



Precision Camshafts Limited

(100% EOU Division)

Works : D-5,D-6,7,7-1, M I D C, Chincholi, Solapur 413 255



Date: 5th September, 2019

SEC/SEPT/SE/N&B/2019

To, The Listing Department, Bombay Stock Exchange Limited PhirozeJeejeebhoy Towers, Dalal Street, Mumbai – 400001 SCRIP CODE:539636	To, The Listing Department, The National Stock Exchange of India Limited Exchange Plaza, Bandrakurla Complex, Bandra (E) Mumbai 400051 SCRIP CODE: PRECAM
---	---

Subject: Transcript of Earnings Conference Call held on Monday, 19th August, 2019

Dear Sir,

Pursuant to Clause 15 of Schedule III, Part A, read with Regulation 30 of Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements), Regulations, 2015, please find enclosed transcript of conference call with analyst/investors held on Monday, 19th August, 2019.

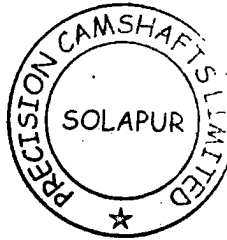
You are kindly requested to take the same on record.

Thanking you,

Yours Faithfully

For Precision Camshafts Limited

Mayuri I. Kulkarni
Company Secretary



Disclaimer

Transcript may contain forward-looking statements about the company, which are based on the beliefs, opinions and expectations of the company as of the date of this call. These statements are not guarantees of future performance and involve risks and uncertainties that are difficult to predict.



“Precision Camshafts Q1FY20 Earnings Conference Call”

August 19, 2019



**MANAGEMENT: MR. YATIN SHAH -- CHAIRMAN AND MANAGING
DIRECTOR, PRECISION CAMSHAFTS LIMITED
MR. KARAN SHAH -- WHOLE-TIME DIRECTOR
(BUSINESS DEVELOPMENT), PRECISION CAMSHAFTS
LIMITED**



*Precision Camshafts Limited
August 19, 2019*

Moderator:

Ladies and gentlemen, good day and welcome to the Precision Camshafts Limited Q1 FY 2020 Earnings Conference Call. This conference call may contain forward-looking statements about the company which are based on the beliefs, opinions and expectations of the company as on the date of this call. These statements are not the guarantees of future performance and involve risks and uncertainties that are difficult to predict.

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.

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

Karan Shah:

Thank you very much. Good afternoon, ladies and gentlemen. I would like to thank you all for being a part of this Precision Camshafts Q1 FY 2020 Earnings Con-call. Along with me today, I have Mr. Yatin Shah -- Chairman and Managing Director; and SGA – our Investor Relations advisers.

Unfortunately, Mr. Joshi – our CFO, will be not be able to join this call today. We will, thus, get back to you on specific finance questions at a later point in time if you have any.

Let me begin with an overview of the automotive industry right now:

I am sure everyone on this call is aware that the automotive industry is, indeed, going through one of the toughest times in the last decade. This situation is evident as even the top auto manufacturers have taken a shutdown of plants for a number of days to manage inventory and to control supply. Many factors have contributed to this, which include the liquidity crunch in the economy, higher insurance and tax rates, which has dampened the customer sentiments leading to lower demand. Consequently, the major auto component manufacturers have also had to adjust their production schedules resulting into underutilization of capacities and temporary plant shutdowns.

The industry has met with the finance authorities, and the industry is hopeful for a positive outcome from the same. Moreover, there is hope that after a brief slowdown, the domestic industry will start recovering from the festive season onwards.

Coming to the Precision Camshafts performance:

We are in a much better position than the overall industry as we have a very diversified client base in India as well as outside of India, which has led us to perform strongly in an otherwise weak environment.



In our consolidated group business, more than 70% of our revenue contribution came from outside of India in Q1 FY 2020.

Our outside India business revenue at a consolidated level grew by 44% in Q1 FY 2020 year-on-year, while our India business revenue was flat year-on-year reflecting the weak domestic business environment.

