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PCL/SEC/24-25/042

21st August 2024

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| To, National Stock Exchange of India Limited, "Exchange Plaza" 5 th Floor, Plot No. C-1, G Block, Bandra Kurla Complex, Bandra (East), Mumbai – 400051 NSE Scrip Code - PRECAM | To, BSE Limited, Phiroze Jeejeebhoy Towers, Dalal Street, Mumbai - 400001 BSE Scrip Code – 539636 |
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Subject: - Transcript of Earnings Call held on Monday, 19th August 2024.

Dear Sir/Madam,

Pursuant to clause 15 of Para A of Part A of Schedule III with Regulation 30 of Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements), Regulations, 2015, please find enclosed transcript of earnings call held on **Monday, 19th August 2024** at 12.15 PM (IST).

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

You are requested to take the same on record.

Thanking you,

For **Precision Camshafts Limited**

Tanmay M. Pethkar

Company Secretary and Compliance Officer

Mem. No: [A53618](#)

Precision Camshafts Limited

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“Precision Camshafts Limited
Q1 FY '25 Earnings Conference Call”

August 19, 2024



**MANAGEMENT: MR. KARAN SHAH – WHOLE-TIME DIRECTOR,
BUSINESS DEVELOPMENT – PRECISION CAMSHAFTS
LIMITED**



Moderator:

Ladies and gentlemen, greetings, and welcome to the Precision Camshafts Limited Q1 FY 2025 Conference Call. As a reminder, all participant lines will be in the listen-only mode. A brief question and answer session will follow the formal presentation, if anyone should require operator assistance during the conference call, please press star and zero on your telephone keypad. As a reminder, this conference is being recorded. It is now my pleasure to introduce your host, Mr. Karan Shah, Whole-Time Director, Business Development. Please go ahead, sir.

Karan Shah:

Thank you. Good afternoon, ladies and gentlemen. I'd like to thank you all for being a part of this Precision Camshafts Q1 FY '24-'25 Earnings Conference Call. In case of any detailed questions regarding finance, please e-mail your questions to cs@pclindia.in and we'll provide you answers in a reasonable time. We have submitted our investor's presentation for Q1 of FY '25 to the stock exchanges on the 17th of August and the same is available on our website. Investors are requested to refer to the same.

I'm pleased to announce that Precision Camshafts Limited has achieved noticeable growth in the bottom line in the previous quarter. Our net profit reached INR18 crores, up from INR15 crores in the previous quarter. This growth is driven by enhanced asset utilization, a strong order book and successful addition of new customers to our product portfolio. Total income at a PCL stand-alone level was INR169 crores.

Our subsidiary, MEMCO has also shown significant improvement. The total income for the quarter was INR12.8 crores with a net profit of INR55 lakhs. This positive shift underscores MEMCO's effective turnaround and operational improvements. However, we continue to face challenges at our e-mobility subsidiary, EMOSS, in the Netherlands. The sluggish revenue trend is largely due to geopolitical instability and a recessionary environment in Europe.

EMOSS earned a total revenue of INR46 crores in the current quarter as compared to previous quarter of INR31 crores. In Germany, our group company MFT has achieved business stabilization in these turbulent times. MFT's total income for the quarter was INR42 crores and despite the ongoing challenges, MFT remains focused on diversifying its product portfolio by introducing non-engine components.

Turning to our e-mobility efforts in India, we're happy to share the start of commercial deployment of our electric LCVs in the Indian market. Apart from the already deployed vehicles, we have received confirmed orders from large pan-India customers to deploy all 3 variants of our retrofitted LCV, 70 kilometers on a single charge, 100 kilometers on a single charge or 250 kilometers on a single charge, which is truly first of its kind in India.

We have already started delivering vehicles to customers in Pune, Mumbai, Hyderabad, Kolkata and Delhi, and we will be soon adding major cities in the future. We have also recently conducted a successful workshop in the Delhi area with our partners through which we expect additional offtake in North India.

In summary, Precision Camshafts continues to navigate both opportunities and challenges with resilience, and we are committed to delivering value and driving growth across our portfolio. Coming to the financial performance, the stand-alone business of PCL, which houses the



Camshaft business, total income stood at INR169 crores and EBITDA margin for the quarter was 18.8% and PAT margin was 10.5%.

Coming to the consolidated performance, total consolidated performance was INR263 crores. EBITDA increased by 18% to INR31 crores. PBT for Q1 was INR15 crores and PAT was 11.6%, coming to the group company's revenue for Q1 of FY '25. Revenue from MEMCO was INR12.8 crores, revenue for MFT was INR33.5 crores and revenue for EMOSS was INR46.28 crores.

