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Date: 14<sup>th</sup> June 2022

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**Subject: - Transcript of Earnings Call held on Friday, 10<sup>th</sup> June 2022**

Dear Sir/Madam,

Pursuant to Clause 15(a) of Schedule III, Part A, Para A read 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 Friday, 10<sup>th</sup> June 2022.


It is also available on the website of the Company at [www.pclindia.in](http://www.pclindia.in)

You are kindly requested to take the same on record.

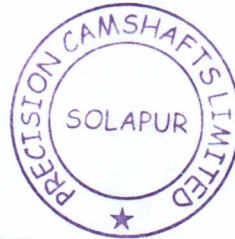
Thanking you,

Yours Faithfully

**For Precision Camshafts Limited**

  
Gautam V. Wakankar

Company Secretary and Compliance Officer



*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.*

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## “Transcript of Precision Camshafts Limited Q4 FY2022 Earnings Conference Call”

**10<sup>th</sup> June 2022, 2:30 pm**

**SPEAKERS:**

- |                             |  |
|-----------------------------|--|
| 1. Mr. Karan Y. Shah        | Whole-time Director (Business Development) |
| 2. Mrs. Aarohi D. Deosthali | AGM (Accounts)                             |

**Moderator:** Ladies and gentleman!! good day and welcome to the Q4 FY22 Earnings Conference Call of Precision Camshafts Ltd. 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 now hand the conference over to Mr. Karan Shah. Thank you and over to you, sir.

**Karan Y. Shah:** Good afternoon, ladies and gentlemen!! I would first of all like to thank you all for being a part of this Precision Camshafts Ltd. Q4 FY22 Earnings Conference Call. I am joined today by Mrs. Aarohi Deosthali from our Finance Team for finance related questions.

In case of any detailed questions on finance, please email your questions at [cs@pclindia.in](mailto:cs@pclindia.in) and we shall provide you answers in a reasonable time. We have submitted our investors' presentation for Q4 of FY22 to the stock exchanges on 8<sup>th</sup> June 2022 and the same is available on our website as well. Investors are requested to refer to the same.

I would now start with an overview of the automotive industry and then get to the Company's performance. The global automotive industry is still going through difficult times due to COVID, supply shortages of semiconductors, higher commodity prices and the Ukraine crisis. This has put pressure on the global automotive OEMs and all ancillary businesses as well. While there seems to be some light at the end of the tunnel, it would be hard to predict when we are fully out of the woods.

I am happy to share that despite the challenging times, your Company has delivered a 15% growth in revenues at a standalone basis and a 5% growth in revenue at a consolidated basis compared to Q4 of the previous financial year. On a full year basis, the revenue of the Company has grown from ₹ 408 crores to ₹ 532 crores, which is 30% year-on-year on a standalone and has grown from ₹ 734 crores to ₹ 913 crores, which is approximately 24% year-on-year on a consolidated basis. While doing so we have also posted a growth in the consolidated PAT from - 0.1% in FY21 to + 5% in FY22. The parent business PCL India has grown 30% over the last year by better asset utilization of our foundries, as well as our machine shops. As a Company, we cast 7.88 million camshafts in FY22 compared to 6.32 million in FY21. Out of this number, the Company machined 2.8 million camshafts in FY22 compared to 2.4 million last year.

The Company has actively started development and validation of new components in new materials apart from camshafts for customers who are

powertrain agnostic i.e. not dependent on IC engines. The new team at PCL is dedicated to this effort of diversifying the product portfolio and customer portfolio to ensure that PCL is future ready. Despite the challenging global circumstances, PCL has managed to grow its camshaft business with existing customers and add new customers as well to its client base. In summary, PCL as a parent Company, enjoys healthy margins and is poised for growth in the coming years ago.

MEMCO in Nashik has seen consistent demand in the last few months owing to the pent-up demand in the CV market and has delivered good topline and bottom-line results, which is in line with previous quarters. We are focused on growing the business with new customers this year. Our group company, MFT based in Germany, has seen some stabilization of business during the difficult times, but we continue to see some challenges ahead due to the ongoing Ukraine crisis in Europe. The team is also focused on bringing in new non-engine components to the Company's portfolio.

In summary:

The group's automotive component business is now well diversified in terms of product and customer base where no single customer makes up more than 20% of revenues and is showing consistent growth in topline and margins.