Our diverse customer base from across 4 continents and over 20 countries has insulated us from the Indian automotive slowdown. Markets such as Brazil, Uzbekistan, Europe continued to grow for us as the PCL group now offers a wide variety of components such as Camshafts, balanced shafts, injector components, etc.

I will now give you the overview of the performance highlights of Precision Camshafts standalone Camshaft business for Q1 FY 2020, the total income in Q1 FY 2020 grew by a strong 19.5% year-on-year to Rs. 119.8 crores, led by 15% Camshaft growth volume. Our gross profits in Q1 came in at Rs. 85 crores, which was 20.7% year-on-year higher than the last year, while our gross profit margins stood at 71% in Q1 FY 2020 as compared to 70.3% in Q1 FY 2019, which is about 70 basis points higher.

Our EBITDA in Q1 stood at Rs. 28.2 crores, a year-on-year growth of 14.3% and our EBITDA margins came in at 23.5% in Q1 of FY 2020 as compared to 24.6% in Q1 of FY 2019.

Profit after tax stood at Rs. 10.3 crores in Q1 of this year versus Rs. 7.5 crores in Q1 of last year, a year-on-year growth of solid 36.9% and consequently, PAT margins expanded by 110 basis points from 7.5% to 8.6% in this quarter.

Our focus remains on increasing sale of machined Camshafts volumes, which was evident in our Q1 results as well. Our machined Camshaft volume increased by 40% in Q1 FY 2020 year-on-year to 626,000 units, while our casting Camshaft volume also grew by 7% to 1.44 million units in Q1 of this year. That is giving a total blended volume growth of 15% in Q1 of this year compared to the last year. The solid growth in machined Camshaft is a result of our continuous marketing efforts and excellent serviceability, which has led us to add new clients on machined Camshaft as well as moving some clients from casting to machined Camshafts.

The utilization levels in our newly commissioned machining facility have also started to increase and we hope that we can reach optimum utilization in the next two years to three years.

Let me now quickly take you through rationale and brief of the three acquisitions we have done in the last years. As a recap, MEMCO in Nashik offers fuel injection parts, brake components and high-precision instrumentation components. We continue to expand on this business in the years to come.



*Precision Camshafts Limited
August 19, 2019*

MFT, based in Germany, has varied product offerings consisting of balancing shafts, bearing caps, engine brackets, Camshafts, etc., supplying to our German OEMs such as Audi, VW, BMW, etc.

Our Dutch company, EMOSS, provides a complete solution for electrified heavy vehicles. The business model includes conversion of diesel buses and trucks into ready-to-use electric trucks or buses with the installation of kits. There is a big scope of cross-selling our product offerings amongst our group companies, which can lead to a great amount of synergies. Carefully integrating all these companies together can bring us cost savings, while also adding to the revenue.

I am very pleased to announce strong consolidated performance as well for our Q1 FY 2020 as new group companies are now starting to take shape. Revenues from operations in Q1 of this year stood at Rs. 197.1 crores, a year-on-year growth of 27.6%.

Just to give you a break-up of the three group companies. The EMOSS revenue increased by more than 3 times to Rs. 29.7 crores in Q1 of this year as the demand for electric trucks and buses in Europe has increased. MFT revenues stood at Rs. 42.2 crores, while the revenue from MEMCO stood at Rs. 10.2 crores in Q1 of FY 2020. The revenue at MFT has been flat or has slightly reduced due to the average rate of the euro going down, whereas the revenue at MEMCO as compared to Q1 of FY 2019 has reduced due to lower off-take by one of the large domestic clients.

The consolidated EBITDA for Q1 of this year increased by 16% year-on-year to Rs. 31.8 crores, while EBITDA margins came in at 15.8% in Q1 of FY 2020 as compared to 17% in Q1 of last year. Profits from continuing operations at the group level more than doubled to Rs. 5.1 crores in Q1 of FY 2020 versus Rs. 2.5 crores in Q1 of FY 2019.

