PRECISION

Precision Camshafts Limited

(100% EOU Division)
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Date: 4th July, 2019

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

Subject : Transcript of Earnings Conference Call held on Monday, 3rd June, 2019

Dear Sir,

Pursuant to Clause 15 of Schedule III, Part A, read with Regulation 30 of Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements), Regulations, 2015, please find enclosed transcript of conference call with analyst/investors held on Monday, 3rd June, 2019.

You are kindly requested to take the same on record.

Thanking you,

Yours Faithfully

For **Precision Camshafts Limited**

Mayuri

Mayuri I. Kulkarni
Company Secretary

PRECISION CAMSHAFTS LIMITED SOLAPUR

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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"Precision Camshafts Limited Q4 FY2019 Earnings Conference Call"

June 03, 2019

MANAGEMENT:	**MR. KARAN SHAH – WHOLE TIME DIRECTOR (BUSINESS DEVELOPMENT) – PRECISION CAMSHAFTS LIMITED** **MR. RAVINDRA JOSHI – WHOLE TIME DIRECTOR & CHIEF FINANCIAL OFFICER & - PRECISION CAMSHAFTS LIMITED**

Moderator: Ladies and gentlemen, good day, and welcome to the Precision Camshafts Limited Q4 FY2019 Earnings Conference Call. This conference call may contain forward-looking statements about the company, which are based on the beliefs, opinions and expectations of the company as of the date of this call. These statements are not guarantees of future performance and involve risks and uncertainties that are difficult to predict. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference, 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, Whole Time Director (Business Development). Thank you, and over to you, Sir!

Karan Y. Shah: Thank you. Good afternoon, ladies and gentlemen. I would like to, first of all, thank all of you for being part of the Precision Camshafts Limited Q4 and FY2019 Earnings Conference Call. Along with me today I have Mr. R.R. Joshi, Director and CFO, along with SGA, our Investor Relations advisors.

Let me start off by thanking all of you, our shareholders, for your support and confidence in PCL. This last year has been a transformational year for PCL in many ways. Not only have we started seeing fructification of our new camshafts, machined camshafts business, but our 3 acquired companies are also being solidly integrated into the Precision group.

We have evolved from becoming a single-product company manufacturing camshafts to one that now produces camshafts, balancer shafts, injector components, complex prismatic non-engine parts and also provides an end-to-end solution for electrification of heavy vehicles. Today, no single customer accounts for more than 15% revenues with the entire group. With all this, we are at a INR 700 Crores topline while still maintaining a very healthy 20% blended EBITDA.

Let me first get to our stand-alone business, which is, camshafts. PCL produces all types of camshafts under one roof, be it chilled cast iron, induction-hardened ductile iron, hybrid or assembled. Our foundries can produce up to 12 million camshaft castings per year and our machine shop is now at a capacity of circa 3 million camshafts per year, up from about 1.6 million last year.

Our focus continues to be increasing the sale of machined camshafts, as the realizations are higher and more stable than the raw cast camshafts. This is due to less dependence on the raw material fluctuations and more value addition on the PCL side.

As a result, volume contribution of machine camshafts has increased from 23% in FY2018 to 28% in FY2019, and particularly in Q4 of FY2019 where its contribution reached 30%. This increase was on the back of new client additions for machined camshafts and a shift of a few clients from casting to machined camshafts. In FY2019, 56% of the standalone revenue came from machined camshafts.

We have also commissioned our new machining plant in Solapur, during this year, which has a capacity of 2 million units per annum at a capex of INR 230 Crores. This will further improve volume contribution for machined camshafts going forward.

As a result of all these, our standalone revenue increased by 4% to INR 440.6 Crores in FY2019 as compared to INR 425.1 Crores in FY2018. Our standalone EBITDA, including other income, stood at INR 115.5 Crores in FY2019 compared to INR 101 Crores in FY2018, a year-on-year growth of 14%.

