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CIN L24231PN1992PLC067126

PCL/SEC/23-24/056 **Date: 4th October 2023**

To,	To,
National Stock Exchange of India Limited, "Exchange Plaza" 5th Floor, Plot No. C-1, G Block, Bandra Kurla Complex, Bandra (East), Mumbai – 400051 **NSE Scrip Code - PRECAM**	**BSE Limited,** Phiroze Jeejeebhoy Towers, Dalal Street, Mumbai - 400001 **BSE Scrip Code – 539636**

Subject: Intimation of Revision in Credit Rating

Dear Sir/Madam,

Pursuant to the Regulation 30 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, we would like to inform you that CARE Ratings Limited has issued its rating on Bank Facilities of the Company the details are as follows: -

Facilities	Amount (Rs. crore)	Ratings	Rating action
Long-term Bank Facilities	2.05	**CARE A; Stable**	**Reaffirmed**
Long/Short-term Bank Facilities	10.00	**CARE A; Stable/CARE A1**	**Reaffirmed**
Short-term Bank Facilities	74.95	**CARE A1**	**Reaffirmed**
Total Facilities	**87.00**		

Enclosed herewith Credit Ratings of CARE Ratings Ltd.

The detailed Rationale & Key Rating Drivers are available on www.careratings.com

You are requested to take the same on record.

Thanking you,

For **Precision Camshafts Limited**

Tanmay Mukund Pethkar
Digitally signed by Tanmay Mukund Pethkar
Date: 2023.10.04 10:46:11 +05'30'

Tanmay M. Pethkar
Company Secretary and Compliance Officer
Mem No. A53618

Precision Camshafts Limited

October 3, 2023

Facilities/Instruments	Amount (₹ crore)	Rating[1]	Rating Action
Long-term bank facilities	2.05	CARE A; Stable	Reaffirmed
Long-term/Short-term bank facilities	10.00	CARE A; Stable/CARE A1	Reaffirmed
Short-term bank facilities	74.95 (Enhanced from 54.95)	CARE A1	Reaffirmed

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

The reaffirmation of the ratings of the bank loan facilities of Precision Camshafts Limited (PCL) continues to reflect the healthy financial risk profile, the extensive experience of the promoters, the established track record leading to a long association with leading global and domestic automobile original equipment manufacturers (OEMs), and the wide geographical reach. The ratings also factor in PCL's healthy market position in camshaft manufacturing, which is partially offset by product concentration risk.

The ratings factor in the growth in PCL's total operating income (TOI) during FY23 (FY refers to the period from April 1 to March 31) and the strong liquidity position.

These strengths are, however, partially offset by the modest return ratios, the moderate profit before interest, lease rentals, depreciation and taxation (PBILDT) margin, and the susceptibility of the same to the volatility in raw material prices and foreign exchange rate fluctuations. Furthermore, the company is exposed to changing regulations in the automotive industry and the threat from electric vehicles (EVs) mobility.

CARE Ratings Limited (CARE Ratings) has also taken cognisance of the investigation initiated on PCL by the Ministry of Corporate Affairs (MoCA) under Section 210 of the Companies Act 2013. The company is in the process of collating and presenting the required documents and information (accounts of earlier years, statutory registers, etc) to the relevant authorities. To date, no adverse remarks or orders have been passed, which can lead to the quantification of the implication of such an inquiry on the company. This event and its unfolding observations will be among the key monitorables by CARE Ratings.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors

- Improvement in profitability, with operating margin in the range of 20-22% with sustained increase in the scale of operations.
- Diversification in the customer base as well as product portfolio without adversely impacting the profitability.

Negative factors

- Any major deterioration in the performance of the subsidiaries, leading to weakening of the overall financial risk profile of the company.
- Any significant debt-funded capex resulting in the overall gearing exceeding 0.70x and reduction in the cash and liquid investments to below ₹100 crore.
- Any significant adverse outcome in the investigation initiated by the MoCA under Section 210.