I am also very pleased to announce two new orders, which we have recently signed and announced to the exchanges. One for Camshafts in the Precision Camshafts stand-alone business, while the other one is for balancer shafts at MFT, which is our step-down subsidiary. For Precision Camshafts, the order is to supply 1 million fully machined Camshafts over the life of the program to General Motors in Brazil. This is on top of the 6 million fully machined Camshaft orders that we have initially received from General Motors and have also announced to the exchanges. This testifies our excellent product quality and our services. The value of this contract for an additional 1 million would be Rs. 90 crores over the life of the program.

For MFT, we have recently signed a contract to supply 180,000 machined balancer shaft assemblies to Linamar over the life of the program. The value of the order would be close to €26 million or Rs. 208 crores over the life of the program. While these are long-term contracts, they are subject to platform success in the end markets and thus, volumes may undergo changes based on markets.



*Precision Camshafts Limited
August 19, 2019*

I would like to end by restating that the Precision Group has performed strongly in Q1 FY 2020 registering a 27% year-on-year growth in consolidated revenues, while still maintaining healthy EBITDA margins.

With this, we would like to now open the floor for Q&A. Thank you very much.

Moderator: Thank you very much. Ladies and gentlemen, we will now begin with the Question-and-Answer Session. The first question is from the line of Vipul Shah from Sumangal Investments. Please go ahead.

Vipul Shah: What is the royalty payable to EMAG for this technical collaboration? And is it fixed or is it linked to volumes?

Karan Shah: There is no amount payable to EMAG for the technical collaboration. We have a long-standing relationship with EMAG because of which we have exclusivity on certain equipment that we buy for them for assembled Camshafts. There is no outflow of money.

Vipul Shah: Okay. And sir, can you give me the value of machined Camshafts and casting Camshafts for quarter 1 2020 and Q4 2019 also?

Karan Shah: The volumes for machined Camshafts in...

Vipul Shah: Sir, value. I want value. Volume, you have given in your presentation.

Karan Shah: Yes, but one second. I do not have the value figures right in front of me right now, but what I can tell you is that more than 50% of our revenue came from machine camshaft and the other came from castings. But we will get back to you on the exact numbers.

Vipul Shah: And sir lastly, can you give me EBITDA for all three subsidiaries for this quarter, I mean, MFT, MEMCO and EMOSS?

Karan Shah: We do not publish these numbers. We have the EBITDA for the standalone business and the consol business. So, in the past, we have always said and I can give you that ballpark again, which we have said in the past, is that MFT and EMOSS are in the 10% to 15% range EBITDA, and MEMCO is slightly above 15%.

Vipul Shah: Right, sir. But regarding this value of Camshaft, if I drop a mail, I hope you...

Karan Shah: Yes, of course. We will come back to you on that.

Vipul Shah: And when do we expect to reach the full utilization for the new machine Camshaft facility?



*Precision Camshafts Limited
August 19, 2019*

- Karan Shah:** We would reach optimal utilization in the next two to three years.
- Moderator:** Thank you. The next question is from the line of Priyanka Singh from Atithi Securities. Please go ahead.
- Priyanka Singh:** I have few questions on MEMCO. So, basically, what is the product profile and your ownership?
- Karan Shah:** Do you want me to answer one at a time?
- Priyanka Singh:** Yes, please.
- Karan Shah:** The ownership is 100%. We own 100% of the company and the product profile is mainly injector components supplying into Tier-I such as Bosch and Delphi and we also manufacture some very critical, nonautomotive instrumentation components that go into a variety of applications. These are sold to global clients.
- Priyanka Singh:** And what is your Q1 FY 2020 performance versus same time last year?
- Karan Shah:** Like I said, the Q1 performance was roughly Rs. 10 crores compared to Rs. 12 crores in Q1 of last year, and this is mainly because of lower off take from one of the larger Indian automotive suppliers.
- Priyanka Singh:** Okay. And key client over here?
- Karan Shah:** Bosch, Delphi.
- Priyanka Singh:** Right And what is your target going forward in terms of growth rate?
- Karan Shah:** I mean I cannot tell you where we plan to be by the end of this year, but we hope to continue with the same run rate.
- Priyanka Singh:** Okay. And then from this CAPEX...
- Yatin Shah:** If I may come in for a minute? We are primarily dependent on Bosch and Delphi. Both our suppliers are to automotive OEMs. And obviously, if these two are affected as we move forward, there is every chance that it is going to impact us. However, I think, we hope that things will improve as we move forward.
- Priyanka Singh:** Okay. And just one last question. What will be the CAPEX required in MEMCO? And what will be the funding plan?
- Karan Shah:** There is some CAPEX plan for the next few years, which will be in the range of Rs. 15 crores to Rs. 20 crores and this would be combination of equity and debt.