Consequently, our standalone EBITDA margin also improved by 241 basis points from 23.8% in FY2018 to 26.2% in FY2019. Our PAT for FY2019 stood at INR 42.9 Crores in FY2019 versus INR 34.8 Crores in FY2018, a year-on-year growth of 23%.

Return on capital employed of our core standalone business stood at 13.6% for FY2019, which has increased from 12.5% in FY2018. Our return ratios currently look lower as we had been on a capex mode for our new machined camshafts capacity, which has recently been commissioned. This facility is operating at a lower utilization level at this point. The ROCE will improve from here on as utilization level move up gradually as we expect it to ramp up by 2022.

At an operation’s level, we continue to improve on all parameters, including quality, delivery and cost. Our efforts have recently been acknowledged by The Machinist as we have been awarded the best Shopfloor Award for Quality, CSR and Overall for the last year.

While this was India, our camshaft business through our Chinese joint venture has faced some challenges. The China market has been very uncertain with extreme price competition, coupled with severe slowdown in the auto demand. As a result, we have muted performance from our JVs in China during FY2019. With the future looking bleak for the

JVs and with careful consideration of all other scenarios in the best interest of our company, we have decided to exit the China JVs completely.

Now let us move on to the 3 group companies, which we have acquired during the last 3 years: MEMCO, MFT and EMOSS.

MEMCO in Nashik offers fuel injection components, brake components and high-precision instrumentation components to marquee customers like Bosch and Delphi. Turnover at MEMCO in FY2019 stood at INR 47 Crores versus INR 34 Crores in FY2018. We will continue to expand this business in the years to come.

MFT in Germany has a varied product offering consisting of balancer shafts, bearing caps, engine brackets, etc., supplying to German automotive giants such as Audi, Volkswagen, BMW, etc. MFT recorded revenues of approximately INR 159 Crores, which was flattish from FY2018.

Our Dutch company, EMOSS, produces a complete solution for electrified heavy vehicles. The business model includes conversion of diesel trucks and buses into ready-to-use electric trucks with the installation of a kit. EMOSS revenues stood at INR 67 Crores in FY2019 versus approximately INR47 Crores in FY2018.

All our group companies enjoy long-term customer relationships, which include globally renowned OEMs such as Audi, Volkswagen, Bosch, BMW, PSA, etc. There is a great amount of synergy which can be attained by carefully integrating all these companies together, which we have already started experiencing and will be our focus in the years to come. At this stage, all our companies are poised for significant growth in the years to come.

To touch upon consolidated financial performance, FY2019 financials are not compared to FY2018, as this was the first year of consolidation for all our acquired companies. Consolidated revenue for FY2019 stood at INR 712.9 Crores. Consolidated EBITDA including other income was INR 143 Crores, while EBITDA margins were recorded at a healthy 20.2%.

We had an exceptional onetime loss of INR 27.3 Crores, which was due to a fair valuation of our investments in the joint ventures in China. PAT for continuing operations came at INR 16.1 Crores for FY2019, which is inclusive of this onetime expense for the China JVs.

To conclude, our endeavor is to build on the strong foundation of the 4 group companies and deliver better performance in revenues and profitability in the years to come. While we are exiting our China business due to good reasons, our focus is now to strengthen and grow our operations in India, Europe and the Americas.

With this, I shall now leave the floor open to Q&A. Thank you very much.

Moderator: Thank you very much. We will now begin with the question and answer session. The first question is from the line of Vaibhav Barjatia from HNI Investment. Please go ahead.

Vaibhav Barjatia: Thanks for providing the opportunity and congratulations for a good set of numbers. Just three questions from my side; one is that there is an extraordinary item for fair value measurement; can you just throw a light on this, what is this? Secondly, you have provided revenue numbers for all the acquired entities, great if you can provide PAT and net worth number as well for all three of them. And lastly, we have seen in your last year annual report as well that you talk about some Brazilian factory and customers demanding some Brazilian manufacturing and primary reason might be because of closer to their facility. So just want to understand that why this shift is happening. And it is just that the other countries are more price-competitive? Or are there are some other factors, which is prompting customers to demand facilities at other places than India?

