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Date : 6th March 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 Friday, 3rd March 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 Friday, 3rd March 2023.

It is also available on the website of the Company at 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.

Precision Camshafts Limited

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“Transcript of Precision Camshafts Limited Q3 FY23
Earnings Conference Call”

3rd March 2023, 12:00 PM



Management: Mr. Karan Shah – Whole-time Director
Precision Camshafts Limited



Precision Camshafts Limited
3rd March 2023

Moderator: Ladies and gentlemen, good day and welcome to the Q3 FY '23 Earnings Conference Call of Precision Camshafts 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 start than zero on your touchtone phone. Please note that this conference is being recorded.

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

Karan Shah: Thank you so much. Good afternoon, ladies and gentlemen. I would like to thank you all for being a part of this Precision Camshafts Q3 FY '22-'23 earnings call, which will be mainly focused on the business and operational performance of the Company. In case of any detailed questions related to finance, I request you to mail your questions at cs@pclindia.in and we shall provide you the answers in a reasonable time. We've also submitted our investor presentation for Q3 of FY '23 to the stock exchanges on the 28th of February 2023, and the same is also available on our website. Investors are requested to refer to the same.

I will now start with an overview of the auto industry and get to the Company's performance. It is expected that the global new light vehicle sales will reach nearly 83.6 million units in 2023, a 5.6% increase year-on-year, according to the newest forecast by S&P Global Mobility. However, the auto industry continues to navigate through supply chain challenges, while confronted with several markets facing deteriorating economic conditions. Impacted by a blend of general economic impacts, higher interest rates, a tighter supply chain, and a general affordability squeeze, the forecast outlook remains mixed as well.

We are approaching three years since the beginning of COVID, two years since the beginning of the semiconductor disruption, and one year of the Russia-Ukraine war impact. Hopefully, the coming years will show a rebound from these global issues. I'm happy to share that compared to the last quarter, the total income at the Company has increased by 4.4% to INR 171 crores on a standalone basis and increased by 3.9% to INR 298 crores on a consolidated basis. The parent Company has grown over 30% over the last year by let say, better asset utilization of foundry as well as machine shafts.

Several new camshaft and non-camshaft projects have been awarded to PCL, which have started serial production or are in the ramp-up phase. PCL India, parent Company continues to enjoy healthy margins, and we have great visibility for growth over the coming years as we continue to invest in this business. MEMCO has seen a slight decrease in income compared to the previous quarter. It posted a total income of INR 12.3 crores, compared to INR 14.9 crores in the previous quarter. The management of the Company is focused on adding new business from existing and new customers.



Our Company, MFT in Germany, has seen stabilization of business. However, we still see challenges ahead due to the ongoing crisis. It posted a total income of INR 45 crores in this quarter, compared to INR 43 crores in the previous quarter. The team at MFT is focused on bringing new non-engine components to its Company portfolio.

Our E-mobility subsidiary, EMOSS, registered significant growth in the last two years. EMOSS posted a total income of INR 70.77 crores, compared to INR 65.9 crores in the previous quarter. There has been a complete reorganization of management at EMOSS, and the new team is driving the Company towards newer customers and technologies.

Our E-mobility developments in India continue to be on track. We are focused on building a high-quality, reliable yet commercially viable electric powertrain for the sub 4 ton LCVs in India. The team is focused on deep localization and testing for Indian conditions. We are in the process of setting up our first EV plant in Solapur and have signed several MOUs with large customers across India. We will share more details about the hard product and expect in the coming quarters. With a growing team in India, we do hope to build out the most LCV business in the next three year to four years.

Coming to the financial performance of the Company, starting with the standalone business which houses the Camshafts business, the total income in Q3 increased by 17.6% year-on-year to INR 71 crores. EBITDA increased by approximately 30% year-on-year, to INR 40.6 crores. Profit before tax was INR 31 crores and profit after tax was about INR 22.7 crores. And EBITDA margin was 23.78%, whereas PAT margin was 13.31%. Total revenue contribution from exports was about 52%, and the balance was domestic sales.

Coming to the consolidated business, the business income has grown by 21.83% year-on-year, to about INR 298 crores. EBITDA increased by 22% to INR 46 crores. PBT was INR 25 crores, whereas profit after tax was about INR 17.8 crores. And the EBITDA margin for this quarter was 6.5%, and PAT was about 6%. Coming to our group Company's revenues, MEMCO posted a revenue of INR 12.30 crores, MFT INR 45 crores, and EMOSS posted a healthy revenue of INR 70.77 crores.

With this, I conclude the talk, and I open the floor for questions-and-answers. Thank you so much.

Moderator:

The first question is from the line of Vishal Agarwal from Leo Capital.