*Precision Camshafts Limited
August 19, 2019*

- Moderator:** Thank you. The next question is from the line of Yash Gupta, as an Individual Investor. Please go ahead.
- Yash Gupta:** First question, what is the total salary to the KMPs for FY 2019?
- Yatin Shah:** That data in terms of key management personnel, we can come back to you on that. Now, it is a key management you are talking about, the entire team?
- Yash Gupta:** No, all the key managerial persons.
- Yatin Shah:** We do not have that data right now. We will come back to you.
- Yash Gupta:** Okay. What I have collected from the last year annual reports is around to be Rs. 7 odd crores, sir. So, do you think market cap of Rs. 400 odd crores, Rs. 7 odd crores KMP salary is justifiable?
- Yatin Shah:** When you look at this now, the same management team contributes to the growth of the acquired company as well, so which if you look at the total turnover, it is about Rs. 700 crores. So, we are looking at paying the same management team is also actively contributing to growing these acquired companies as well.
- Yash Gupta:** Over the last few years, particular Camshaft that have got phased out in China, so due to that they have closed out our one of the subsidiaries in China. So, this can be happened with other products in India also?
- Karan Shah:** No, we do not expect this. There was clear reasoning for why we have divested from our joint ventures in China and we have explained that in the previous calls as well. So, we do not see that going forward.
- Yatin Shah:** I think to answer your question also, there has been no phase of Camshafts in China in any order. We have divested from our joint ventures for a specific reason.
- Yash Gupta:** Okay. And what is the projection for the free cash flow for the next year? And how you are going to utilize this?
- Karan Shah:** I am sorry. We cannot answer this futuristic question.
- Yash Gupta:** But any of the particular data like Rs. 100 crores or the Rs. 50 odd crores?
- Karan Shah:** Sorry, we cannot give you that guidance.
- Yash Gupta:** Okay. So, last question, at the current share price in the stock market, what is your take on this? Anything you can tell us?



*Precision Camshafts Limited
August 19, 2019*

Yatin Shah: Despite the strong financial results of the year and of Q1, we are also trying to understand what needs to be done in order to improve the share price. We have done our best. We are showing strong performance even in the weak market conditions and we hope the market recognizes the same in time to come.

Moderator: Thank you. The next question is from the line of Bhaskar Chaudhry from Entrust. Please go ahead.

Bhaskar Chaudhry: So, a couple of questions on the margin. First, on the standalone margins, although the contribution of machined Camshaft is increasing, but the margins seem to have dropped from the Q1 FY 2019 figure, which kind of is counterintuitive to the machined Camshaft volume increasing. So, why do you think that is?

Yatin Shah: I think the primary reason for this is that some of the input costs have risen sharply, which we had not anticipated. All the other costs are some of the things that we can pass on to the customer as we discuss and negotiate. One of the most important cost is electricity, which has risen sharply in the last year. This is a cost that most customers find difficult to absorb and we are still in the negotiating phase. This is probably one of the largest business reasons for what you have explained as you know, for what you have stated right now for the decline in profits or the margins.