Ravindra R. Joshi: Yes. As far as China is concerned, we have a joint technology agreement with them for 10 years , particularly for Fox. Sigma and GTDI camshafts. Right now that camshafts are out of business in China. So now, we have decided to not to go over there because we have got ample orders from our European markets. The investment, what we have done in China, is INR 31 Crores and the total realizable value is INR 10 Crores. So we have taken an impairment of INR 27 Crores. This is the one-time hit and will not repeat in future financial years.

Vaibhav Barjatia: The next question is on the PAT and networth number of three of your acquired entity?

Karan Y. Shah: I think what we have declared is the standalone and the consolidated numbers. What we can tell you at this point is that at an operational EBITDA level, all the companies are very profitable, which is why you see the blended EBITDA of 20%. We have not published the PAT numbers of the individual companies yet.

Vaibhav Barjatia: Right. So, but if I see the difference between your standalone and consolidated numbers and excluding all these one-off items, so your PBT in consolidated is higher by around INR 2

Crores. Now that as compared to the money that we have invested in these businesses, it does not look very great number. So just wanted to understand that?

Ravindra R. Joshi: So PCL standalone is earning a substantial PAT. And also MEMCO, Nasik is also earning substantial PAT between 7% to 10%. As far as both acquired companies are concerned, their PAT level is flat that there is no substantial increase when compared to last year.

Karan Y. Shah: If you look at EMOSS, it is more so a technology company which is in a very nascent stage still. We have seen about a 40% increase in the sales at EMOSS from INR 47 Crores to INR 67 Crores in the last year. But because it is still a developing company we are not highly profitable at the PAT level.

Vaibhav Barjatia: Okay. Well, then my last question on why the customers are asking for the shift of facilities, if you can answer that?

Ravindra R. Joshi: No, you were particularly talking about the Brazil. See, if we are able to get the orders, the orders from Solapur. We are supplying camshafts from Solapur to Brazil. So right now, we are not thinking of just get setting up the plant over there. But in near future we are going to set up. But right now, we are supplying from PCL Solapur.

Karan Y. Shah: I think to your question you asked why was the customer requiring. I think it is more to do with their internal policies and their localization policies than anything else, which is why they had asked us to localize. At this point in time, that program will be supplied from PCL Solapur. We will not be supplying from Brazil.

Vaibhav Barjatia: Going forward, will there been any shift or as of now there is no plan to put Brazilian manufacturing plant anytime soon?

Karan Y. Shah: As of now, we do not have a plant there. We would know more in the coming months.

Vaibhav Barjatia: Okay that is it from my side thank you.

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

Vipul Shah: Congratulations for good set of numbers Sir. I just want to know what is the main reason for the improvement in the margin in this quarter and how sustainable are this margin improvement?

Ravindra R. Joshi: See, our normal margin is in between 23% to 25%, EBITDA margin. Okay?

Vipul Shah: That is for standalone, right?

Ravindra R. Joshi: That is for standalone, yes. There is abnormal increase during the last quarter because of certain expenses, which we have made certain provision in last year for income tax as well as for other expenses. That we have reversed during the year. So there is an abnormal income we have booked during the year. So there is an increase in the margin to 33% in Q4FY19 Our normal margin is 23% to 25%.

Vipul Shah: At standalone level and so what should we expect, can you give any ballpark figure for consolidated entity? What type of EBITDA margin we expect in the foreseeable future?

Ravindra R. Joshi: It is between 15% to 20%.

Karan Y. Shah: Like Mr. Joshi said, the 33% is extraordinary for this quarter and will not be a sustainable EBITDA margin going forward.

Vipul Shah: Thank you Sir.