We have been continuing to operate in challenging times, and we remain focused to continue with resilience, and I thank you all for your support in this process. With this, I would now like to open the floor for questions and answers. Thank you.

Moderator: Our first question comes from the line of Gautam Rajesh from Leo Capital.

Gautam Rajesh: Yes, so I had two questions. My first question was, can you share an update on the domestic EV retrofitment business? And can you give an update on the demand outlook that we have for this current financial year and the coming financial year?

Karan Shah: Sure. I already touched base on this during my introductory speech, but we have started commercial sales of retrofitment for 3 to 5 -- for large pan-India operators of vehicles. These are mainly in the e-commerce segment, logistics segment as well as largely in waste collection, which includes medical waste, biomedical, solid waste, etcetera, and we are seeing a good off take.

Right now, we have started delivering vehicles in different parts of the country, as I mentioned. At this point of time, it is just too early to mention any kind of numbers on the order pipeline because this is just the very first month that we are starting to sell. But once we have more clarity on that, I would be happy to share that with you. But I think the momentum is going in the right direction at this point of time.

Gautam Rajesh: Okay. Understood, sir. And how is the feedback from customers for this retrofitment solution? And by when are we planning to launch it as an OEM? I know it's a start, but like still, is there any idea where we can expect when we are planning to launch it as an OEM in the Indian market, per se?

Karan Shah: Yes, as an OEM journey is about a couple of years away, at least. I think it requires significant amount of development and testing and so on, which is already underway. But it's important to know that our retrofit is the same powertrain that we will be using going forward. So the amount of experience and data that we will get out of this retrofit business is also very valuable for the OEM trend. That's number one.

The number two question is that customers seem to be very happy at this point of time with the product. There are no serious complaints or issues in the field at this point, which is good. I think the most important bit is what we are able to offer to the market is a product, which is at par with what the OEMs are offering at a price which is less than half of buying a new electric LCV. So I think it's a very lucrative solution for some of the customers that we are dealing with. It has the



kind of cost and payback is less than two years in most of the cases, so it's a very economically beneficial solution for our customers as well.

Moderator: Our next question is from the line of Sebastian, an investor.

Sebastian: My first question was what is your outlook for the EMOSS business? And are we seeing demand conditions turn around in Europe?

Karan Shah: Not really. To be honest, things are still very sluggish. The economies are not doing well. I think this is quite evident from even the news that you can see. But I don't see a quick turnaround of the situation immediately. Again, like I have mentioned in the previous call, customers have not gone away or have not shifted to competition of canceled orders, but it is more of a delayed decision-making, delayed demand and it is very hard to say at this point of time when we expect to come out of this downturn.

Sebastian: Right. And also my second question was how about the demand outlook on the domestic camshafts business? At what rate can it grow at for this year and for the coming year?

Karan Shah: There we see actually very interesting times. We are -- as you know, we have a significant market share for camshafts in India, which includes the large OEMs like Maruti, Tata, Mahindra, and Hyundai etcetera. And we are mostly a single source to a lot of the customers. So the growth of the customer will be directly correlated to our growth. And as you can see, most of the OEMs are growing this year and the next year. So it will be a disjointed demand and grow with them.

But what is more interesting is that there are several new businesses that we have won from Indian OEMs who were importing parts in the past from, let's say, China or other countries. And that business we have got, and we are setting up a new plant, we are setting up new facilities and align for machining of these camshafts, which is going to start in the end of 2024-'25, this year, and some in the next year. So the camshaft demand is actually increasing quite a bit over the coming years.

Sebastian: Understood, sir. Is there any number you can give me for the growth rate, however?

Karan Shah: No, I mean, I would not be able to give you forward-looking numbers, but enough to say that we will be following industry trend. If the automotive OEMs are growing at double digits, then we'll follow.

Moderator: Our next question is from the line of Shubham Jain, an investor.

Shubham Jain: Congratulations for the good performance and the improvement in margins. This is a pleasant surprise from you guys after two quarters, actually. I have a few questions. One is you said that on the India LCV business, you've started delivering vehicles across two different locations like Mumbai and Delhi, etcetera. So, are these being retrofitted at your factory in Solapur or have you put up some sort of a setup even in Delhi as well as for the retrofitment?