Analytical approach: Consolidated

CARE Ratings has considered the consolidated financials of PCL, consisting of PCL (Standalone) and its wholly owned subsidiaries and step-down subsidiaries as mentioned in Annexure-6. CARE Ratings has analysed PCL's credit profile by considering the consolidated financial statements owing to the financial, business, operational, and management linkages between the parent and subsidiaries, in addition to the extended corporate guarantees (CGs) to the loans availed by its subsidiaries and step-down subsidiaries.

[1]Complete definition of the ratings assigned are available at www.careedge.in and other CARE Ratings Ltd.'s publications

Outlook: Stable

The 'Stable' outlook reflects the company's ability to maintain its scale of operations, healthy financial risk profile in the absence of large debt-funded capital expenditure (capex), and the healthy cash and liquid balances.

Detailed description of the key rating drivers

Key strengths

Healthy financial risk profile

The debt profile of the company includes working capital borrowings and foreign currency term debt. The overall gearing remained low at 0.15x as on March 31, 2023 (0.23x as on March 31, 2022) and is expected to remain comfortable over the medium term. The tangible net worth (TNW) improved to ₹680.43 crore as on March 31, 2023 (₹630.27 crore as on March 31, 2022). The debt is mainly utilised for working capital borrowings at the standalone level, while the term loans are contracted in subsidiaries. Going forward, no major debt-funded capex plans are expected, and hence, the capital structure is expected to remain comfortable. The debt protection metrics remained healthy, as indicated by the interest coverage ratio (ICR) of 16.65x in FY23 (19.99x in FY22) and is expected to remain healthy over the medium term. The total debt (TD) to gross cash accruals (GCA) improved to 0.97x in FY23 from 1.12x in FY22. With no significant debt-funded capex planned and the scheduled repayment of debt in subsidiaries, CARE Ratings expects the debt coverage indicators to improve further over the medium term.

Long track record and experienced top management

PCL has a long track record of more than 25 years in the manufacturing of critical engine components, particularly camshafts, and has established strong business relationships with marquee global OEMs. The promoter, Yatin Shah (Chairman & Managing Director), a first-generation entrepreneur, has vast experience in the field of engineering and has played a vital role in transforming the organisation into one of the leading manufacturers of camshafts in India. The promoters of the company are assisted by a qualified and experienced management team, many of whom have been associated with PCL for more than 15 years. CARE Ratings believes that the company will continue to benefit from long track record and experienced top management.

Steady growth in scale of operations

PCL's consolidated TOI increased to ₹1,100.34 crore from ₹926.66 crore in FY23. The growth was largely driven by a combination of improved realisations and volumetric sales due to better demand from the end-user (OEMs) segment. The company reported a consolidated revenue of ₹270.25 crore in Q1FY24 (Q1 refers to the period from April 1 to June 30) as against ₹178.27 crore for the same period in the previous fiscal. CARE Ratings expects the revenue to moderately grow and the scale of operations to sustain over the medium term.

Fairly diversified customer profile, further supported by long-standing relationships

The company's customer profile is fairly diversified, with the top five customers accounting for about 30% of the FY23 consolidated revenue (27% for FY22). Furthermore, most of the clients are associated with PCL for more than a decade, indicating the company's ability to secure repeat orders. Some of the key customers include Ford Motors Company, Volkswagen, General Motors, Bosch, Hyundai Motors, Maruti Suzuki India Limited, Suzuki Motor Gujarat Private Limited (rated 'CARE AAA; Stable/CARE A1+'), Tata Motors Limited (TML; rated 'CARE AA; Stable/CARE A1+'), and Mahindra & Mahindra Limited (M&M; rated 'CARE AAA; Stable/CARE A1+').

Wide geographical reach

PCL has its presence in over 17 countries, supplying to various global OEMs covering regions such as Europe, the UK, China, Brazil, Russia, and North America, among others. Along with PCL's camshaft penetration in the global market with customers like Ford, General Motors, etc, the company has further expanded its geographical presence through acquisitions. The presence in various international markets significantly reduces the exposure of the company towards any adverse economic slowdowns in any single geography. Exports continue to generate around 70% of its consolidated net sales.