Moderator: Thank you. The next question is from Priyanka Singh from Athidhan Securities. Please go ahead.

Priyanka Singh: Sir, I have 2 questions. First one was what was the company's overall capacity utilization of the camshaft business and also the newly function machined camshaft facilities?

Ravindra R. Joshi: Foundry capacity utilization is right now 70%. And for machined capacity utilization, is 80%. And for new capacity, the maximum capacity will be utilized in 2021.

Priyanka Singh: This is just was a general question as to what is the difference between the machined and the casting camshaft as to why the machined are more profitable than casting ones.

Karan Y. Shah: Typically, we have a foundry business and a machining business. In a raw camshaft, we only cast the camshaft and sell to the customer in a raw condition. The customer would then machine the camshafts and then assemble them and the engine whereas in a machine camshaft, we are doing all the value addition and the critical value addition at our end, which is converting the raw camshaft into a fully finished camshaft, which is ready to be assembled into an engine. This is something that we are doing and requires much more value addition. So to give you ballpark numbers, if a casting sells for about Rs.250 to

Rs.350, the same casting when machined sells for about Rs.800 to Rs.1000. So that is the difference.

Priyanka Singh: That is it from my side. Thanks.

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

Bhaskar Chaudhry: So a couple of questions. First one, in response to a previous question, you said margins would be 15% to 20% going forward?

Ravindra R. Joshi: For consolidation.

Bhaskar Chaudhry: Okay, on the consolidated basis. And on the standalone basis, what would be the margin?

Ravindra R. Joshi: It is in between 23% and 25%.

Bhaskar Chaudhry: Okay. But, so I mean, if the contribution from machined camshafts has increasing, should not that margin be higher then and should not it trend up?

Karan Y. Shah: It should, but we are telling you what it has been and what to expect. But you are right in saying that if there is more machine camshafts, this should be higher.

Bhaskar Chaudhry: Okay. And of the 3 entities that you have, what are your outstanding capital commitments there either in terms of capex or in terms of consideration to be paid to the shareholders for acquiring 100%?

Karan Y. Shah: No, at this point of time, there is no outstanding commitment in terms of capex or in terms of purchase of shares.

Bhaskar Chaudhry: Okay, thanks.

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

Vatsal Gupta: I just wanted to understand the kinds of camshaft contracts PCL India has. Basically, just talks about what kind of contracts do we have today and what is the lifetime of those contracts? And if the variability of the camshafts that we supply is that can we get price increases on a year-to-year basis?

Karan Y. Shah: Sorry, I did not get the last sentence. Can you repeat that?

Vatsal Gupta: Yes, I was asking, let us say, a 5-year contract on a camshaft, can we get price increases on the camshaft every year or like after the price increases, or if we could pass on raw material increases?

Karan Y. Shah: I will answer the first part regarding contracts. We do have contracts from all of our customers and those are typically 3-, 5-, 7-year contracts and it really depends on the customer. But having said that, there is, the contract does not state a year-on-year price increase for sure. And with regards to raw material, we have an index with all of our customers regarding raw materials as in the metal part. And if there is an increase or decrease, both are passed on to the customer.

Vatsal Gupta: Okay. Because my question was arising from, if I just look at per camshaft from FY2018 to FY2019, I can see increase on per camshaft basis. So I was just trying to think if it was would affect then or if you get passed on raw material increases or what kind of the gain that was?

Karan Y. Shah: I think it is a combination of all. I think we have had some forex gain. We have also had an increase in raw material price, which we pass onto the customer. So there is an increase in selling price because of that also. And also mainly as you see the machining camshafts has gone from 23% to about 28% from last year to this year. So that significantly increases the realization per piece.

Vatsal Gupta: Great. My second question was on the acquisitions that we have done. So what kind of operational or managerial involvement do we have on those to increase their performance and make them better?

