX that you are undergoing currently?

P. M. Ganesh: CAPEX has been quiet commensurate with whatever we are doing. It's all very planned CAPEX, that whatever we are having, because as we are going into the new technology products, we keep investing on the lines and then the subcomponents, whatever we need to manufacture the products like the SMT lines and subcomponents, so we need to keep investing on those, but we don't see any abnormality in terms of the CAPEX going up significantly high in the next few years, but it will be commensurate to the opportunities whatever is going to be there.

Vinayak Mohta: Understood. Okay. Great. Thank you.

Moderator: Thank you. Participants who want to ask a question may please press "*" and '1' now.

We have a follow up question from the line of Jinesh Gandhi from Motilal Oswal Financial Services. Please go ahead.

Jinesh Gandhi: Hi, my question was on the products FOREX volatility given our input content in DIS, so how will that priced to customers, is it direct pass through the lag or we have to negotiate on a timely basis? Can you throw some light on that?

P. M. Ganesh: Jinesh a good portion of it, we are indexed with the customers back-to-back, with all our customers, okay?

Jinesh Gandhi: Okay.

P. M. Ganesh: So, the FOREX is not going to impact the company in the long term, of course, there will be a lag of three to six months because that is how the customers operate, the OEMs operate. What happens is the dollar has been very sharp in terms of the escalation against Indian rupee in the last like six, seven weeks as you can see. So both types of foreign impact could affect a quarter, but barring that, in terms of the back to back engagement, I think we are quite well protected in terms of FOREX fluctuation and raw material with all our customers. The only thing is there will be a lag of three to six months before we can regularize that to every customer.

Jinesh Gandhi: Right. So effectively, the export side benefit of FOREX will stay with us whereas the import side will be passed on to customers with a lag, correct?

P. M. Ganesh: Absolutely, you are right. Next question.

Jinesh Gandhi: Got it, and secondly, with respect to the DIS I mean given that we have launched first of its kind, Driver Information System for Hero. Can you give some color on how contents for that DIS versus your average content in DIS currently that will give some context of how things are shaping up for us on that side.

P. M. Ganesh: If I evaluated your question Jinesh, you are asking me to explain a little more about the product right? The features of the product features?

Jinesh Gandhi: Not the features, features are known... I am saying what... how much that could be in terms of say INR per unit, for Hero we have the source here, our current average realization on the DIS side, value side?

P. M. Ganesh: Realization point of view again, I will not be in a position to comment because of the NDA with the customer, but what I can tell is this new technology product when compared to what we were been doing in the past years, the value addition has been significant okay, that is definitely something which is notable. In terms of technology, we are moving into the next technology or product, whatever we have launched with the Hero on the radar cluster has got a touchscreen, that's why it is the first of its kind, it has got a touchscreen, the latest collection of Wi-Fi, it has got Bluetooth, I will say that it is a lower version of a mobile something like that. So, this is the direction of technology that we are going to. So, as we have been mentioning that there has been a see-through change in terms of the technology moving from simple mechanical clusters a few years back into really high end TFT clusters or whatever we are talking about. So there has been a significant improvement in terms of our value addition into the instrument cluster.

Jinesh Gandhi: Got it. I will come back in queue.

P. M. Ganesh: So Jinesh just to answer your question further, even if the industry is going to be flat, for example, in terms of the numbers, our value proposition has been growing, there is a reason why we are able to outperform the market, because of the value addition that whatever we are offering to the market in terms of products.

Jinesh Gandhi: Got it. Thank you.

Moderator: Thank you.

We have the next question from the line of Anirudh Singhi from Dalal & Broacha Portfolio Managers Pvt. Ltd. Please go.

Anirudh Singhi: Hi. Thank you for taking my question. Could you give us some breakup in terms of two-wheelers, personal passenger vehicles and commercial vehicle?

