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8th December 2023

To, National Stock Exchange of India Limited, "Exchange Plaza" 5 th Floor, Plot No. C-1, G Block, Bandra Kurla Complex, Bandra (East), Mumbai – 400051 NSE Scrip Code - PRECAM	To, BSE Limited, Phiroze Jeejeebhoy Towers, Dalal Street, Mumbai - 400001 BSE Scrip Code – 539636
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Subject: - Transcript of Earnings Call held on Monday, 4th December 2023.

Dear Sir/Madam,

Pursuant to clause 15 of Para A of Part A of Schedule III with Regulation 30 of Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements), Regulations, 2015, please find enclosed transcript of earnings call held on **Monday, 4th December 2023** at 12.00 Noon (IST).

It is also available on the website of the Company at www.pclindia.in.

You are requested to take the same on record.

Thanking you,

For **Precision Camshafts Limited**

Tanmay M. Pethkar

Company Secretary and Compliance Officer

Membership No. [A53618](#)

Precision Camshafts Limited

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“Precision Camshafts Limited
Q2 FY’24 Earnings Conference Call”
December 04, 2023



**MANAGEMENT: MR. KARAN SHAH – WHOLE TIME DIRECTOR,
BUSINESS DEVELOPMENT – PRECISION CAMSHAFTS
LIMITED
MRS. AAROHI DEOSTHALI – ASSISTANT GENERAL
MANAGER, ACCOUNTS – PRECISION CAMSHAFTS
LIMITED**



Moderator: Ladies and gentlemen, good day, and welcome to Precision Camshafts Limited Q2 FY '24 Earnings Conference Call. 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 star then zero on your touch-tone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Karan Shah, Whole-Time Director, Business Development. Thank you, and over to you, sir.

Karan Shah: Thank you. Good afternoon, ladies, and gentlemen. I would like to thank you all for being a part of this Precision Camshafts Limited Q2 FY '23-'24 Earnings Conference Call. I have with me Mrs. Aarohi from Finance team who will answer financial-related questions. But in case of any detailed questions for finance, please e-mail us your questions at cs@pclindia.in, and we shall provide you with the answers in a reasonable time.

We have submitted the investor presentation for Q2 to the stock exchanges on Friday, 1st of December 2023, and the same is available on our website. Investors are requested to refer to the same.

The automotive industry has remained vulnerable to global headwinds in 2023, including the energy crisis, slower global demand, and continued supply chain disruptions. In Western markets, vehicle sales are slowing down, whereas in Asia Pacific, car sales have managed to continue on an upward trend, although at a modest pace. The Indian automotive market has been exceptional to this trend with strong growth numbers. And the Indian automotive industry is expected to grow at a CAGR of approximately 11% until 2027.

I'm happy to share that despite these challenging times that we work in, the total income of the company was INR177.28 crores on a stand-alone basis and INR259.63 crores on a consolidated basis. The parent business, PCL India, has grown the last year by better asset utilization of foundries as well as machine shops. And we're happy to share that PCL has onboarded several new customers in India and overseas where we can see long-term visibility of contracts for the camshaft business.

MEMCO has seen consistent demand and has grown – and delivered a total income of INR11.9 crores during the previous quarter. MFT in Germany has seen stabilization of business during these difficult times. However, we still see challenges ahead due to the slowdown in Europe.

Management: You were on MEMCO. You were talking about MEMCO.

Karan Shah: Okay. So yes, MEMCO has seen consistent demand, and we have delivered a total income of INR11.91 crores during the previous quarter. MFT, which is based in Germany, has seen stabilization of business during these difficult times, but we still see challenges ahead due to the slowdown in Europe. MFT would build production of new nonengine components in the first half of 2024. And the total income of MFT during the previous quarter was INR38.82 crores.



Our e-mobility subsidiary, EMOSS, based in the Netherlands, posted a total turnover of INR31.62 crores in Q2 compared to INR33.26 crores in the last quarter. This dip in revenues was mainly driven by the general slowdown in Europe, delayed decision-making by customers and a general sense of uncertainty in the European marketplace. We are still in the process of developing several new customers and new applications of our electric powertrains in Europe, and we will inform stakeholders of the same in the coming quarters.

Coming to the e-mobility developments in India, the company has developed an electric driveline, sub-4-ton LCVs. The company is focused on high-quality, reliable products for the Indian market while ensuring cost competitiveness with high localization.