Bhaskar Chaudhry: Okay. And Mr. Shah, related question on the consol margins. So, Q1 FY 2019 may not be like-to-like comparison because you may have not consolidated all the entities. But if you look at Q4 FY 2019 versus Q1, the revenue figure for the consol numbers is almost similar. There may be some seasonality, etc. but the EBITDA is almost half in Q1 versus Q4 last year. So, could you just help us understand why that is?

Yatin Shah: Okay. What we will do, our finance team will come back to you with a specific answer, but as I tell you, I probably will share with you just a few things. We had to take some notional entries into the books. For example, we had a goodwill that has to be depreciated that has taken Rs. 4 crores hit to the margins in consol basis. What me and Karan would do is to come back to you specifically on why the margins have reduced although they are notional in nature. We will explain this in a more specific way.

Moderator: Thank you. The next question is from the line of Ritesh Bafna from RB Securities. Please go ahead.

Ritesh Bafna: Sir, I would just like to post a question on the company that we have named as MFT. So, can you just please explain what sort of products profile do you have in the company? And what synergies do we plan to reap out of this?



*Precision Camshafts Limited
August 19, 2019*

Karan Shah: Sure. I think that the MFT is a company in Germany that we acquired last year. This company is mainly into manufacturing, machining rather of niche components. These include balancing shafts, these include bearing caps, very intricate prismatic parts which are non-engine related also. These are the typical profile of the products and they are supplying into all the large German OEMs including VW, Audi, BMW, Daimler and also several of the Tier-I's in Germany. Few things that you can call synergy. What we are looking at is, going forward, if there is a requirement for raw material of cast products for MFT to machine, we would certainly look at PCL foundries as one of the ways to produce them and ship them over to Germany. That is one clear synergy. The other one is on the customer front as well. Just to give you an example, the biggest customer at MEMCO in India, our acquired company has been Bosch. Bosch being a German company, when they found out that we have also acquired MFT, has come to MFT with new business almost immediately after acquisition, which was never a customer of MFT in the past. So, this has certainly helped. Apart from this, for our standalone Camshaft business, we see MFT as a great manufacturing footprint to have in Germany to produce low volume parts, prototypes, test work, etc., for our German customers, so that we are much closer to them, give them a feeling of comfort. And there is certainly a lot of space at MFT in terms of area where we can expand in the future.

Ritesh Bafna: Okay. So, since you mentioned about a few clients, I would just like to understand who are the clients in this business right now? And what sort of contribution these clients will be having to the revenues of MFT. And as you mentioned, what sort of expansion do you plan at the vacant land?

Karan Shah: No, that expansion is yet to be articulated and planned, so that we will come back to you at a later point. But in terms of customer profile, the largest customer is the VW Group, as they are one of the largest OEMs in Germany. Consequently, they are one of the largest customers, and we are supplying to a variety of their plants not just to VW, but also to Audi, also to some of the other divisions. But besides that, we have BMW, we have Bosch now, we have different Tier-I such as Westfalia. So, we have quite a diverse customer base there.

Ritesh Bafna: Okay. Sir, how much will be your largest client contributing to MFT then? If you could share?

Karan Shah: As a group, it stands at about 15 some percent, but it is the whole company. So, it is hard to say that, that is the largest client.

Ritesh Bafna: Okay. Then can you just give me some color on what CAPEX have we planned in this business during the current year or in the future? And how do you know the plan to support the CAPEX, either it will be through internal accruals or through debt? Or how will be the procedure of that? I mean what will be the source for that?

Karan Shah: Yes. So, we have already announced this to the exchanges and also spoke about this in the last call where we have after the acquisition, we have invested about €9 million or say Rs. 60 odd



*Precision Camshafts Limited
August 19, 2019*

crores into MFT for new CAPEX for a new project that they have won. This new project also we have just announced with our Q1 results, which is a balancer shaft assembly for large client, Linamar, in Germany. The funding for this was partially through PCL equity, which we put in there and majorly through debt on MFT's balance sheet not on the parent company here in India. And besides this, we have no further CAPEX planned till we fully utilize and optimize the capacity setup.