Karan Shah: No, at this point of time, everything that we are doing is either in Pune or in Solapur and not really expanding beyond that. I think there has to be a significant volume for us to do that. We



have shifted only in the tens and not the hundreds and thousands. So, once we have a critical volume, then we will, of course, consider it. But I think based on some of the interactions that we have had with customers in the last 1 or 2 months only, I think it is -- we have a fairly good visibility for what can happen in North India, especially in NCR as well as in Uttar Pradesh and so on. So, if that -- when it calls for that, we will certainly look at partners, which we have already identified to basically do the execution of the retrofitment locally.

Shubham Jain:

Okay. And one more thing is whatever vehicles you have delivered and you're starting to deliver, are you guys sticking to the time lines of a 24-hour turnaround on a retrofitment of vehicles? Or is your experience a little bit different now that you're actually doing -- you got into this business?

Karan Shah:

No, I think that's very clear from day 1, we have been saying that the actual retrofitment time is less than 24 hours. It's not even 24 hours. But the question is that it comes with a lot of other challenges that we are, of course, knew, and the customer also knows of, which includes the RTO reregistration. It includes some of the paperwork that needs to be done and different states have different regulations and requirements and so on, but customers are aware of this, and we are working on very different models, right?

We are also -- we are working on new vehicle electrification. We are also using 5-year-old vehicles and electrifying them. We have three different battery packs that are available for the customer to choose. So, all of these combinations, the customer has quite a lot of flexibility in what they want, which is what they are happy with also.

Shubham Jain:

Okay. Understood. So -- but tell me something for a customer, once he comes to your shop, it will generally take only 24 hours to 48 hours for him to get the vehicle out despite all these operational or logistical activities, which he has to do in terms of RTO reregistration...

Karan Shah:

No, the vehicle -- see from our side, the vehicle is in and out in a day, right? But to make that vehicle road legal and compliant with regulations can be different in different cities, different in different states and so on. So that is more or less always in the scope of the customer. We always guide the customer in what is to be done, but it is in the scope of the customer to get that reregistered from the local RTOs.

Shubham Jain:

And are you going to provide all these ancillary services also in terms of financing, in terms of getting registration done, etcetera, to make additional income for each vehicle besides the retrofitment replacement?

Karan Shah:

I mean, look, there is no margin or money to be made in reregistering and so on. It's a few thousand rupees for the RTO. That is not the core business. But of course, we are involved in creating an ecosystem. When I say that how do you charge the vehicles, where can we provide charging infrastructure. Financing, of course, we have some partners on board.

We have ourselves financed a few vehicles to PCL to lease them out so that those are, of course, income streams. Service is another big one, including having a pan-India service partner that we are tied up with basically to provide roadside assistance and spare parts and so on. So yes, there are -- it's a lot of different pieces to the puzzle and we are putting it all together right now.



Shubham Jain:

Understood. So lastly, I'm getting too much into it. When are we expected to do, I mean, be full-fledged into it in terms of the entire company is selling across India, right, across -- because you have Chennai also, you have Bangalore also, you have huge demand in South as well besides the markets you have chosen, right, West and North. So -- because last time you had said that supply chain is not an issue. If there are 1,000 vehicles which come to you guys, you'll be able to retrofit the 1,000 vehicles without any issue on supply chain. So this is my question in terms of where do you see -- when will we see that the growth coming in from your side on this particular business?

Karan Shah:

Within the next few months we are starting delivering vehicles in Bangalore and Chennai also. So that's not -- geography is not the issue. I think it is -- what you really have to understand is that this is not a normal kind of solution for customers. Most customers don't even know what retrofitment is and what the benefits are and so on. So it is a long education period and convincing period for customers to really take on this.

And no customer will come to you on the first day and say, "Okay, I have 1,000 vehicles, please retrofit them for me." Everybody wants to minimize their risk and so it is smaller numbers to start with. And once they get more confidence that it is coming with follow-on orders. So it is very difficult today to predict to you or to give you some numbers on what the total number of vehicles per year or per quarter looks like.

Shubham Jain:

Understood. But once you get a few MOUs done which you recently revealed like one with the Bluwheelz, etc. If you could give us after a few weeks-or-so probably with the few customers, if you could give us more color on what is the quantum of...

Karan Shah:

Yes, today we are not only talking about MOUs. We have purchase orders from customers and we are starting to deliver commercial vehicle. It's not that we are only working on trial basis.

Shubham Jain:

Yes, I know that. We as analysts want to estimate what are the kind of numbers we can look at in the next 2, 3 years' time?

Karan Shah:

I hope that within the next couple of months I'm able to give you more color on that.

Shubham Jain:

Fantastic. That is what I want. Last question to you before I hand over to mic is how the non-engine business looking at, you had said that you've got one order for one particular product. I think it is a brake product with PCL itself. How is it going and what is the growth on the non-engine products?

