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**Subject: - Article published in Autocar Professional Magazine dated 15<sup>th</sup> July 2020**

Dear Sir/Madam,

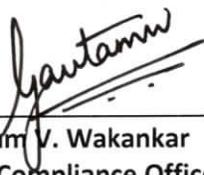
Pursuant to Regulation 30 read with Para C of Part A of Schedule III of Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 and the "Policy on determination of materiality of events/Information" of the Company, we would like to submit the Article published in the Magazine "**Autocar Professional**" dated the 15<sup>th</sup> July 2020.

Please find attached herewith the said Article on Pages 32-34 (Both Inclusive) of the Magazine.

Kindly take the above information on record.

Yours Faithfully

For **Precision Camshafts Limited**

  
Gautam V. Wakankar  
Joint Compliance Officer



**Precision Camshafts Limited**

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# New gen leads Precision Camshafts to discover new opportunities

Solapur-based Tier 1 supplier, which completed 25 years of operations less than a year ago, plots new moves to build a sustainable future. **Sumantra B Barooah** finds out what the camshaft specialist plans to do as the electrification trend gains traction in the global automotive industry.

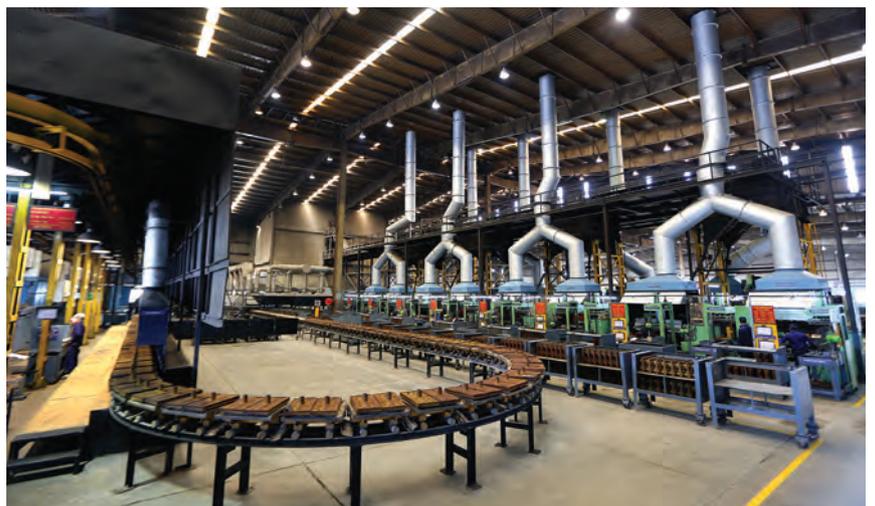
**N**ot too long from now, Precision Camshafts, a leading camshaft supplier globally, will make a new move in its home market, India. It will start a new business that offers solutions to convert commercial vehicles with internal combustion engines (ICE) to fully electric vehicles (EV).

"We are in the process of working out quite an interesting solution for the Indian market," Karan Shah, whole-time director – Business Development, Precision Camshafts Limited (PCL) tells *Autocar Professional*. The solution is being developed by Emoss, a Netherlands-based firm which was acquired by PCL in 2018. Emoss is an OEM for electric bus and truck as well as auxiliary/battery systems. Emoss, which started business around six years ago, also has its own brand of electric buses and trucks.

According to PCL, Emoss' vehicles have received approvals in "most parts of the world" including markets like North America, bulk of Europe, Australia and

New Zealand. "We are trying to make sure that we expand markets in the next few years," says Yatin Shah, CMD, Precision Camshafts. Karan, who is also Shah's son, is in charge of developing the businesses of Emoss, and two other firms that came into the PCL fold through acquisitions.

While there are efforts to ramp up the Emoss business as the EV trend grows, Shah doesn't see a major part of the existing automobile market getting replaced by EVs anytime soon. The Rs 767 crore PCL is among the top three camshaft suppliers globally, according to Shah, and its customers are largely from the passenger vehicle industry in India and overseas. Currently, around 65 percent of PCL's business comes from customers overseas and the company wants to hike it up further. Shah wants to fully sweat PCL's existing production capacity for camshafts over the next 7-8 years. PCL's foundry has an annual production capacity of nine million camshafts, while capacity in its machine shop stands at 3.3 million units.



PCL ranks among the top three camshaft suppliers globally. Its foundry has an annual production capacity of nine million camshafts, while the capacity in its machine shop stands at 3.3 million units.

Based on inputs from customers and PCL's market intelligence, Shah feels the IC engine car industry can still enjoy a good drive during this period. "OEMs like BMW are investing in new internal combustion engines that will go up to 2030. There are the GMs, Fords and Toyotas of the world who would continue to pay a lot of attention to internal combustion engines, obviously also with a focus on doing electric vehicles. We at least don't believe there will be a tsunami, or EVs will take over," says Shah, while sharing an estimate that close to 76 million internal combustion engines are manufactured worldwide today, and probably not more than half-a-million EVs (cars).