Ritesh Bafna: Okay, I get it. And lastly, if you do not mind, what sort of revenue outlook do you see during the current fiscal? And also if the capacity you announced fully utilized and what sort of revenue do we foresee that we will be able to make at full utilizations?

Karan Shah: I mean it is hard to give you an outlook for this year but like I said earlier in the introduction that while the Indian automotive industry is certainly seeing a slowdown, we are insulated because of our exposure to the global market. So, we hope that we can continue at the way we have been doing this quarter, obviously, we cannot know how it is going to be in three or six months from now.

Ritesh Bafna: Alternatively, if you could just help me with the capacity utilizations currently at that plant?

Karan Shah: At where in PCL?

Ritesh Bafna: MFT, yes.

Karan Shah: In MFT, I mean I would not include the new CAPEX because that has not just been done and not utilized at all right now because I mean start of production is yet to begin. But other than that, we are upwards of 75% capacity utilization in Germany, at the German plant.

Ritesh Bafna: And on a consolidated basis at Precision Camshafts?

Karan Shah: Console basis, I cannot tell you capacity utilization because EMOSS has a very different model, etc. But in the Camshaft business, in our foundries perhaps at this point 65% to 70% and in our machine shops more than 70% utilization at this point.

Yatin Shah: Again, in the machine shop, we have just put in that Rs. 230 crores. So, the revenues from that investment is yet to happen. If you do not consider that Rs. 230 crores, then we are at about 75% to 80%.

Ritesh Bafna: 75% to 80%, okay.

Moderator: Thank you. The next question is from the line of Vatsal Gupta from Baroda Brokers. Please go ahead.



- Vatsal Gupta:** I had a couple of questions. So, if you could get take the bookkeeping question out of the way first. Based on something the earlier participants asked, on the standalone numbers, I can see that other expenditure line item has increased drastically. I think that is reducing the EBITDA margin. So, other than the electricity expenses, is there a large expense that has increased this quarter, which is calling the margin contraction?
- Yatin Shah:** No. The largest expenses that hit us is the electricity expenses, which has been pretty significant.
- Vatsal Gupta:** Okay. The other thing I wanted to understand was on the standalone business, I can see that the Europe and other countries business have expanded significantly. So, I can think that we have gained market share globally, maybe not in India but globally, definitely. So, can you please explain what is going on? And where can we see those countries giving us business?
- Karan Shah:** Yes. So, as with the orders that we have declared up until now in the exchanges, a lot of the new business that we have got, perhaps some competitors, which we have got transferred to PCL or new platforms altogether for the OEM, we are supplying large volumes now into Ford of Europe, which is in Spain. We are supplying very large volumes now for the General Motors contract, which is going to Brazil, also significant volumes going into Uzbekistan, into South Korea. So, quite a diversified geographical footprint, I would say. So, it is not specific to one geography.
- Vatsal Gupta:** Okay. That is good to hear. So, would it be fair to say that the new platforms are coming to PCL and not going to our competitors worldwide?
- Yatin Shah:** You could say that. Not always. We try and we try and see where we can. But I would just add to Karan what he had said. Up until probably a year ago or so, we were always considered a very, very pan Asian supplier. Today, fortunately, we have got recognition in terms of becoming a global supplier. This General Motors Brazil contract, I think, is one sign of recognition where PCL has emerged as a global supplier for that platform to all those regions in the world.
- Vatsal Gupta:** That is good to know. The other thing I wanted to know was for EMOSS. So, do we have EMOSS to India? And if yes, then would EMOSS be cost competitive given the kind of tenders that the government is floating currently on electric buses?
- Karan Shah:** I mean if you look at the EMOSS revenues from last quarter to this quarter or last Q1 of last year to Q1 of this year, you are going to see almost a 3 times increase in revenue and that is mostly coming from the matured markets where electric mobility is much more acceptable and the infrastructure is available. So, most of our resources at EMOSS are right now dedicated to orders that we have on hand, while there is certainly a plan to introduce this technology into India maybe in the year or two, we are still working out some of how do you say, the logistics of how this would work out and in terms of partnership, in terms of how we would do it. So...