Karan Y. Shah: On the 2 automotive component businesses, which are MEMCO and MFT, we are very much involved in operations and in customer contact. So at MEMCO, we are very much involved in looking at new businesses, adding new capacity, etc., and similarly at MFT. With regards to EMOSS, as I mentioned earlier, it is a new business. It is a new type of model for us. So we are not completely involved yet, but they have their hands very much full with the customer orders that they have in Europe. But going forward, I think we do have a plan to introduce this technology into India in the years to come.

Vatsal Gupta: That is it from my side. Thank you.

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

Ritesh Bafna: Good afternoon Sir. Thank you for the opportunity. I have a couple of questions. First of all, I want to understand what are the margin that we have on our machined camshafts and casting camshafts?

Ravindra R. Joshi: Okay. The margin for machined camshaft is in between 22% and 25%.

Ritesh Bafna: Okay. And for the casting camshaft?

Ravindra R. Joshi: Casting in between 8% and 10%.

Ritesh Bafna: Okay. My next question is on the working capital cycle. Can you just explain on what are debtor days, inventory days, creditor days currently? And what do we foresee going ahead?

Ravindra R. Joshi: Debtors, it is between 100 to 120 days, creditors is 60 to 90 days. And inventory is in between 15 and 20 days. This is going to decrease in near future.

Ritesh Bafna: So by how much do you expect to decrease it?

Ravindra R. Joshi: For debtors by 10 days and creditors, as we have to pay within 45 days. And inventory we are going to reduce by 5 days.

Ritesh Bafna: Thank you so much.

Moderator: Thank you. The next question is from the line of Arun Kejriwal from Kejriwal Research. Please go ahead.

Arun Kejriwal: Hi, Karan, one quick question. The three acquired businesses while two have grown between 45% and 50% roughly, one business is flat. What kind of traction are you seeing in FY2020 from these three businesses individually if you could explain?

Karan Y. Shah: So on the MEMCO and EMOSS front, like you said, these businesses have grown 40% to 50%. And we continue to see some improvements going forward. MFT has been flat from last year to this year, but we have invested into new capex at this company in the last year, which we have also declared to the exchanges. I think going forward, we can expect the topline of MFT to go from EUR 20 million, which it is today, to circa EUR 30 million in 2 to 3 years.

Arun Kejriwal: One question for Mr. Joshi. Sir, now that you will be giving quarterly consolidated numbers, will we be having a breakup of the three entities separately or there will still be merged number?

Ravindra R. Joshi: This will be a merged number, Sir.

Arun Kejriwal: So you will not be splitting the three entities?

Ravindra R. Joshi: No, no.

Arun Kejriwal: Thank you.

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

Vipul Shah: I want to know what are your contingency plans if electrical vehicles come faster than expected.

Karan Y. Shah: Two parts to this. One, I think we have our foot in the electric mobility space with our acquisition in EMOSS. So we are much closer to the ground now than before in understanding the technology, understanding where the market is moving, etc. On our, the other three businesses front, I think we have a lot of external and internal research done to show that we do not consider electric vehicles a threat in the short or the medium term. So for the next 8 to 10 years, we do not see this as a threat.

Vipul Shah: But for EMOSS, Sir, means turnover is very minuscule as compared to…

Karan Y. Shah: Right, of course. But what we are saying is we have our foot in that space. And you have seen the revenue there also grow considerably in one year, and this is the outlook going forward based on the way this industry is growing. But if you look at where we are in close contact with all of our customers, whether in India or overseas, and we do not see any changes in demand due to electric vehicles. For sure, there might be a shift from gasoline to diesel, diesel to gasoline, hybrid, etc., but all of these will require camshafts, would still require parts that MFT and EMOSS manufactures. So we are not seeing any risk of electric vehicles at least for the next 7 to 10 years.

Vipul Shah: And Sir, what is the consolidated debt now? And can we expect any reduction?

Ravindra R. Joshi: It is INR 145 Crores.