I'm happy to share that the company has started the first deliveries of the electric LCVs to customers in India, and we will deliver [retrofitted e-LCVs] to several customers in India, including government bodies, large fleet operators and corporate bodies. The next few months would involve testing of these vehicles in the customer's use case.

Finally, I'm happy to share that the company has started work on developing a new [campus in] Solapur. Groundbreaking ceremony was performed on a 25-acre site in Solapur where PCL will build a state-of-the-art machine shop for assembled camshafts and other niche and intricate products in the coming year to cater to its marquee OEM customers. PCL will also expand its electric mobility footprint on this new campus.

Coming to the financial performance of the company, starting with the stand-alone business of Precision Camshafts. Total income for Q2 increased by 8.23% year-on-year to INR177.28 crores. EBITDA margin for the quarter 2 was 18%, and the PAT margin was approximately 11%.

The quantity of camshafts sold in Q2 of FY '23 as castings, increased by 10.6% quarter-on-quarter and increase 19% year-on-year to 1.82 million. Quantity of machine camshaft decreased by 5.3% quarter-on-quarter and decreased 5.9% year-on-year to 0.74 million in this quarter.

Now coming to the consolidated business performance. The total consol income for Q2 decreased by 9.5% to INR 259.63 crores. EBITDA increased by 36% to INR44 crores. Profit before tax was INR10.5 crores, and PAT was INR8.4 crores. The EBITDA margin was 17% at a consolidated level, PAT was 3.25%.

Coming to the group company's revenues. Revenue at MEMCO was INR11.9 crores. Revenue at MFT was INR38.8 crores. And revenue at EMOSS was INR31.6 crores.

With this, I would now like to open up the floor for questions and answers. Thank you very much.

Moderator: Thank you very much. We have a question from the line of Vishal Gupta. Please go ahead.

Vishal Gupta: Sir, I wanted to talk about the -- can you talk a bit more about the sub-4-ton LCVs launch in India? You mentioned that you started delivering, but these are test vehicles right now. So can



you talk a bit about when would you do a full-scale formal launch? And what's the outlook for that business from here on?

Karan Shah:

Yes. Thank you for the question. I think, yes, as I mentioned in previous calls, we have ample customers across India who are in the e-commerce space, who are in the FMCG space, who are -- bodies, large fleet owners, third-party logistics companies, etcetera. And we have started the deliveries of these electrified -- vehicles with these customers from the last month, and we continue to do the deliveries in this month.

These vehicles will, of course, go through extensive testing in the use case of these customers, which would be anywhere between 3 to 6 months. But in parallel, we are also scaling up the operations so that we are able to cater to the demand once that is confirmed and finalized. Unfortunately, I cannot give you an exact outlook in terms of what the order book looks like because it's still in the initial phases.

But I think the only addressable market that I can talk about, of course, is what I have been saying in the past that there are more than 2 million vehicles running on Indian roads today, and we are associated with some of the largest players in the space who we are able to provide a retrofit solution to. So even a very small percentage of that, if we can address and if we can get it, would be still large numbers for this year.

Vishal Gupta:

Got it. You also talked a bit about the price points that you have positioned these vehicles at? And have you launched both Tata Ace and Dost or only one of the two right now?

Karan Shah:

As of now, we have only started deliveries of the Tata Ace version. We will be starting the Dost in early 2024. At this point, it would be difficult to give you an exact price point because this is still not at serial production, and these are still, let's say, the initial vehicles that are being rolled out in the market. But at the appropriate time in the early part of next year, I think we would be able to actually do a full launch of the vehicle with pricing along with a total cost of ownership, etcetera.

But I think needless to say, we have -- because of the very high degree of localization that we have achieved for these vehicles, we are able to provide it at an extremely competitive price to the customer. So much so that the total cost of ownership of electrified vehicle would be less than the total cost of ownership of a diesel vehicle over a period of, let's say, 7 to 8 years. So that's what I can tell you today.

Vishal Gupta:

Understand. And as we stand today, sir, for this business, do you think the constraint is the demand from the marketplace given Tata also has an electric case that the OEM itself is selling? Or do you think the constraint is stabilizing and getting the product and marketing right at our end? From what's your sense of the market...