P. M. Ganesh: Anirudh if you ask me on the total portfolio, 65% of our revenue comes from the two-wheeler segment that is how the manufacturing in India happens. For example, if 30 million vehicles are produced in a year, I am talking about a normal year, 20 million of those are of Two wheeler, so that is where we are in terms of our revenue. So, 65% of our business of the total pie comes from the Two-Wheeler segments. As we know that into the personal passenger vehicle we have started into Tata Motors three years back, and we have been growing good with them, that is what car customers after we had the joint venture with Denso and Johnson control about 8 years back. So we had a non-compete until 2019 into the personal passenger vehicle segment and after 2019 we have reentered into the personal passenger vehicle segment and we have been growing with Tata Motors, and we are exploring other opportunities in the personal passenger vehicle segment as well. Commercial vehicle, our share of business has been quite significant. 20% of our revenue comes from the commercial vehicle segment, and we hold a major share of business with the micro-LCVs, medium and heavy-duty trucks and also the light commercial vehicles. So overall we have more than 70% of the market in terms of the Driver Information System on the commercial vehicle, 5% goes to into the tractor segment, I am just giving a very, very rough estimate, unless I don't have the exact numbers, I will just give me a rough estimate so 5% of total revenue goes into the tractor segment. So that is how basically the split up is.

Anirudh Singhi: Okay, and aftermarket would be how much?

P. M. Ganesh: Aftermarket... see our products are not very aftermarket centric products. You will remember when you change the speedometer, it outperforms the vehicle life. So our product is not very up to aftermarket, but however, the population of vehicles has been increasing in the Indian market. So we find that there has been growth in the aftermarket as well, but the percentage will be a very small number.

Anirudh Singhi: Okay. Secondly, on our margins, so they have been quite stable for the past year, year and a half, but now with commodity coming off, do you think there is room for improvement there?

P. M. Ganesh: Sorry, can you just repeat your question I am not able to hear you, Singhi?

Anirudh Singhi: I am seeing in terms of margin with commodity prices coming off, do we see is there any room for improvement in margins?

P. M. Ganesh: See as we explained in the previous call that we are back protected with our customers in terms of both commodity and products okay, but unfortunately, what is happening is the rate of increase of... rather the strengthening of dollar has been very steep in terms of week to week basis, with a lot of import content in the product whatever we offer to the customers, it would be very difficult for the customer to compensate you on a weekly basis. So, there is a lagging effect of three to six months by the time we could get compensated from the customer, these types of spurts of increase is something that tends to reduce our profit, but it is a very

temporary position. So, after a quarter, we find that it will normalize provided the FOREX doesn't continue to grow at the rate the way in which it has been happening in the last few weeks. So, once it stabilizes, I think three to six months' time we will be in a position to catch up with the compensation from the customers.

Anirudh Singhi: Okay, so our margins will be in the 12% sort of range?

P. M. Ganesh: It will be very difficult for me to comment on that because there has been a lot of fluctuations both in the raw material and FOREX, and you know semiconductor shortages have also been a perennial problem. In fact, as we speak, there are a lot of allocation and shortage of semiconductor parts. So, if you ask me it has been highly volatile in the semiconductor pricing in terms of premium price that we have to bring into the semiconductors and then on the FOREX fluctuations and raw material fluctuations. So these things have been continuing, you know, that in the last three to four quarters. So it will be very difficult for me to tell you about the percentage going forward, but you can see that yeah, we have been managing on despite these strong headwinds, primarily because of our new product and new technology, whatever we are offering in the market.

Anirudh Singhi: Okay, and it doesn't die...

Moderator: Mr. Singhi, sorry to interrupt. I will request you to please rejoin the queue. There are many in the line waiting.

Anirudh Singhi: Okay. Thank you.

Moderator: Thank you. We have the next question from the line of Vipul Shah from Sumangal Investment. Please go ahead.

Vipul Shah: Hi sir, can you comment on our recent partnership with Sibros and BMS, how they are going to help us in increasing our market share, what type of products they are offering, products and services? Your brief comments will be welcome, and second there is an exceptional item of I think INR 9.75 Cr., so what is that about?

Management: Vipul, the first part of the question, I will request my colleague Siddharth, Director of Strategy to explain to you about the partnership and what are the things that we are looking forward in the future in terms of the partnership? And the second part of the question, I will request my colleague, the CFO of the company, Priyadarsi to take. Over to you Siddharth.