Vipul Shah: Can we expect any substantial reduction of this?

Ravindra R. Joshi: Yes. As PCL is concerned, there is no debt. But with MFT and MEMCO, we are going to repay the debt out of their cash generations.

Vipul Shah: So what is the consolidated debt we can expect at the end of March 2020?

Ravindra R. Joshi: See, right now, we have a debt of 145 Crores taken from outside. Against that, we have free cash generation of INR 123 Crores, if you see, net debt is only INR 25 Crores. Now that in PCL, there is no debt. As far as overseas company is concerned, MFT and MEMCO, there is a debt of INR 60 Crores, which they will pay from their cash generations.

Vipul Shah: Thank you.

Moderator: Thank you. The next question is from the line of Vaibhav Barjatia from HNI Investment. Please go ahead.

Vaibhav Barjatia: Thanks for providing the followup. In terms of capacity utilization, you said that foundry is at 70% utilization. But if I see, for FY2019, so current foundry capacity as per your presentation is around 12.2 million units, but the casting production was only 5.36 million. So what am I missing here?

Karan Y. Shah: What you are missing is that the machined camshafts also require casting. So you should add the total number of camshafts.

Vaibhav Barjatia: Yes. Even in that case also, it is around 60%.

Karan Y. Shah: Sorry?

Vaibhav Barjatia: If I take the total, which is 7.44 million units and do we turn a 12.18 capacity, it will still be 60% capacity utilization for the foundry.

Ravindra R. Joshi: Sir, reduced our capacity because we have closed down one of our foundry, which is operating locally in Solapur.

Karan Y. Shah: We have four foundries at our EOU plant. And we had a smaller foundry at our domestic plant, which we do not utilize anymore.

Vaibhav Barjatia: Okay. So this foundry is completely lying idle. We are not doing anything with this?

Karan Y. Shah: No.

Vaibhav Barjatia: So just a question. On the foundry side, because one of the facilities is lying idle and other facilities are currently partly utilized, there is a time we ramp up to the full capacity. In a way we can make use of this idle capacity to produce some other products or to, basically, is there any way to gain some revenue or marginal profit by utilizing this idle capacity apart from producing camshafts?

Ravindra R. Joshi: See, the old foundry, which we have closed down, is about 20 -, 25 years old. Now if you carry out that, there is a huge maintenance cost is there. So the labour cost is higher, and this is the city where we have got two foundries. One is in Chincholi, MIDC, which is 100% EOU. It is located 25 kilometers away from Solapur and this is in the city. So this, it is an old foundry, 25 years old foundry. And right now, we may consider, but it very is difficult to operate over there because of high maintenance costs.

Karan Y. Shah: Also I might add, we might not consider using it as a foundry. We have a building and plant ready. We might not consider using it as a foundry but might find better utilization for that.

Vaibhav Barjatia: And what could be that?

Karan Y. Shah: We are still exploring some opportunities.

Vaibhav Barjatia: Okay, fair enough. That is it from my side. Thank you.

Moderator: Thank you. The next question is from the line of Kashyap Jhaveri from Emkay Global. Please go ahead.

Kashyap Jhaveri: Sir, just one question along with the Chinese plant shutdown. Do these two joint venture companies or associate companies, Ningbo Shenglong and PCL Shenglong also sort of closed? Or they were still booked as an associate company or they will manufacture?

Ravindra R. Joshi: No, no, both will be closed.

Kashyap Jhaveri: Both will be closed. If I look at the profitability of these associates, last year, they contributed something like about 14 Crores, 15-odd Crores to the PAT line item, and this year, that is virtually a negative number. So along with the China wholly owned subsidiary, all these joint ventures started making negative contribution in this year?

Ravindra R. Joshi: So there are 2 units, 1 foundry. Foundry is already making a negative contribution. And others is making a positive contribution. But in near future also, we are seeing that there is the reduction in the volume as far as machining is concerned. So, we are withdrawing from China.