Karan Shah:

It's a combination of both. Look, we are not directly competing with Tata Motors. I think that's quite clear because we are not the OEM. We don't build the entire vehicle. We are providing a retrofit solution. So I think there is a market that we are addressing, which is existing vehicle owners or existing fleet owners where we would electrify their existing fleets, whereas I think the OEMs are targeting new customers.



So I think there's a different target market in both cases. And yes, I think on the other side, we are also being very cautious and conservative on how these products are rolled out in terms of the quality, the control that we have and the entire supply chain being properly oiled, etcetera. So I think it's a combination of both.

Vishal Gupta:

Got it. And you mentioned that the TCO would be much better than the diesel version over 7, 8 years. And how would the TCO compare with the new Tata Ace EV that the OEM has? Let's say, an existing Dost owner can always sell his -- sorry, Tata Ace owner can always sell his Tata Ace and buy a fresh new EV from Tata versus going for our solutions. How do those two scenarios compare? Is it still compelling for the customer?

Karan Shah:

Yes. I mean, look, because you're retrofitting your existing vehicle, you don't pay the entire cost of purchasing a new vehicle, right? So the cost of conversion minus the vehicles, minus the base vehicle, is surely lower than buying a brand-new vehicle. That's for sure.

So I think the choice that a customer has 5 years into using a vehicle is, should I pay x amount of rupees to convert this existing vehicle into electric and I can basically reap the same benefits of electrification, which is the lower operating cost, lower maintenance cost, etcetera. Or shall I go and buy a new one, which will be more than that x rupees, which it would cost to convert.

Vishal Gupta:

Yes, but I'll also be able to sell my existing vehicle in the second-hand market. So do you think the sale proceeds from the second-hand vehicle plus the cost of conversion will be lower than the cost of the new vehicle?

Karan Shah:

That is what we are targeting to be, but I can't answer that specifically today.

Vishal Gupta:

Got it. And are there any other OEMs who we are competing with here, OEMs or other new EV players that are competing that in this market as of now? Or that's the two main OEMs, Tata, and Ashok Leyland, as of now?

Karan Shah:

Yes, I think that's what the market looks like right now. There are several players in the 2-wheeler, 3-wheeler space, passenger car space, but not many that -- in this LCV category.

Vishal Gupta:

Got it. The LCV opportunity I also got a question on EMOSS. I can come back in the queue or maybe I can ask right now if it's okay.

Karan Shah:

Yes, please go ahead.

Vishal Gupta:

On EMOSS, you have always maintained a positive outlook over the last few quarters that there's quarterly volatility and it's hard to forecast quarter-on-quarter. But you've always maintained that it's a very high-growth business over a three, five-year period. And now, over the last, first week of flattening over two, three quarters and last couple of quarters have been tough, you've almost seen degrowth over the INR50 crores quarterly revenue you've achieved in Q4 last year, almost for two quarters are in the INR30 crores, INR35 crores range. So how should one think about EMOSS from here? Is there a change in how we should think about that business going forward?



Karan Shah: I don't think so. I mean we are still very optimistic about the business. We have certain products and certain technical capabilities that very few in the market have. We are in discussions with several customers, new customers, new applications, like I mentioned in my opening speech. But I think, look, the overall situation in Europe is not favorable right now for growth. There is certainly a recessionary environment. There is a lot of delay in decision-making from customers in spending that kind of money.

You know well that electrified vehicles cost significantly more than their diesel counterparts or their gasoline counterparts. So of course, there is a hesitancy and general state of uncertainty. I mean, you have the Ukraine war on one side, you have this is Israel conflict that is happening on the other side. There is inflation. There's a whole slowdown. And this is the reason why we have seen some level of reduction in the top line in the last two quarters. But I don't -- I mean it's hard to say when we get out of this. But of course, we see a much more positive outlook of the company. We see that..

Vishal Gupta: You are saying that in general, it's hard to predict why you get out of this general uncertainty in Europe, but you see a much more positive outlook.

Karan Shah: I still -- look, I think as a company, as the technology that we have, the customers that we deal with, I don't think the situation is not that we have lost business or there is a competitor coming in or something like that. I think the issue is that overall, market has slowed down in Europe. And you're not only seeing this on the -- on us, on EMOSS performance, but every single car OEM in Europe has degrown in the last few quarters or even in the last one year. So I think it's a wait-and-watch kind of situation on how we get out this situation.