Healthy market position in passenger vehicle camshafts

PCL continues to be among the leading manufacturers of passenger vehicle camshafts in the domestic and global markets. The company is among the few companies globally to manufacture all four types of camshafts, i.e., cast iron, ductile iron, hybrid, and assembled. Camshaft is one of the critical components of an engine application in an automobile. PCL produces 150+ variants of camshafts, mainly used in passenger vehicles.

Key weaknesses

Moderate profitability and modest return metrics

PCL's PBILDT margin declined to 11.89% in FY23 from 15.73% in the previous fiscal year due to higher employee cost, mainly resulting from the Voluntary Retirement Scheme (VRS) implemented in the subsidiary company, MEMCO. The company reported a PBILDT margin of 11.12% in Q1FY24 as against 11.37% in Q1FY23. The profitability is likely to show gradual improvement, supported by the growing scale of operations and cost reduction initiatives such as the installation of a solar power generation unit. Nevertheless, it remains moderate, despite a large proportion of machined camshafts in the top-line. Also, the return on capital employed (ROCE) remained modest at 8.15% in FY23 (8.44% in FY22) owing to moderate profitability. The same is expected to improve gradually, in line with the profitability.

Susceptibility of profitability to volatility in raw material prices and foreign exchange rate fluctuations
The main raw materials include resin-coated sand, melting steel (MS) scrap, and pig iron. PCL primarily procures these from domestic markets from reputed manufactures. The volatility in commodity prices can significantly affect PCL's raw material costs and, in turn, its profitability. The company usually has price a pass-through mechanism with its clients, which considers the fluctuations in the input prices, although the same occurs with a lag of three months to six months depending on the respective customer. Also, the extent of the pass-through is dependent on negotiations. Hence, the time lag and the quantum of pass-through may partially impact the operating profitability. PCL derives a significant portion of its revenues outside India (around 70%); its profitability is thus exposed to the fluctuations in foreign exchange rates. However, the company has a partial hedging policy in place for covering foreign exchange exposure with respect to trade receivables through forward cover contracts, which partly minimises the risk in times of adverse currency rate fluctuations.

Product and segment concentration risk
Despite adding new products in its portfolio through acquisitions, including its venture into the e-mobility space, a significant portion of the company's turnover and profits are derived from the camshaft business, which exposes PCL to product concentration risk. Furthermore, the company derives majority of its revenue from the passenger vehicle segment, thus resulting in exposure to segment concentration risk.

Changing regulations in the automotive industry and threat from EV mobility and substitutes
Owing to the increasing focus on EVs, there are expectations of diminishing demand of parts of internal combustion engine (ICE) over the longer term, particularly in the passenger vehicle and two-wheeler segments. At the global level, the adoption of e-mobility is expected to be more dominant in the passenger vehicle segment. The governments in India and foreign countries have been continuously evolving its policies towards lower emission norms, safety norms, or supporting the off-take in EVs through subsidies, incentives, or regulations. This impacts the investment cycle of the automobile and auto ancillary companies. Although the company has diversified its product profile to e-mobility as well, the majority portion of the revenue and profits are still generated from ICE parts.

Liquidity: Strong
The liquidity of PCL is characterised by sufficient cushion in accruals vis-à-vis repayment obligations. The annual GCA are expected to be in the range of ₹140 crore to ₹160 crore over the medium term against the maturing debt obligations of nearly ₹15 crore for FY24 and FY25, respectively. The company has liquid investments in MFs to the tune of ₹175.59 crore as on June 30, 2023, as against ₹171.14 crore as on March 31, 2023. Furthermore, the company had a free cash and bank balance of ₹68.68 crore as on June 30, 2023. Therefore, additional capex plans, if any, are expected to be done through internal accruals and surplus cash available. The incremental working capital requirement is expected to be managed comfortably with internal accruals and working capital limits. Furthermore, the timely enhancement in the working capital limits cushions the liquidity. The average of the maximum utilisation of the working capital limits during a month, over the last 12 months through June 30, 2023, was 83%.