Siddharth Manoharan: Thank you. Mr. Shah on both the partnerships... number one with the Sibros for end-to-end solution on the telematics front, and secondly, on the battery management system with BMS powersafe. Both the partnership has been well received from the Industry Forum and by the OEM members. On the Sibros fence, it is giving us an edge to offer an end-to-end solution on

the telematics fence, we have been building and giving the hardware for OEMs for more than a decade now, but with this partnership, we will be in a position to offer an end to end solution along with the software platform, the cloud connectivity part, including the cyber security area, and both our engineering team and Sibros engineering team from both from US and their Indian counterparts have been working very closely for the last couple of months, and have completed the entire integration activities and the POCs have been completed, with which we will be undertaking the road shows with our customers very soon. We anticipate this will bring in new avenues of growth on the telematics front, both in domestic as well as international markets. Our second partnership with BMS PowerSafe has been an exclusive avenue for adding a new product to the EV portfolio offering from Pricol standpoint, again, both the engineering team from our end as well as the BMS PowerSafe team have been collaborating for the last couple of months in understanding the product offerings suitable for the Indian market. As you know, there has been very stringent regulations given by the Ministry on the EV vehicle perspective and also on the battery management system standpoint with the new regulatory updates. So whatever the solutions, which are currently with the BMS PowerSafe are compliant and meeting most of the requirements of the Ministry norms, and we just completed the roadshows with many of the traditional OEMs as well as the New Age startup, EV companies, and the other partnership again has been well received, and as we speak, our both our teams are conducting workshop in our engineering premises to further fine tune and workup on the next set of activities.

Vipul Shah: So, we are paying Royalties for both these tie-ups?

Siddharth Manoharan: In case of Sibros, there will not be any royalty because it is an end-to-end solution, a joint partnership activity where one half of the solution has Pricol, which is the hardware platform, and Sibros is bringing the other half of the solution which is the software angle. So, it is a combined solution offering to a customer. In terms of BMS power sales, yeah there will be a royalty element involved because we have introduced a technology licensing arrangement with BMS PowerSafe and the entire manufacturing and localization will be done by Pricol in India, we will be front ending to the customers.

Vipul Shah: Thank you. My second question regarding the exceptional item?

Priyadarsi Bastia: Vipul, the exceptional item of INR 9.75 Cr. is the settlement amount which we received from the sellers of the stepdown subsidiary, Pricol Wiping Systems, Czech. The sellers were supposed to settle this and we received this amount in Q2, so we recognized it and showed it as an exceptional item of INR 9.75 Cr.

Vipul Shah: Okay sir, thank you.

Moderator: Thank you.

We have a follow up question from the line of Nidhi Babaria from Envision Capital. Please go ahead.

Nidhi Babaria: Thank you for the follow up question. First, I just wanted to understand like, how can we quantify the Sibros opportunity and even on telematics side, like we have been in the industry like we were the early players in the industry, so what helps us you know, versus the all-new age peers which are now entering the market?

P. M. Ganesh: Nidhi, it would be difficult for us to quantify at this point of time, but as we explained to you every EV vehicle is fitted with a telematics unit primarily to monitor the performance of the vehicle including the battery. An update is that we have now started developing telematics for the battery pack companies also. The recent venture has been with sun mobility for developing telematics for their battery pack, so as you know for EV vehicle telematics is mandatory to monitor vehicle performance, with the EV vehicles growing and expected to exponentially grow in the further months. We expect that there will be a good opportunity for us on the complete telematics solution. Once you find that this stage will be difficult.

Nidhi Babaria: Okay.

Management: Miss. Babaria, to add on to what Mr. Ganesh also spoke about our telematics hardware, we have also made sure the meeting both domestic as well as the global connectivity norms. So the opportunity for us are available both in the domestic as well as the international market, and the partnership with the Sibros also will be fruitful in the upcoming years.

Nidhi Babaria: Okay. Sir, also if you can give some understanding on how did the entire Sibros opportunity worked out for us? Like, is it us who approached them? Or they were looking for some partner in India and that's how we got if you can just give some color on it.

Management: Miss. Babaria, if I had understood your question, right, how you had asked, how did we approach the partners or how the partners had approached us... Correct?

Nidhi Babaria: Yeah.

Management: We constantly keep evolving our technology roadmap, and then we look for the complementing solution partners, and we do work with various consultants and wherever we see potential with upcoming companies or in a collaborative manner. It has been both ways some of the companies have reached out to us, and we have also reached out to certain companies, but we constantly keep evaluating new avenues of growth and new opportunities for our company for value.

Nidhi Babaria: Okay, I will come back again. Thank you.

Moderator: Thank you. We have the next follow up question from the line of Jinesh Gandhi from Motilal Oswal Financial Services. Please go ahead.