Vishal Agarwal:

My question pertains to EMOSS. You mentioned that there has been a management team reorganization and a strategic realignment there. Can you elaborate a little bit on that, and how are the focus areas and growth prospects of that business changed, has there been any change in management outlook on that?



Karan Shah: I was saying that there is not a change in the management outlook of the Company. We have a restructuring in terms of the professionalization of the management, where we have people who are running the sales and marketing, the technology side, the operations side, etc. who have been in this industry for long enough and who are driving growth now.

We will continue to focus on the existing businesses that we have, which include a lot of the OEM partnerships in Europe, but also look at the newer technologies that are developing in that part of the world and make sure that we are future ready.

Vishal Agarwal: And today for EMOSS, what percentage of our business is OEM led?

Karan Shah: I would say approximately, 70% of the business would be partnerships with OEMs.

Vishal Agarwal: And sir, EMOSS, if you look at it, I know you may refrain from giving short-term guidance, but if I look at over a three year, five year long-term period, what sort of a growth outlook and margin profile do you expect in EMOSS?

Karan Shah: I am unfortunately unable to answer you what the outlook looks like. However, I think if you can look at where we have started just three years ago in terms of revenues, as well as the bottom line being red, just three years ago to making it profitable at this point of time, as well as growing at almost 4x in the last three year to four years, I think there is tremendous potential for this business, not just in Europe, but also as we expand in India.

Vishal Agarwal: So you do not think that in EMOSS, the business is flattening out, you think that the recent flattening out is more to do with the macroeconomic condition and other stuff around that zone? It's not a business which has become late stage and is now not on a fast growth trajectory?

Karan Shah: No, I don't believe that. I think it's a lot of macro factors that are causing a little bit of flattening, but even comparison of this quarter to the same quarter last year, we have actually grown significantly.

Vishal Agarwal: One more question if I may on the standalone business. I know the margins this quarter are slightly better again. On an ongoing basis, can we expect this sort of an EBITDA margin profile to continue? Or does this have some one-off receipts from customers regarding prior orders?

Karan Shah: No. I think we have consistently been in the -- somewhere in the 22% to 24% EBITDA margin range. And I think this should be the consistent margins going forward. There had been some pressure in the past due to the raw material price increases and other such things. But these are typically compensated by our customers to us, but there is a lag.

Vishal Agarwal: Understand. This sort of a margin profile on an ongoing basis is sustainable in your opinion?



- Karan Shah:** Yes.
- Vishal Agarwal:** Understand. And how you see the development of the non-camshaft business on the standalone side? I know the management has kind of articulated steps along that journey in the last few con calls. Can you share any progress around that or what are the plans around that?
- Karan Shah:** Yes, we have developed certain new components using our existing infrastructure, both in the foundry, as well as the machine shop. And we have developed some engine components, which will go into commercial vehicle braking systems. I cannot speak a lot more about that right now, but the program for a large customer in Europe that we will be supplying to will be ramping up quite soon. This is just our first foray into non-camshaft parts, but we continue to look for these opportunities.
- Vishal Agarwal:** Understand. And what percentage of revenue do you expect this program to contribute?
- Karan Shah:** It would be really hard for me to share those numbers today. I think once the business has ramped-up, it would be more reasonable to share.
- Moderator:** The next question is from the line of Pranjal Agrawal from Green Portfolio Private Limited.
- Pranjal Agrawal:** Sir, I wanted to ask first question is on the retrofitting vehicles, retrofitting kits. So sir, if you look at it, even vehicles of same Company can be very different depending on the model. So sir, how are you planning to deal with it? I mean, will it affect our scalability?
- Karan Shah:** To answer your question, yes, there are -- of course, the kit will be different for different vehicles, but we are focused on some of the 2 or 3 top selling vehicles in India right now that contribute more than 50% of the vehicles which are on the road. So I think that allows us to have deeper penetration with the customers that we are talking to. At the end of the day, we are saying that we would be the first to market to do something like this in India. And the idea for us is, at least for the next 2 to 3 years, build a good enough powertrain, which is running on the roads in India, and basically get us -- make sure that we have a reliable product out there, which allows us to take the next steps towards saying how do we actually look beyond just retrofitting.
- Pranjal Agrawal:** Okay. So sir, have you started building up an order book for these retrofitting kits?
- Karan Shah:** It's in the process.
- Pranjal Agrawal:** Okay. So sir, we've already signed up MOU. So these MOUs are relating to these kits only, right?
- Karan Shah:** Yes..