Assumptions/Covenants
Not applicable

Environment, social, and governance (ESG) risks: Not applicable

Applicable criteria
Policy on default recognition
Consolidation
Financial Ratios – Non financial Sector
Liquidity Analysis of Non-financial sector entities
Rating Outlook and Credit Watch
Short Term Instruments
Auto Ancillary Companies
Manufacturing Companies
Policy on Withdrawal of Ratings

About the company and industry

Industry classification

Macro-economic Indicator	Sector	Industry	Basic Industry
Consumer Discretionary	Automobile and Auto Components	Auto Components	Auto Components & Equipments

Incorporated in 1992 as Precision Camshafts Private Limited by Yatin S Shah, the company was later converted into a public limited company and renamed as Precision Camshafts Limited. PCL is one of the world's leading manufacturers and suppliers of camshafts, a critical engine component, in the passenger vehicle segment. The company supplies over 150 varieties of camshafts, mainly for passenger vehicles. The company has two plants in Solapur (Maharashtra) and two plants in Nashik (Maharashtra). Furthermore, it has one plant in Germany and one plant in the Netherlands. Currently, it has a camshaft castings capacity of 11 million units per annum and a machined camshafts capacity of 4 million units per annum. In FY16, PCL went public and was listed on the Bombay Stock Exchange (BSE) and the National Stock Exchange of India Limited (NSE) with effect from February 08, 2016. Consequently, an equity capital of ₹240 crore was infused in the company.

Brief Financials (₹ crore) Consolidated - PCL	March 31, 2022 (A)	March 31, 2023 (A)	Q1FY24 (UA)
Total operating income	926.66	1100.34	270.25
PBILDT	145.79	130.83	30.05
PAT	46.02	46.29	4.11
Overall gearing (times)	0.23	0.15	NA
Interest coverage (times)	19.99	16.65	15.81

A: Audited; UA: Unaudited; UA: Unaudited. Note: The above results are the latest financial results available.

Brief Financials (₹ crore) Standalone - PCL	March 31, 2022 (A)	March 31, 2023 (A)	Q1FY24 (UA)
Total operating income	524.50	658.19	178.27
PBILDT	106.14	121.86	35.03
PAT	66.08	60.95	19.63
Overall gearing (times)	0.06	0.05	NA
Interest coverage (times)	40.91	36.42	35.39

A: Audited; UA: Unaudited; UA: Unaudited. Note: The above results are the latest financial results available.

Status of non-cooperation with previous CRA: Not applicable

Any other information: Not applicable

Rating history for the last three years: Please refer Annexure-2

Covenants of the rated instruments/facilities: Detailed explanation of the covenants of the rated instruments/facilities is given in Annexure-3

Complexity level of the various instruments rated: Annexure-4

Lender details: Annexure-5

Annexure-1: Details of instruments/facilities

Name of the Instrument	ISIN	Date of Issuance	Coupon Rate (%)	Maturity Date	Size of the Issue (₹ crore)	Rating Assigned along with Rating Outlook
Fund-based - LT-Cash Credit		-	-	-	2.05	CARE A; Stable
Fund-based - ST-Bill Discounting/ Bills Purchasing		-	-	-	0.50	CARE A1
Fund-based - ST-Packing Credit in Foreign Currency		-	-	-	47.45	CARE A1
LT/ST Fund-based/Non-fund-based-EPC / PCFC / FBP / FBD / WCDL / OD / BG / SBLC		-	-	-	10.00	CARE A; Stable / CARE A1
Non-fund-based - ST-BG/LC		-	-	-	15.00	CARE A1
Non-fund-based - ST-BG/LC		-	-	-	12.00	CARE A1