Now, coming to our e-mobility subsidiary EMOSS based in The Netherlands:

The Company has registered significant growth in business in the last 2 years. Since we have completed 100% acquisition in July 2020, we have focused the business on adding new customers and technology. While the traditional business of retrofitting medium and heavy commercial vehicles continues, we now look forward to an exciting new journey as we partner with several niche OEMs across Europe to provide them with ready-to-assemble electric driveline kits. The Company has posted a top line of ₹ 30 crores in Q4 of FY22 compared to circa ₹ 45 crores in Q3 of FY22. However, on a year-on-year basis, the top line of EMOSS has grown from ₹ 133 crores in FY21 to ₹ 175 crores in FY22, which is approximately 31% year-on-year. I would like to reiterate that the dip in revenues in the previous quarter, which is Q4 was mainly due to the severe shortage of component supplies in Europe due to the Ukraine crisis. The Company has already started to recover from the supply chain shock and will strive to recover this shortfall in revenue in Q4 during the coming quarters. Suffice to say EMOSS has not lost any customer business during this period and the order book for the next 2 to 3 years looks very solid.

Coming to the e-mobility developments in India:

The Company is developing an electric driveline for a sub 4-ton LCV for the Indian market. There are over 2 million such LCV's currently plying on Indian roads with approximately half a million new ones added each year for various applications such as last-mile delivery, waste collection, postal services, etc. The Company is focused on bringing a high quality reliable product to the Indian market while ensuring cost competitiveness with high localization. We are in the process of setting up our first EV plant setup in Solapur and have also signed some agreements with large customers. The various meetings with the government officials including the recent meetings with Union Minister Shri Nitin Gadkari Ji as well as private corporates gives the Company great confidence in the future of its e-mobility offerings in India. And while we hope to grow the business in India in the coming years, our focus is also on the European market where the demand is consistently growing and we see late visibility in order position till 2024 and beyond.

I thank you for joining this call now and I will handover to Mrs. AaroHi Deosthali for financial updates. Over to you, Ma'am.

**AaroHi Deosthali:**

Thank you, Karan sir. Good afternoon to all of you.

Now, coming to the financial performance of the Company:

Starting with the standalone business performance, Precision Camshafts Ltd., which houses the camshaft business, total income for Q4 FY22 increased by 18.32% year-on-year to ₹ 155.48 crores. EBITDA for Q4 FY22 reduced by 3.96% year-on-year to ₹ 32 crores. PBT for Q4 FY22 is ₹ 21.91 crores and the PAT is ₹ 16.25 crores. EBITDA margin for Q4 FY22 is 20.6% and PAT is 10.5%. Total revenue contribution from exports for Q4 FY22 is 52.71% and balance is from domestic sales. Total income for FY22 increased by 30% to ₹ 531.65 crores. Volume of sales for Q4 FY22 camshaft casting sale for Q4 FY22 increased by 2.88% quarter-to-quarter to ₹ 1.34 million. Machine camshaft sale for Q4 FY22 increased by 6.75% quarter-to-quarter to 0.85 million. Total camshaft sale for Q4 FY22 increased by 4.35% quarter-to-quarter to Rs. 2.2 million. Volume contribution of machined camshaft increased by 4.26% quarter-to-quarter basis.

Now, coming to the consolidated business performance:

Total consolidated income for Q4 FY22 increased by 4.90% year-on-year to ₹ 233.57 crores. EBITDA for Q4 FY22 increased by 122.06% year-on-year to ₹ 29.96 crores. PBT for Q4 FY22 is ₹ 8.47 crores and PAT is ₹ 6.97 crores. EBITDA

margin for Q4 FY22 is 1.8% and PAT is 2.98%. Total income for FY22 increased by 26.36% to ₹ 913.84 crores.

Now, coming to our group companies' revenue:

MEMCO, MFT and EMOSS. Revenue of MFT in Q4 FY22 is ₹ 36.1 crores. Revenue of MEMCO in Q4 FY22 is ₹ 12.33 crores. Revenue of EMOSS in Q4 FY22 is ₹ 30.44 crores. With this, we would like to open the floor for question and answers.

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

**Vipul Shah:** Can you share more details about this LCV project. So in which tonnage category we are entering? What is the capacity? What will be the CAPEX and it's an electric CV only. So, please give the details.

**Karan Y. Shah:** I can't share a lot more details at this point of time because we would reserve to keep that until we launch the vehicle itself. However, what we would like to share that yes, we are in the LCV category, so it will be a sub-3 ton GVW type of vehicle with a payload of somewhere between 1 ton to 1.5 ton. The vehicle will be fully electric and we are intending that the use case is within the intracity use, so typically between say 100 to 200 km of run per day. The product development cycle has been almost completed in our Dutch subsidiary along with most of the localization efforts in India as well. So, we look forward to sharing more news with you and more details with you once the product is ready for the market.