Vishal Gupta: Understood. And is there any early signs that you think that this could change in the next few quarters? Or do you think that it may take a few years depending on how the general market evolve?

Karan Shah: I mean we don't see any immediate changes. The good thing is that we are -- our OEM customers stay connected with us, stay partnered with us. They continue to grow the business. I think at the end of the day, we are not the end customer or we are not -- we are not supplying a product to the end customer. We are a desired demand of what our customers can sell. So we work very closely with them in how and where we can get out of this situation, which is not favorable for them or for us. But yes, I think we can't say anything right now.

Vishal Gupta: Got it. Okay. Thank you so much, sir.

Karan Shah: Thank you.

Moderator: Thank you. We have a question from the line of Vishal Gupta from Neo Capital. Please go ahead.

Vishal Gupta: Thanks again for the opportunity. So in the last two con call, you had also mentioned, Karan, that you may consider going down the path of becoming an OEM in India. I wanted to check how is the progress on that front? Any sense on timelines on what you have said internally to roll out Precision or EMOSS branded vehicles in India?



- Karan Shah:** Yes. So work continues on that front. But as I've mentioned in the previous calls, I think it's at least a two- or three-year journey that we have embarked on. And I think it will not be as immediate as developing powertrains because it comes around with a whole different ball game and its -- when you're talking about vehicles. But yes, we are on it.
- Vishal Gupta:** Got it. And lot of start-ups in the EV space have broadly raised a lot of capital from venture funds and other sources of capital. Any plans for us to raise capital, either in the India business, for the India EV expansion or for the EMOSS business?
- Karan Shah:** Not that I can comment on as of today.
- Vishal Gupta:** And do you think the business's capital intensive that it would need capital for us to be able to achieve our milestones? Or do you think the business is not really that capital intensive? We don't really need that much capital?
- Karan Shah:** I mean, these are two different businesses. The way EMOSS operates today where we are a powertrain supplier still in the Netherlands or in Europe. And then -- or in India where we are a powertrain supplier where we convert vehicles and we work with the end customers to convert vehicles. That is not a very capital-intensive business, except that you require a lot of working capital for it, of course.
- But the OEM track that we talk about is a whole different ballgame. Like I said, it is capital-intensive. We require -- we develop vehicles ground up, test them for safety, functionality, performance, etcetera, and intent to market, which is a long process and a capital-intensive one.
- Vishal Gupta:** And is there internal order of magnitude, how much capital would that need?
- Karan Shah:** I said -- I mean, we are too early in the stage to answer that right now.
- Vishal Gupta:** Okay. Got it. And on the EMOSS side, you said that there is a general slowdown in Europe, but in terms of applications, one would imagine that the share of electric vehicles should be increasing at a very fast rate, and even a general slowdown in the overall OEM sales do not impact electric vehicles as such. So is it that a lot of OEMs have moved to in-house production where they're not relying on partners like us for their guideline, or is it that there is a slowdown in EVs as well? And...
- Karan Shah:** Yes. There is a general slowdown, Vishal. So I don't think it is attributed to -- yes. So I was saying that the electric vehicle offerings across the board are more expensive than ICE ones. So there is a general reluctance to make decisions to invest in these vehicles at this point of time because of the uncertainty involved. And like I said before, none of our customers, none of our partners have moved away from EMOSS. It's just a matter of time, I think, it's on how we get back to those volumes and to those numbers.
- Vishal Gupta:** I understand. And one last question around EMOSS. You said that electric vehicle offerings are expensive across the board for application. How much more expensive would they be broadly today on a total cost of ownership basis? And what would be the benefit...