Karan Shah:

It's the first product that we have started. It is growing. It's in a ramp-up period, and it is growing well, but I think like I said in my previous answer we are also growing the camshaft business significantly. There are a lot of new orders, a lot of new customers, a lot of new products at this point of time that we are developing or ramping up or will be going into production soon. So it's a combination of both and it would be not wise to ignore the camshaft demand that you have coming in.

Shubham Jain:

Okay. I have 1 follow-up question to this. I agree to that. I'm fully with you on the camshaft business. It is actually the cash-generating business of the group. You are generating more than



INR100 crores of cash flows every year. I have a different question is now you have INR200 crores, INR250 crores of cash on balance sheet. Are you looking at some sort of a buyback kind of a thing to reduce, to bring or the promoters are also looking in some kind of increasing the stake like tweaking way or some sort of capital activity on your company is something we're looking at because you hold a lot of cash.

I mean when you're giving dividends -- we've seen the dividends which are coming are peanuts. So is there some way of returning some cash back to the shareholders. Now that your operations overseas are getting stabilized and you don't need to put in more money there, right?

Karan Shah: Look, we have other uses of the money. We are expanding the camshaft business. We're setting up new plants. We have some other opportunities that we're looking at also. So I will not comment on buyback or anything at this point of time. At the right time, if there is something like that in the pipeline, I will surely share it with shareholders.

Shubham Jain: Thank you Karan. Thank you so much.

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

Vipul Shah: Hi. Thanks for the opportunity. So firstly can you give the EBITDA contribution of MFT and EMOSS because in your presentation figures are mentioned for standalone camshaft business and MEMCO, but for MFT and EMOSS you have not mentioned. There are just lines drawn, but there are no figures mentioned.

Karan Shah: I think if you can please write to us, we'll share with you the exact details. I don't have these offhand, but I can -- in the presentation which is shared the exact EBITDA of each company is also shared in the presentation. So I request if you take a look at this again as well.

Vipul Shah: No. What I mean to say is there are colored lines, but there are no figures associated with MFT and EMOSS. The other 2 entities figures have been mentioned, you can yourself have a look at the presentation, sir.

Karan Shah: Sir, we will definitely look at this, and we will come back to you. Tanmay, if you can please keep a note of this so that we can get back to sir?

Vipul Shah: Okay. And second question is regarding the contribution of machine camshaft, it is around 30%. So can we expect any material jump over next 2 years in as proportion of total overall camshaft volumes? Can we reach 40% to 50% in over the next 2, 3 years?

Karan Shah: I will not comment on what percentage but surely, we will be increasing the machine camshaft sales in the coming 2 years because we have the contracts in place. We are setting up the capacity in order to increase that proportion of machine camshaft and we are also in touch with a lot of our existing customers as well to see how we can increase the sale of machine camshafts to even the existing customers.



- Vipul Shah:** And lastly, regarding your retrofitting of LCVs, so are we required to take all necessary permissions from relevant government authorities before proceeding with the retrofitting?
- Karan Shah:** Yes, sir, of course. We have to have certifications from ARAI. We had to have the permissions from the transport commission out of every state. We have to have the inspection from the RTO at every city and so on. So it's a long process and it includes a variety of government bodies to make sure that the product that we are putting onto the market is a fit and is certified.
- Vipul Shah:** So each and every vehicle will go through this process, right?
- Karan Shah:** The certification and some of the earlier parts is obviously one time but every vehicle that is converted has to go through an inspection and reregistration process at the local RTO level.
- Vipul Shah:** Okay. Karan. Thank you so much.
- Moderator:** Thank you. Our next question is from the line of Ketan Chheda an investor. Please go ahead.
- Ketan Chheda:** Karan, before I ask my question, I'd like to reiterate what the previous participant mentioned. The EBITDA numbers for the subsidiaries are not mentioned for EMOSS and MFT, so I would request if you could plug in those numbers and reupload the presentation to the stock exchanges and on your website, so we can have a look at that? Because yes, I mean, 2 subsidiary numbers are missed, 2 subsidiary numbers are there for the EBITDA level.
- My first question, I want to ask like how do you do the revenue reconciliation for these retrofitment vehicles? You said that for you in and out is 24 hours or less than 24 hours. In terms of revenue recognition, when do you recognize the revenue for the retrofitment?
- Karan Shah:** Only when the vehicle is taken into custody by the customer and it is out of our plant. That's when we invoice and that's when -- and the customer pays for the vehicle and then takes it back. That's how we ship the vehicle.
- Ketan Chheda:** Okay. So when it leaves our premises that is when you invoice and you collect the cash and the handover to the customer. But you don't wait until he finishes his formalities what is within his scope, while you support him but our revenue recognition...
- Karan Shah:** See, typically, it goes hand-in-hand. So most of the times, we would wait for all the formalities to be done and it doesn't take weeks or months. It's a matter of few days that for the formalities to be done. So if you have to look at this conservatively, we would wait -- we would do the retrofit, we would wait for formalities to be done and only do invoice because the customer also wants to make sure that they can use the vehicle once they are delivered to them.
- Ketan Chheda:** Understood. So you mentioned that you've already started deliveries of the numbers. So if you can share YTD in this financial year, how many commercial deliveries we've done so far?
- Karan Shah:** It's like I said, it's not a significant number and then different models, different variants, new vehicles, old vehicles, et cetera, et cetera. So the number is under a 100 still all put together. But I think I should be able to share with you more details more other to it once we have some serious business from the existing customers as well as new ones.