**Vipul Shah:** Fine, but in which quarter of this financial year are you going to launch and at least you can share the CAPEX and how you are going to fund. That will be really helpful.

**Karan Y. Shah:** Whatever CAPEX is required for this project will be funded through internal generation as well as the cash on hand that we have in the Company, which is sufficient to fund the development of this project and the vehicle. In terms of the timing, I unfortunately would not be able to provide an exact timeframe as to when the vehicle will be launched, but we will keep you updated as we progress.

**Vipul Shah:** But we have tested it extensively and test results are successful? At least that much if you can share.

**Karan Y. Shah:** Unfortunately, I'm not in a position to share that. I will definitely, as we go down this journey in the coming quarters, I will keep on updating stakeholders and investors regarding the progress, but at this point of time, I am only able to share so much.

**Vipul Shah:** Lastly, volume wise, machine camshaft is at roughly 36%. So, where we can expect this figure to settle 2 to 3 years down the line? So, can we cross the 50% hurdle for machine camshaft volume wise?

**Karan Y. Shah:** We expect to do that because we have the capacity to do so. So, if you look at it in terms of capacity, we have the machining capacity for approximately 4 million camshafts and a casting capacity of approximately 10 million and based on the order book that we have, we hope that we are able to reach towards that full capacity utilization number in the next year or two.

**Vipul Shah:** Lastly, in presentation, the value wise figure for machine camshaft and casting camshaft for quarter and year wise have not been provided. I think, in previous year presentation, you used to provide those figures. So, if you can provide those figures, it will be helpful.

**Karan Y. Shah:** We will try to do that offline with you. Aarohi ma'am, if you can please note this then we can share that.

**Moderator:** The next question is from the line of Vijay Kunandan Jadhav, an investor. Please go ahead.

**Vijay Kunandan**

**Jadhav:** My question is regarding what is your plan for your capital expansion? Is there any plan for expansion and is there any plan for future production improvement or production extension?

**Karan Y. Shah:** In terms of the CAPEX plan, we have certain CAPEX, which we have already announced during previous quarters for the Precision Camshafts Ltd. camshaft business. Most of this CAPEX is in induction hardening of camshafts for a certain customer that we supply to. Besides that we don't have any planned CAPEX at any of the companies apart from the fact that we will be spending some funds on the development of the electric LCV, which is again through internal generation. Most of the production and the development of this vehicle will happen in one of our existing plants in Solapur, so there is no additional planned CAPEX at this point of time as well. In terms of operational improvements, yes we will strive towards continuous improvements in all of our companies, which is why we have seen a very stable EBITDA margin despite the fluctuations in input costs, in labor costs and other variables.

**Vijay Kunandan**

**Jadhav:** I am very proud of you because the Steel cost and all the material costs have shot up like sky rocket and even in that turbulence situation, you have given and provided us robust numbers and we will be patronaged to your Company.

**Moderator:** Thank you. The next question is from the line of Vishal Agarwal from Leo Capital. Please go ahead.

**Vishal Agarwal:** My question was while the revenue growth has been great and often in auto components, EBITDA margins when commodities go up take a hit and they comeback with a lag. For us also on a standalone basis, the margins this year are slightly lower. I wanted to check how should one think about the standalone margins going forward and also is the ₹ 150 crore of quarter revenue run rate now broadly sustainable or is it a seasonal high in Q4?

**Karan Y. Shah:** Okay, to answer both your questions. On the margin front, rather stable margins between 20% and 25% as they have been in the past, there has been some dip in margins right now due to increase in prices and typically we have a quarter lag with the material adjustment with most of our customers, so you should see this correcting in the coming quarters because there is an index that is linked to most of our products and these will get compensated by the customer, so that's one thing. On the standalone business, I think the run rate is pretty strong for the coming quarters and should only improve from here on out as we look at increasing casting as well as machined camshaft sales to our customers, as well as addition of certain non-camshaft products also within our foundries and within our machine shops.

**Vishal Agarwal:** This ₹ 150 crores a quarter, you are saying you are seeing this going up even further from hereon. This is not a seasonal high?

**Karan Y. Shah:** No, it's not a seasonal high.

**Vishal Agarwal:** And switching back to EMOSS, you mentioned that you had one-off supply chain challenges because of Russia-Ukraine which kind of impacted revenue. How do you see that business over a 2 to 3 year time period in terms of growth prospects, is that a 15% to 20% type growth business or you see a much better growth runway there?