- Yatin Shah:** There are a lot of government regulatory stuff that is required for this to happen in India. The homologation process is required. So, I think, we have initiated the process. It will take some time, but we do hope to have this. And as far as being competitive, I think probably that is the bridge we will cross when it comes. At this point of time, it is very hard to say.
- Vatsal Gupta:** Okay. No, the reason I asked was BYD has partnered with an Indian company to participate in the government tenders. I am just wondering if we could be eligible to participate in those tenders as well.
- Yatin Shah:** Not at this point of time because the technology and the products are still not promulgated in India. And that is a longer process, I think, probably because the company that you speak of has begun years ago and they probably have been ahead of a lot of things. I think they have got their products homologation accepted by the Indian authorities. And given the Indian government's push to make this happen I think there will be positive chances for us to do soon.
- Vatsal Gupta:** Okay. And just one last thing was we have talked about even in the previous calls about the kind of Camshaft volumes we wanted in FY 2021 and FY 2022. But given the overcapacity in the entire auto sector right now, are we still on track to achieve those numbers? Or are we thinking of pushing the numbers out a few years further?
- Yatin Shah:** It is very hard to predict now what is going to happen in the next couple of months or year. But if you look at the situation as of now or if you look at what is happening, we seem to be on track. But like Karan said, it is very difficult to predict because what is happening in the Indian market is never predicted. I mean the kind of fall that we have seen has not been anticipated, has been longer than what we think it is. We have not seen the bottom end of it. Now on the export front to where we supply, we do not see it happening now. But the disclaimer has to be put that there is every possibility that things could look different if policies change around the world.
- Moderator:** Thank you. The next question is from the line of Atul Kothari from Progwell Securities. Please go ahead.
- Atul Kothari:** Sir, my question is in reference with EMOSS. Sir, may I know as to how many days it takes to convert a diesel truck to electric truck?
- Karan Shah:** Once the first one is done, which is the harder part, the first conversion is always the most difficult because it is a lot of technology, a lot of retrofitting involved there. But once that one is done, every other bus or truck can be done in a period of four weeks to six weeks.
- Atul Kothari:** Okay. So, on an average, it takes around a month or so?
- Karan Shah:** A month or two, let us put it like that, yes.



*Precision Camshafts Limited
August 19, 2019*

- Atul Kothari:** Okay. And sir, what is the cost involved?
- Karan Shah:** It depends. I mean it would be very wrong for me to give you an average because EMOSS is one of the few companies, who can actually do retrofitting of a wide variety of vehicles going from 2 tonnes all the way to up to 50 tonnes in terms of payload. So, the cost would be very different based on the type of vehicle involved.
- Atul Kothari:** Okay. So, sir, to put it in another way, what is the cost economics for a truck owner to go for it?
- Karan Shah:** Let me put it like this, if you have, say like 50 seater bus, would cost anywhere between €50,000 to €80,000 to make it fully electric.
- Atul Kothari:** Okay. And sir, is there a potential to bring this technology? Is it viable in India of going ahead? Will it be viable in India?
- Karan Shah:** Yes. Like we said, we are exploring this. We have already started the initial process of connecting with the right regulatory authorities, finding the right partners, etc., but certainly the technologies would be viable, but we are still in the process of how and when.
- Yatin Shah:** More than the technology, I think what is important also if India is ready with the infrastructure to actually start accepting all of these, yeah? So, I think it is very important that both works in parallel than just one.
- Moderator:** Thank you. The next question is from the line of Vipul Shah from Sumangal Investments . Please go ahead.
- Vipul Shah:** Sir, can you quantify electricity expenses because you mentioned twice? So, what was...
- Yatin Shah:** It is almost into the tune of about Rs. 6 crores.
- Vipul Shah:** Rs. 6 crores as compared to last quarter or corresponding quarter of last year?
- Yatin Shah:** Q1 of last year.
- Vipul Shah:** Q1 of last year. And lastly, sir, can you comment about how our company, means how we are taking this whole EV story? Means how our company is responding if EV is accepted much faster, what is our strategy? So, if Mr. Yatin Shah can have some comments?
- Yatin Shah:** Okay. So, the thing is that, first of all, I think everybody has a different perception about this. So, given that our ears and eyes are close to the ground, we do not believe EV is an immediate or a medium-term threat. That does not mean that we are ignoring it. As a result of which we invested and bought a company in Netherlands that does this kind of business. So, instead of