Ketan Chheda: Sure. No problem. And in terms of capex, how much would be your capex planned for FY '25 and '26, total?

Karan Shah: You mean for the full group?

Ketan Chheda: Yes, for the full group and if you can help me with only the stand-alone for the camshaft business or the PCL?

Karan Shah: For the Camshaft business, we have planned some maintenance capex, which is regular INR3 crores to INR5 crores-or-so, but the major capex is plant as well as the new assembled Camshaft machining lines that we have -- we are setting up for the business that we have won, so it's in the range of INR70 crores to INR80 crores in the coming, let's say, 6 months to 12 months.

Ketan Chheda: Okay. But INR70 crores to INR80 crores, this would be in FY '25 itself.

Karan Shah: Yes.

Ketan Chheda: Okay. And any capex plan for '26?

Karan Shah: Not at this point of time. Just for your reference and also the previous question, the individual EBITDA levels for all the 4 companies are mentioned on the very last slide of the investor presentation. So I request you to please take a look at that again. I think the color is a little bit dark, but I think it's -- we can reshare that, if necessary.

Ketan Chheda: Yes. Actually, the thing is I'm just looking at it right now, but unfortunately, that is not visible, the numbers are not visible.

Karan Shah: Okay. We'll reshare it.

Ketan Chheda: Okay. The next question was once you start achieving some critical numbers in your retrofitment, would you start reporting that as separate revenue and EBITDA for that one or you would give a single number for PCL entity?

Karan Shah: As long as it is in the PCL entity, we'll do it at a single number, but of course, I'll give you in the quarterly calls, I will provide some kind of update on the numbers as well.

Ketan Chheda: Okay. And lastly, any plans of taking the EMOSS technology to some other countries where there are better economic situation?

Karan Shah: Yes, we are looking at North America very seriously and actively right now. But again, each country comes with its own regulation requiring some local manufacturing and certification at a local body level, etc. And again, Europe, as a continent, we are yet to explore a lot of new countries there itself.

So I think being locally present is a very important part of this business because we are not doing small trucks or 2-wheelers or 3-wheelers, these are a large trucks or buses that we are building. And so being close to the customer is also important. I think we just have to -- again, if you look at the new market, we're talking about 2 years, 2.5 years development time, right? So it's



important that we keep our heads down and focus on the market that we are in and we have to open and wait for the situation to get better.

- Ketan Chheda:** All right. Thank you, Karan. Wish you all the best. Thank you so much.
- Karan Shah:** Thank you.
- Moderator:** Our next question is from the line of Vishal, an Investor. Ladies and gentlemen, we have lost the line of Vishal. We move on to our next question, which is from the line of Vipul Shah from Sumangal Investments.
- Vipul Shah:** In how many years this retrofit vehicles will recover the investment, what is the payback time?
- Karan Shah:** About 2 years.
- Vipul Shah:** So request you to upload readable presentation, again, sir, on the website.
- Karan Shah:** Right. We will do.
- Vipul Shah:** Thank you.
- Moderator:** Thank you. Ladies and gentlemen, we have reached to the end of the question-and-answer session. I will now hand the conference over to Karan Shah for his closing remarks.
- Karan Shah:** Thank you very much. I hope we've been able to answer most of your queries during this con call, and we look forward to your participation in the next quarter. Thank you again for joining today. Bye-bye.
- Moderator:** Thank you. The conference of Precision Camshafts, has now concluded. Thank you for your participation. You may now disconnect your lines.