Annexure-2: Rating history for the last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating History			
		Type	Amount Outstanding (₹ crore)	Rating	Date(s) and Rating(s) assigned in 2023-2024	Date(s) and Rating(s) assigned in 2022-2023	Date(s) and Rating(s) assigned in 2021-2022	Date(s) and Rating(s) assigned in 2020-2021
1	Fund-based - LT-Cash Credit	LT	2.05	CARE A; Stable	-	1)CARE A; Stable (05-Jan-23)	1)CARE A; Stable (07-Jan-22) 2)CARE A; Stable (07-Apr-21)	1)CARE A; Stable (06-Apr-20)
2	Fund-based - ST-Packing Credit in Foreign Currency	ST	47.45	CARE A1	-	1)CARE A1 (05-Jan-23)	1)CARE A1 (07-Jan-22)	1)CARE A1 (06-Apr-20)

							2)CARE A1 (07-Apr-21)	
3	Fund-based - ST-Bill Discounting/ Bills Purchasing	ST	0.50	CARE A1	-	1)CARE A1 (05-Jan-23)	1)CARE A1 (07-Jan-22) 2)CARE A1 (07-Apr-21)	1)CARE A1 (06-Apr-20)
4	Non-fund-based - ST-BG/LC	ST	15.00	CARE A1	-	1)CARE A1 (05-Jan-23)	1)CARE A1 (07-Jan-22) 2)CARE A1 (07-Apr-21)	1)CARE A1 (06-Apr-20)
5	Non-fund-based - ST-BG/LC	ST	12.00	CARE A1	-	1)CARE A1 (05-Jan-23)	1)CARE A1 (07-Jan-22) 2)CARE A1 (07-Apr-21)	1)CARE A1 (06-Apr-20)
6	LT/ST Fund-based/Non-fund-based-EPC / PCFC / FBP / FBD / WCDL / OD / BG / SBLC	LT/ST*	10.00	CARE A; Stable / CARE A1	-	1)CARE A; Stable / CARE A1 (05-Jan-23)	1)CARE A; Stable / CARE A1 (07-Jan-22) 2)CARE A; Stable / CARE A1 (07-Apr-21)	1)CARE A; Stable / CARE A1 (06-Apr-20)

*Long term/Short term.

Annexure-3: Detailed explanation of the covenants of the rated instruments/facilities

Not applicable

Annexure-4: Complexity level of the various instruments rated

Sr. No.	Name of the Instrument	Complexity Level
1	Fund-based - LT-Cash Credit	Simple
2	Fund-based - ST-Bill Discounting/ Bills Purchasing	Simple
3	Fund-based - ST-Packing Credit in Foreign Currency	Simple
4	LT/ST Fund-based/Non-fund-based-EPC / PCFC / FBP / FBD / WCDL / OD / BG / SBLC	Simple
5	Non-fund-based - ST-BG/LC	Simple

Annexure-5: Lender details

To view the lender wise details of bank facilities please click here

Annexure - 6: List of Subsidiaries consolidated

Name of the subsidiary	Shareholding as on March 31, 2023
PCL (International) Holdings B.V., Netherlands	Wholly-owned Subsidiary
MFT Motoren Und Fahrzeughecnik GMBH, Germany	Wholly-owned step-down Subsidiary
EMOSS Mobile Systems B.V., Netherlands	Wholly-owned step-down Subsidiary
MEMCO Engineering Pvt. Ltd., Nashik	Wholly-owned Subsidiary

Note on the complexity levels of the rated instruments: CARE Ratings has classified instruments rated by it on the basis of complexity. Investors/market intermediaries/regulators or others are welcome to write to care@careedge.in for any clarifications.

Contact us

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About us:
Established in 1993, CARE Ratings is one of the leading credit rating agencies in India. Registered under the Securities and Exchange Board of India, it has been acknowledged as an External Credit Assessment Institution by the RBI. With an equitable position in the Indian capital market, CARE Ratings provides a wide array of credit rating services that help corporates raise capital and enable investors to make informed decisions. With an established track record of rating companies over almost three decades, CARE Ratings follows a robust and transparent rating process that leverages its domain and analytical expertise, backed by the methodologies congruent with the international best practices. CARE Ratings has played a pivotal role in developing bank debt and capital market instruments, including commercial papers, corporate bonds and debentures, and structured credit.

**For the detailed Rationale Report and subscription information,
please visit www.careedge.in**