*Precision Camshafts Limited
August 19, 2019*

trying to develop components in the EV space, which could probably be a challenge as we move forward because of the uncertainty, it is best to involve in a complete solution. And that is what we have done. Now obviously, we are looking at expanding this business as we move forward. Along with how things shape up, I mean everybody has a different way of looking at the entire thing. So, we continue to focus on internal combustion engines and as well as give the required or due attention to the EV space.

Moderator: Thank you. The next question is from the line of Lalaram Singh from Vibrant Securities. Please go ahead.

Lalaram Singh: My question was how much percentage of the Camshaft revenues for us comes from commercial vehicles?

Karan Shah: We are very much focused on passenger cars. So, commercial vehicles would be less than 5% of our standalone revenues.

Lalaram Singh: Okay. Any particular reason why we are not present into commercial vehicles?

Karan Shah: I mean we are a specialist in terms of passenger cars. Within passenger cars also, we operate in a very specific engine range and that is purely because that is the largest volume and the most demanding customer in terms of quality, in terms of price also. So, we prefer to be in that market where the volatility is much lower than that what you see in commercial vehicles.

Lalaram Singh: Got it. Secondly, with respect to MEMCO, I think we acquired it for around Rs. 40 odd crores, right?

Karan Shah: Yes.

Lalaram Singh: And what was the debt on the company when we acquired it? Net debt or....

Karan Shah: Very little debt. I can get back to you with the exact number but not significant debt.

Lalaram Singh: Okay. And what was the EBITDA margin of the company when we acquired?

Karan Shah: About 15%.

Lalaram Singh: Okay. So, we bought it for around 7 times EBITDA?

Karan Shah: Yes, give and take, yes.

Lalaram Singh: Can you give us some guideline on how we wish to allocate capital in the next two years to three years given our CAPEX is already over for the machining side? So, do we plan? Or are you open



*Precision Camshafts Limited
August 19, 2019*

to further acquisitions? Or can we also open for doing buybacks given the valuation of our own companies, I think less than 3 times EBITDA? So, any thoughts around capital allocation will be very helpful.

Yatin Shah: At this point of time, on the companies that we have acquired as well as PCL for the next two odd years, we do not see any significant CAPEX. I think we have done enough right now, and we need to see that fructifying, and we need to see that translating into revenues. So, if there is any other project that comes within this space that requires any CAPEX, it will be a different issue. We do not see that at this point of time. So, we would like to make sure that we use the capacity that has been put on the shop floor first before we start looking at any CAPEX. As far as acquisitions are concerned, yes, PCL continues to remain open to look at opportunities.

Lalaram Singh: Okay. And just one more question. What is that total gross debt and net debt as of June 30th, 2019?

Yatin Shah: I do not have the figures. But I do not think there is an insignificant net debt. We will get the figures to you.

Lalaram Singh: So, basically your net debt is around zero or insignificant. Okay, got it.

Yatin Shah: We will come back to you on this.

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

Karan Shah: Thank you very much for your questions and for attending the Q1 conference call. I would just like to repeat that as a company, we stay focused very much on our core businesses of Camshafts and other niche components through our group companies. Like Mr. Shah said earlier, in these challenging times, we have shown positive growth at the consol as well as a standalone basis and we hope to continue doing the same. Thank you very much for joining.

Moderator: Thank you very much. Ladies and gentlemen, on behalf of Precision Camshafts Limited, that concludes this conference. Thank you for joining us and you may now disconnect your lines.