Kashyap Jhaveri: Okay. So these two associate companies also would have or rather would start making losses looking at the future business, which is available?

Ravindra R. Joshi: Yes.

Kashyap Jhaveri: Okay, thank you very much Sir. That is it from my side.

Moderator: Thank you. The next question is from the line of Atul Shah from Progwell Securities. Please go ahead.

Atul Shah: Thank you Sir for the opportunity. Sir, my question is who are our largest customers? And have you seen any order slowdown from these customers?

Karan Y. Shah: Do you want to know on a consolidated basis or a standalone PCL basis?

Atul Shah: On consolidated basis.

Karan Y. Shah: So on consolidated basis, as you see in the presentation, today, no customer is more than about 15% of our sales. Our largest customers are General Motors, Ford, Hyundai and Audi, and we have not seen any slowdown from any of these customers. As a matter of fact, the new machined camshafts that will start ramping up is for General Motors and Ford going forward.

Atul Shah: Okay. And what about on standalone basis?

Karan Y. Shah: On standalone basis, GM and Ford are again the largest customers. Last year contributed about 50% or so. This business is going to increase going forward.

Atul Shah: Okay. And how do we plan to scale up our EMOSS business?

Karan Y. Shah: We have acquired this company less than a year ago. We are still in the process of determining a plan to bring this technology to India. At this point of time, the technology is highly accepted and has the right infrastructure to operate in places like The Netherlands, like New Zealand, like Canada, etc., where the infrastructure is there for electric vehicles.

So there has been growth in the business, and we continue to look for more markets to get it.

Atul Shah: So can I know also how many kits were sold in EMOSS in FY2019?

Karan Y. Shah: It would be, we will need to check and get back to you on numbers of kits, but that is not a good representation of what they do because the kit also depends on the size of the vehicle, etc., so that would not be a good measure but if you look at the revenues alone, from INR 47 Crores to INR 67 Crores in a year. That is what we have mentioned.

Atul Shah: Thank you Sir, that is all from my end.

Moderator: Thank you. The next question is from the line of Jehan Bhada from Nirmal Bang. Please go ahead.

Jehan Bhada: Sir, the new facility at Solapur where you had done a capex of INR 230 Crores, how much of top line can we expect in FY2021?

Karan Y. Shah: So we can expect a 1:1 asset turnover, basically INR 230 Crores of sale.

Jehan Bhada: Okay. And that will be the optimum level?

Karan Y. Shah: That will be at peak, yes.

Jehan Bhada: Sir, secondly, there is a lot of liquid investments and cash lying in the books. So what is the plan? I think they total up to about 250 Crores, right?

Ravindra R. Joshi: No. Total debt is 145 Crores.

Jehan Bhada: No, I am talking about cash and investments. As per the presentation, it is showing that the total investment plus cash is about 250 Crores. So how would we utilize because that is quite a big amount?

Ravindra R. Joshi: Part of the amount is from IPO that we are going to utilize. Again, there is 30 Crores, 40 Crores, which lying in the bank of IPO money, the interest what we have earned from 200 Crores will be utilized for the expansion of the machine shop. And the other 125 Crores amount lying in the bank is a loan from the overseas company. So we have kept it as a backup for this overseas loan.

Jehan Bhada: And no plan to, I mean, retire the debt completely? Because, I mean, on a gross debt, obviously, you have a bit, but you can like easily pay off the debt?

Ravindra R. Joshi: Yes. We can pay off the, we have taken a loan at a 2% from London (Bank of Baroda). And we have kept this money in mutual fund, where we are getting 8%. And also, we are seeing a good opportunity over here. If we see a good business opportunity, then we may invest this money there.

Jehan Bhada: Right, right. Okay. And Sir, you spoke about the debt that you have taken from London. So is that debt hedged or is it unhedged?

Ravindra R. Joshi: It is unhedged.