- Karan Shah:** Not on total cost of ownership, on the upfront cost of acquiring an electric vehicle versus a traditional one.
- Vishal Gupta:** Okay. I think it is competitive, but the upfront cost is not?
- Karan Shah:** Yes.
- Vishal Gupta:** Got it. And in terms of penetration for the kind of categories which we serve, which are very niche application. What sort of EV penetration would we be at today?
- Karan Shah:** It's very, very low. So we are one of the first ones in these kinds of applications, which is garbage trucks, road sweepers, heavy equipment, airport buses, things like that. So the penetration is very low single digit, I would say.
- Vishal Gupta:** Got it. And in EMOSS, what would be our main country? And how much revenue contribution would be coming from which country in Europe?
- Karan Shah:** I don't have that information off-hand. If you can e-mail us, we'll get back to you.
- Moderator:** Thank you. We have a next question from the line of Vijay Bhatia, an individual investor. Please go ahead.
- Vijay Bhatia:** I just had some two questions. What is your take on the response of your new EV offerings in India? Does it meet your expectations, or what is it?
- Karan Shah:** Mr. Vijay, I think we just started the release of the vehicle last few weeks so it's very early to say. But look, I think we're doing something in this market, which not a lot of companies have done. So it will be a journey that we take with our customers. I think we are very thankful to the first 10 or 15 customers who have taken that first leap of faith with Precision and EMOSS to kind of accept this product. And we have to test this in real-world scenarios because we have done our level of extensive testing, but they need to be tested in the real world because each customer application is different and getting that test is something that we are looking today. So I think so far so good, but it's just too early to say.
- Vijay Bhatia:** Okay. Any plans to extend it to all these tempo traveller type vehicles and all that because I feel that you will have more visibility in this one and those type of -- in that vehicle...
- Karan Shah:** No. Our objective right now is to focus only on cargo LCVs, which are less than 4 tons of GVW, roughly.
- Vijay Bhatia:** Okay. And any plans to expand into US? I mean, why are you Europe-centric only? I mean, there is a lot of scope in US also. I mean they have a lot of focus, and this one on conversion of existing ICE vehicles to EVs these, and they're giving a lot of incentives. Any take on that?
- Karan Shah:** Yes, we are looking at the US market, but I think we have our hands full with India and with Europe, a lot of demand there. Unfortunately, the situation as it stands today is difficult, of course. But we can't ignore that Europe is where most of the technology has been innovated, has started.



A lot of the early adopters of this technology happens in Europe. I think India, we see as a very large market in terms of size, in terms of revenue also. And so we want to focus where we have best knowledge, where we are most hands on the ground, etcetera. But yes, we are looking at the US market right now, but I can't tell you what that means in terms of the business or anything.

Vijay Bhatia: Okay. And goes without saying, looking your new plant, Bhoomi Poojan, what you have done for your camshafts. The demand for camshafts, you feel, will sustain going forward?

Karan Shah: Absolutely.

Moderator: Thank you. We have a question from the line of Bhavesh Mehta, individual investor. Please go ahead.

Bhavesh Mehta: So I have a question. So first is that where is the camshaft business planning for the growth for the next three years? What is the plan? What is the plan for the next three years where the camshaft business is going to grow?

Karan Shah: I think we see very good visibility for the camshaft business. We have long-term contracts with most of our domestic as well as international customers. And we actually see -- you've seen over the last, let's say, two years also, we have grown the camshaft business in terms of casting as well as the machine camshafts, and we continue to see that trajectory.

I cannot give you a forward-looking number in terms of what we expect the revenue to be. But we are setting up a few machining plants. We have been awarded assembly camshaft business from OEM customers. We actually see growth in the camshaft business in the coming years.

Bhavesh Mehta: Okay. And the next question is, what are the steps you have taken to increase margins in the camshaft business?

Karan Shah: I think one of the bigger actions that we have taken is to set up this large solar power plant in the casting business, a considerable amount of our costs are energy. And by setting up this 15-megawatt solar plant, I think we have reduced the cost of power considerably. And I think other efforts on the material side, as well as machining equipment side are ongoing. But I think the power cost was a large factor, and that has been more or less reduced by, I would say, 30%, 35% by the solar plant.

Aarohi mam, if you want to add any other thing, yes, please do, so.

Aarohi Deosthali: Yes, sir, we start the solar -- we have saved approximately INR1 crore from July per month.

Moderator: Thank you. Ladies and gentlemen, that would be the last question for today. I would now like to hand the conference over to Mr. Karan Shah, Whole-Time Director, Business Development, for closing comments. Over to you, sir.

Karan Shah: Thank you so much. I hope we've been able to answer most of your queries today. Thank you again for your participation in this conference call, and we look forward to meeting you again in the next quarter's earnings call. Bye-bye.



Moderator:

Thank you. Ladies and gentlemen, that does conclude your conference for today. You may now disconnect your lines.