**Karan Y. Shah:** To be honest, I can't give you a number as this would be forward-looking numbers that I would be sharing, but enough to say that the kind of growth that we have been over the last few years should continue over the next 2 years and I am not saying this based on just a pipeline of what can happen, but it's a confirmed order book from our customers, which we have for 2023



and 2024, which more or less, shows a growth path from here on out. It would be hard to say what that would be in terms of actual numbers, but enough to say that it would be growing. In terms of the war situation right now, yes, Q4 has been extremely difficult, although we have built out most of the vehicles and kits for the customers, we are not able to ship them out due to very small sub segment of components that we cannot procure and therefore fit onto the vehicle, but I think once we have a better grip on things on the supply chain side, we should be able to recover this lost revenue in the coming quarter.

**Vishal Agarwal:** On the India electric vehicle plans, can you share more details around the timeline or in terms of how and at what stage is the product in terms of readiness and testing?

**Karan Y. Shah:** As I mentioned in the previous answer, I am unable to share more details on the timeline at this point of time, but I think more or less the product development cycle is complete at our Netherland facility for the Indian vehicle and we would be testing, homologating and certifying the vehicle in the coming quarters. It would not be right to give you an exact date or quarter when we would be launching the vehicle, as we would like to keep that as something that we develop over the coming months.

**Vishal Agarwal:** But in terms of product testing and suitability for India, has that been done?

**Karan Y. Shah:** It's all ongoing.

**Moderator:** Thank you. The next question is from the line of Nilesh Gandhi from Metadesign. Please go ahead.

**Nilesh Gandhi:** There was one where you had probably gifted one vehicle to some municipal corporation, if I remember rightly. So, any idea on how the performance is and anything which has transpired further after that?

**Karan Y. Shah:** No, we have not gifted any vehicle yet. We have an MOU with some municipal corporations in Maharashtra as well as MOU's with several private customers across Maharashtra and India actually, but these vehicles will be delivered to the customers when the vehicles are ready and these have not been delivered yet. So, it is yet to be done.

**Moderator:** Thank you. Our next question is from the line of Vipul Shah from Sumangal Investments. Please go ahead.

**Vipul Shah:** Can you share the order book for Precision Camshaft at standalone level and for EMOSS and do you expect any sharp reduction in turnover at the EMOSS and MFT level due to non-availability of the spare parts?

**Karan Y. Shah:** To answer your second question, we don't see any sharp decline in sales at MFT or EMOSS due to unavailability, but it is a temporary supply chain shock situation, which we hope to recover out of in the coming months or quarters. So, we should not see any significant impact, although you have seen an impact from Q3 to Q4. In terms of order book size, I would not be able to provide you with exact numbers as this would be forward looking numbers, both on the standalone as well as consolidated basis, but as I mentioned in the call, I think we are looking for growth in all of the companies that are a part of the PCL group.

**Vipul Shah:** And carrying forward from previous participant's question, do we have any firm orders from any Municipal Corporation for which we have got our vehicle tested?

**Karan Y. Shah:** We have MOU's with several customers across India for the electric LCV, but these will all be delivered once the products are ready and only after that would there be discussions on orders and commitments, but based on what we are seeing as initial developments, I think it looks very promising and we're looking forward to actually launching the vehicle when it's ready. So, I would not want to share too many more details before we are actually there.

**Vipul Shah:** So, it will be in this financial year?

**Karan Y. Shah:** Hard to say right now, sir.

**Moderator:** Thank you. Our next question is from the line of Manjul Agarwal from Green Portfolio. Please go ahead.

**Manjul Agarwal:** Sir, I understand that one problem that company might be facing is raw material inflation. So, in this front, I wanted to ask how long does it take to pass on the prices of raw materials?

**Karan Y. Shah:** Like I said in my previous answers, I think it takes somewhere between 30 to 90 days lag between increase of the commodity prices to when it is actually passed on by the customer to us simply because some of our customers are within stone's throw of us and the deliveries are immediate, whereas we are also supplying to corners of the world like Korea and Russia and Brazil and other parts. So, I think it's just a matter of time, 30 to 90 days approximately.

**Manjul Agarwal:** Sir, one more question, our other current liabilities went up by 175%, so could you please throw some light on it?

**Aarohi Deosthali:** These are standalone or on a consolidated basis?

**Manjul Agarwal:** Consolidated basis.

**Aarohi Deosthali:** Ma'am, we will come back to you with the brief information about these current liabilities on the consolidated basis. We will send it to you soon.

**Moderator:** Thank you. Our next question is from the line of the Tapan Bhatia, an investor. Please go ahead

**Tapan Bhatia:** So, basically I have got 2 questions. One is on the size if you have assessed any for this EMOSS electrical kit and the second one is, it's a bit forward looking the second question, is it how CNG kits are right now available in the market, are we looking at that kind of business for the electric kit as well or how will it be? The first question is the size of the whole electrical bus replacement from the ICE vehicles to electrical kits replacement market, how big is that? Have you guys assessed it?