Jehan Bhada: Thanks Sir. Thank you that is all from my side.

Moderator: Thank you. The next question is from the line of Satish Jaikumar, who is an individual investor. Please go ahead.

Satish Jaikumar: Sir, I have one question. Regarding the assembly camshaft, you told about in the annual general meeting. Is there any improvement or anything, outcomes there? Like we got orders from BMW or Audi for our assembly camshaft?

Karan Y. Shah: We are still in very high stages of discussions with several OEMs, but we will let you know once we have a contract. But we are in very, very high-level discussions with them.

Satish Jaikumar: Is there any positive thing, which will happen? Or like there are some samples, Like you have given some samples and it came back. So any positive progress there?

Karan Y. Shah: It is looking positive as of now. We do have assembled camshafts in engine testing. So this is a positive sign, yes.

Satish Jaikumar: Okay. And another one year, we can expect any orders from companies?

Karan Y. Shah: We hope so.

Satish Jaikumar: I have one more question, Sir. We have EMOSS business, right? Like it is growing at around 50% year-on-year basis. That is very excellent. So to support the growth, do you have any plans to invest in companies, which are related to electric vehicles?**Karan Y. Shah**: If there is an interesting opportunity, we would always look at it. But at this point, I think our plate is quite full with the three acquisitions that we have done, and we are in the process of integrating and consolidating these and growing all of these companies. So while we are still looking, not as of now.

Satish Jaikumar: Okay. What was in my mind is like there are a lot of technological advancements coming, like ADAS and like autonomous vehicle mobility. So you must since EMOSS, I read in your interview it is going to expand 5X growth in next 5 years. So it will require you to supply some of the software items, which we can manufacture here at a lower cost and we can give there that is the thought process, that is it.

Karan Y. Shah: Right.

Satish Jaikumar: Okay, Sir. Thank you that is all from my side.

Moderator: Thank you. The next question is from the line of Vaibhav Barjatia from HNI Investment. Please go ahead.

Vaibhav Barjatia: Sir, you have earlier touched upon the capacity that is closed. So just want to know what is the total capacity number that is closed. And where is that plant located? And what is the land area of that facility?

Karan Y. Shah: We will have to get back to you on land area, etc., but it is a few acres. But Mr. Joshi, like he said, the plant is located in the city of Solapur, and there is an MIDC in the city which is where it is located. The plant is about 20 years old, and that is why we are not utilizing the foundry as of now. But the plan is to see how best we can utilize that plant going forward. So we are exploring some interesting opportunities that could utilize that.

Vaibhav Barjatia: Secondly, since, so at the end presentation, you are providing industry portion. You are mostly touched upon the passenger vehicle part of it what is the camshaft demand from passenger vehicles and etc., so I am assuming that most of our camshafts go into passenger vehicles only and none go into commercial vehicles. Is it true?

Karan Y. Shah: Yes. More than 90% of our camshafts go into passenger vehicles, and that will continue to remain our focus.

Vaibhav Barjatia: Lastly, since most of our revenues come from exports, what kind of hedging policy do we follow? Or is there a hedging that we do?

Ravindra R. Joshi: Yes, we have a hedging policy here. Normally, we hedge 40% of our revenue, and we keep 60% open for the spot rate.

Vaibhav Barjatia: Thank you. That is all from my side.

Moderator: Thank you. As there are no further questions, I would like to hand the conference back to the management team for closing comments.

Karan Y. Shah: Thank you very much, everyone, for participating in our earnings call. We have been happy to share some positive results of all our acquired companies. This is the first time we are presenting our consolidated financials. And we are looking forward to your support and looking forward to more exciting times ahead. Thank you.

Ravindra R. Joshi: Thank you.

Karan Y. Shah: Thanks, everybody.

Moderator: Thank you very much. On behalf of Precision Camshafts Limited, that concludes the conference. Thank you for joining us ladies and gentlemen. You may now disconnect your lines.