Jinesh Gandhi: Your thanks for the opportunity again. Just a couple of questions, one is on CAPEX for the core business in first half was about INR 23 Cr., do we expect similar run-rate for H2FY23 or it should further increase in the opportunities which we have faced?

P. M. Ganesh: Jinesh as I told you, it is commensurate with the business growth. We continue to do backward integration, which is going to help improve our profitability. As we are going into the electronic driver information system, there is a need for us to do a lot of backward integration in terms of populating our own PCB. So, we do the PCB manufacturing ourselves, and we are expanding those portfolios so it improves efficiency of operations. It would be very difficult to quantify the CAPEX, as I told you there, there is not a really sharp increase in CAPEX because it quite commensurate to the rate in which we are growing. So, I don't think that there's any abnormality that we are looking in terms of CAPEX, it has been more-or-less in line with whatever we have budgeted.

Jinesh Gandhi: Okay, and secondly, for the BMS and telematics part has been finalized investment required or that will be done at the later stage?

P. M. Ganesh: Telematics has been our core product in the last 10 years. So, it is going to be the same set of manufacturing methodologies that will be adopted for telematics. So again, the CAPEX would be commensurate to the business growth. In terms of telematics, as the telematics requirements are growing, we will invest on those lines so we commensurate again. Battery management system is totally a new product for Pricol. This is where currently we are evaluating with our partners, we already had discussions with various existing customers of ours and the new-age customers like what Siddharth explained. So this is currently under evaluation, so what is going to be the top line and what could be the CAPEX is still not been finalized yet. It is still under evaluation stage.

Jinesh Gandhi: Got it. Thanks and all the best.

Moderator: A reminder to all the participants anyone who wishes to ask a question may please press "*" and "1" now.

We have next question from the line of Mr. Naidu, an individual investor. Please go ahead.

Mr. Naidu: Would you please comment a little on PLI scheme which is applicable for our products. Like which or what part of the turnover will be covered under this, and which are the products actually covered on this a little more insight into that?

P. M. Ganesh: Yeah, I will request my colleagues Siddharth, Director of Strategy to explain this.

Siddharth Manoharan: Mr. Naidu, so Pricol has been selected by the Ministry and has been approved for the PLI scheme. So, we have applied for many of our products from our portfolio which are eligible for this scheme for example, telematics on your drive it is your gateway devices, so on and so forth. But, at this point in time, the Ministry is still evaluating and certifying the products and there is a process to be followed and there has not been any clarity from the ministry's angle on what products have been qualified, because they are also taking their own time we are working with their third party affiliated agency for certifying and qualifying the products which has been applied for so, at this stage, we will not be in a position to comment on the top line or the revenue that will get quantified for incentive as part of this game.

Mr. Naidu: Thank you.

Moderator: We have the next question from the line of Vipul Shah from Sumangal Investment. Please go ahead.

Vipul Shah: Sir what is our average content for Driver Information System in two-wheeler and four-wheeler?

P. M. Ganesh: Sorry Vipul, can you please elaborate your question please.

Vipul Shah: In rupee terms what should be your content for Driver Information System in an average two-wheeler and an average four-wheeler, Sir? If you can quantify?

P. M. Ganesh: Today see adaptation basically of the two-wheeler starts from four-wheeler, but if you see few years back, Four-wheeler had already started adopting the technology of touchscreen and then going for larger displays and they had gone in for TFT type of clusters. Now you find that two-wheeler also has started adopting the technology. Primarily it starts from four-wheeler and then goes down to two-wheeler and then commercial vehicle. Okay so if you ask me an entry level car compared to a high-end motorcycle, more-or-less they use the similar type of technology in whatever we are offering today. High-end cars are something very different, because high-end cars use a different type of technology in terms of going for larger screen size, and then features are very different but if you ask me at the high end motorcycle, more or less the content will be of Driver Information System, it will be similar nature or whatever we are offering.

Vipul Shah: Okay sir, any number?

P. M. Ganesh: Numbers vary from what are the features, that we are offering, so it is very large variant that we have in terms of number, so it depends on what customer... the electronic cluster could be given starting from INR. 1000 even going to more than Rs. 10,000 also. So that is the range that we offer to the customers.

Vipul Shah: Okay sir, thank you.

Moderator: Thank you. Ladies and gentlemen, that was the last question for today. I would now like to hand the conference over to management for closing comments.

P. M. Ganesh: Thank you all of you once again for participating in this call. Thank you so much.

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