**Karan Y. Shah:** I think it is pretty hard to give you a market size on this because there are new OEMs who are coming out with their electric buses, LCV vehicles also and there is also a conversion market for retrofitting. Especially for India, we are not playing in the truck and bus segment for retrofitting, but rather the LCV segment, which is sub-3 ton or sub-4 ton and just in terms of market size, I can tell you that there are 2 million vehicles in our category that are plying on Indian roads today, 20 lakh vehicles. So, if you consider that as the potential overall market for what we can do convergence of, so that's your total size, but even a small percentage of that addressable market can become a large business case for us. So, I think that's basically what I can address on the market size issue. In terms of the conversion, the conversion to electric is nothing like what it is on the CNG front. So, if I have to give you a small example, in a CNG kit, essentially you are only changing the source of the fuel from diesel or petrol to CNG, everything else in the vehicle stays the same. The engine stays the same, the exhaust system stays the same, everything else remains identical. You are only replacing petrol or diesel with a CNG tank, whereas in electric vehicle, you are changing the entire vehicle powertrain itself. So, you are replacing the engine, the gearbox, the transmission, the entire power electronics, the fuel source obviously from gasoline or diesel to lithium-ion battery, it is a completely different process and a much more intensive process than CNG conversion.

**Tapan Bhatia:** Also, also if you can just throw some light on the pricing of the kit, ballpark?

**Karan Y. Shah:** I can't answer that question right now because we don't have the product fully developed for the Indian market right now. So, it would be premature to give you a ballpark pricing right now.

**Tapan Bhatia:** Even in terms of Euros?

**Karan Y. Shah:** It would not be relevant. I'll get back to you once we have a better idea with the localization in India.

**Moderator:** Thank you. Our next question is from the line of Vishal Agarwal from Leo Capital. Please go ahead.

**Vishal Agarwal:** You also talked about growth in the non-camshaft business. Can you talk a little bit about the CAPEX that you would need for that, what are the plans there?

**Karan Y. Shah:** At this point of time, we don't have any significant CAPEX. We would be utilizing our existing foundries and our machining shops for components in the non-camshaft space. These are mostly components, which are used in braking systems in commercial vehicle and chassis components and other things like that. So, most of the equipment that we have or most of the setup that we have would be utilized for these products. So, we are intentionally finding good fit products in our existing infrastructure rather than spending more on CAPEX.

**Vishal Agarwal:** And few quarters back, you had also announced an investment for a solar facility for in-house consumption. Is that investment on track and can you talk a bit about that?

**Karan Y. Shah:** The investment is I think more or less done. Aarohi Ma'am, if you can please address this on where we are on the project.

**Aarohi Deosthali:** We are in the process of that project and very soon we will complete the project and we are able to get the electricity from our own solar plant.

**Vishal Agarwal:** And how much is the rough CAPEX for this and how much is the expected annual savings on this?

**Aarohi Deosthali:** Rs. 65 crores is the investment we did for the solar project and approximately we save Rs. 1 crore from the electricity bill per month.

**Vishal Agarwal:** And on the camshaft side, I think in the annual reports, you have mentioned that you have about 9% to 10% market share globally. Is that broadly the number even today and are you seeing opportunities to gain share globally or how is the competitive situation globally in the camshaft business?

**Karan Y. Shah:** The market share is more or less the same as it was before. In the last 2 years, if you have seen the market, it has shrunk a little due to 3 large issues that we are all aware about. We have maintained our market share position and we are definitely getting more interest from OEM's around the world and in different parts of the world where we have not explored before for new businesses and from the new OEM's, which we have never dealt with in the past. So, I think it looks like a very promising future even for the camshaft business because even if you consider some portion of the vehicles getting electrified, we still have significant headroom to grow the camshaft business from where we are today. So, we actually think that there is quite a lot of runway for this business.

**Moderator:** Thank you. As there are no further questions, I would now like to hand the conference over to Mr. Karan Shah for closing comments.

**Karan Y. Shah:** Thank you so much ladies and gentlemen. I hope we have been able to answer most of your questions and if you do have more questions, please email us at [cs@pclindia.in](mailto:cs@pclindia.in) . We thank you for your continued support and trust in the Management during these difficult times and we look forward to your participation in the next quarter. Thank you so much for joining this Earnings Call.

**Moderator:** On behalf of Precision Camshafts Limited, that concludes this conference. Thank you for joining us and you may now disconnect your lines.