- Pranjal Agrawal:** Sir, could you just share an approximate cost of 1 kit?
- Karan Shah:** I cannot share that to you at this point of time because we are still in the certification process with the Government bodies in India and until it is finally done, I'm unable to share at this point of time.
- Pranjal Agrawal:** Okay. So sir, by when can we expect the certifications to be done, like all certifications?
- Karan Shah:** I hope within the next 3 to 4 months.
- Pranjal Agrawal:** Okay. Sir, what I see, there are losses in MEMCO subsidiary this quarter. So sir, what kind of expenditures have overtaken our profits?
- Karan Shah:** It's a one-off expenditure, which was related to employee VRS schemes that we did at the Company. And this is not an ongoing expense.
- Pranjal Agrawal:** Okay. Sir, just could you tell me the current capacity utilization in our camshafts business? And what are the capex plans for the Company?
- Karan Shah:** We are at about 80% utilization at -- on the foundry level and approximately similar 75% or so on the machining side as well. We can provide you the exact numbers if you write to us. But in terms of capex, we are looking at certain new programs that have been awarded to PCL by OEMs from -- in India as well as overseas. And we will share this information with you as we have more clarity over the coming months.
- Pranjal Agrawal:** Okay. And sir, just one last question. What I see is, in the last 9 months, if we compare it to financial year '23 versus financial year '22. Sir, the revenue growth is around 26%. Sir, what percentage accounts for increase in sales volumes?
- Karan Shah:** Sorry, I didn't get your question. You said the revenue is 26%.
- Pranjal Agrawal:** Sir, I said, revenue growth is 26%. So sir, how much percentage of the sales growth is on account of volumes, increase in volumes?
- Karan Shah:** No, the sale increase is mostly because of increase in volumes, right? If you compare to FY '22 to '23, we've had much better utilization of our foundries, as well as machine shops, which is the increased volumes to the domestic customers, as well as overseas, and that's the main reason for the increase in revenue.
- Moderator:** The next question is from the line of Aditya Sen from Robo Capital.



- Aditya Sen:** I just wanted to understand, if you want to change the proportion of machine camshaft and the cast camshafts. Because it's been trending upwards like from 2016 to 2019. So I just wanted to know how is it trending forward?
- Karan Shah:** Yes, of course, I think our focus is completely on increasing sale of machined camshafts. That's where realizations are higher. That's where we have installed capacities for machining, and we would like to utilize them up to the highest possible degree and you should see an increase in trend of machining versus pure castings is being sold.
- Aditya Sen:** Any aspirational target in this regard?
- Karan Shah:** No, I can't share number with you, unfortunately.
- Moderator:** The next question is from the line of Vishal Agarwal from Leo Capital.
- Vishal Agarwal:** My question again is on the standalone business. In the standalone business are peak in 2015...
- Karan Shah:** I can't hear you.
- Vishal Agarwal:** Can you hear me now?
- Karan Shah:** Your voice breaking, I'm not able to hear you.
- Vishal Agarwal:** Are you able to hear me all right now?
- Karan Shah:** Yes, this is better.
- Vishal Agarwal:** Yes. I was saying that on the standalone business in 2015 -- over 2015 to '17, we used to have a top line of about INR 500-odd crores. And this year, we are on a run rate to do about INR 600-odd crores plus. Given that the shift to electric vehicles globally, do you still see room for growth in the standalone business? Or the management's attention is focused on growing the Company through other initiatives that the standalone business is pretty much going to be flattish from here on?
- Karan Shah:** Not at all, actually. So just as much as focus we have on the EV business and other businesses, we are actually looking at increasing the business within the camshafts for at least for the next 5 to 6 years, we have that visibility. While there is higher EV penetration, if you still look at the numbers, I think last year, we are talking about 7% to 8% of all passenger cars that were electric and the balance, 90-some percent was still ICE. And as we look into the future, I think what is unanimously we hear from most OEMs is that, the pie will continue to increase as in the number of vehicles that will be sold on road will continue to increase. And while the EV percentage might increase over the next 5 to 6 years, there will be still a significant chunk of



vehicles that will be gasoline or diesel driven. And if you look at our market share today, we are talking about 8% to 9% globally. And we actually see headroom to grow here.

Vishal Agarwal: Understand. Any rough sense on what kind of growth can one expect in this business?

Karan Shah: I think at the end of the day, we should be looking at what the market is growing at. Indian market, the Eastern part of the world will be growing faster than, let's say, Europe and North America. And the camshaft business will, of course, tend to grow with the market growth, with the exception that when we are winning businesses away from competitors, that's when we see sizable increases. I can't quantify that, unfortunately.

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 Shah: Thank you so much, everyone, for joining this Q3 conference call. I hope we've been able to answer most of your queries. And we look forward to your participation in the next quarter. Thank you again for joining us today. Bye.

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