**The 25-year-old journey, and the road ahead**

Shah's observation and confidence may be well placed. After all, he and his team built PCL from scratch with similar calls and core business strategies over the past 25 years. PCL's journey started with supplying camshafts to Mahindra & Mahindra's farm equipment sector in 1994. The first year's turnover of the company, started with a capital of Rs 7 crore and a Rs 3 crore loan from SICOM, stood at a humble Rs 12 lakh. Today, with a turnover of Rs 767.68 crore and prestigious Indian and foreign brands as customers, PCL is a debt-free company which can be counted as a good example of not only the growing capabilities of the Indian automotive industry but also of Indian entrepreneurship. The company's standalone profit after tax (PAT) for FY2020 stood at Rs 72.05 crore, which is around 15.5 percent of the standalone turnover of Rs 464.06 crore. Losses at its overseas



**Yatin Shah, chairman and MD, PCL:** "We are trying to make sure that we expand markets for Emoss in the next few years."



**Karan Shah:** "We are working on an interesting solution to convert IC-engine vehicles into full electric vehicles for the Indian market."

subsidiaries led to a consolidated PAT figure of Rs 25.63 crore. "We have managed to grow all three companies (Memco Engineering in Nashik, MFT in Germany, Emoss in Netherlands) that we have acquired. While the two in Europe in the last year have not been profitable I think there's a clear focus to increase business," says Karan, who started his career as a business development executive in PCL, three years ago. He says that annual revenues of Memco Engineering, which is also a supplier to Bosch and Delphi, MFT, and Emoss have grown with PCL. Karan's aim now is to integrate the acquired entities better with PCL's processes and business culture better and bring all of them into the black.

In addition to bringing the loss-making businesses to the black, Karan and team have also been given the responsibility to identify new opportunities for any inorganic move that will help PCL be future-proof and grow sustainably. It's job that



**Emoss, a Netherlands-based firm acquired by PCL in 2018, develops, manufactures and supplies fully electric and hybrid powertrains. It also has its own brand of electric buses and trucks.**

Shah was directly involved in till a few years ago. He will now step in after a list of probable partners is presented to him.

As Shah takes a breather with the next gen stepping in and driving new plans, he says the camshafts business will always be close to his heart and, therefore, he may be involved with it more closely. Understandably so, as it has made PCL stand among specialists in the global component industry. The latest to join PCL's camshaft portfolio is the assembled camshaft,

which Shah says makes PCL the first to offer this camshaft technology in India. Talks are on with prospective customers to supply it. According to Shah, PCL today is the only supplier in the world to offer all camshaft technologies under one roof. Apparently, the company is also the first to manufacture assembled camshafts in India.

While Shah shares the stories of pride, he also recounts the partners – PE investors and customers – with whose support PCL could reach this far. Around 95 percent of PCL's camshafts go into passenger vehicles, but there are other customers from the LCV, railways, and stationary engine segments that the company began its journey with. Mahindra & Mahindra, Simpsons, Escorts and Sonalika are some of PCL's 'legacy customers'. For example, today PCL supplies camshafts to M&M's entire range of tractors.

An accomplished journey it has been, but

**The 2008-2009 global recession was so severe for the company that Shah thought "probably it's the end of the story."**

## INTERVIEW YATIN SHAH, CHAIRMAN AND MD, PRECISION CAMSHAFTS LTD

**How did you start PCL and what thoughts come to your mind when you take stock of the past 25 years?**

It all started when I separated from my father's business and started this business in 1993, in a very small way. There were so many opportunities to look at separate products, but I don't know why and how it didn't cloud my thinking ever. I didn't jump from one product to the other as the market demanded.

I said, "This is going to be our singular focus. We must be amongst the top three in the world." As we speak today, we are there. I believe we will probably see more consolidation (in the camshaft industry). It's such a niche industry that when a customer ties with you for a project, it's virtually for lifetime.

We started off by doing camshafts for all and every internal combustion engine. Then, PCL superspecialised in passenger car camshafts. We had the privilege of having some very good partners who understood our gameplan, model and supported us as we grew.

People have been on board with us for a long, long time. We have never lost a customer ever since we started. That's one thing we hold very close to our heart.

**Was your father also an entrepreneur in the automotive industry?**

Yes, he was. My father left his father's trading business to start manufacturing of tractor components. He started with a machining setup followed by a foundry.

I stepped in and grew the business significantly in four years but chose not to continue as the company was a partnership concern, which had multiple decision makers. I left the company to pursue my dream of manufacturing niche components.



**'We are looking at developing engine-related components, which will go into an EV powertrain too.'**

**Which are the major OEMs PCL supplies to as a Tier 1 or Tier 2 vendor currently?**

Some of the major customers of PCL (standalone) as a Tier 1 are GM, Ford, Toyota, Maruti Suzuki, Tata Motors, Mahindra, Fiat, Porsche, BMW and Hyundai are among the major OEMs PCL supplies to as a Tier 2. Today, no single customer accounts for more than 15 percent of PCL's Group revenue.

**What other steps have you taken, other than the Emoss acquisition, to be future-proof?**

Obviously camshafts will not be required for EVs. So, we are looking at developing engine-related components, which will go into an EV powertrain too. Our company (MFT) in Germany is doing products which are not necessarily purely IC engine-related. Similarly, we are also doing a lot of work

to see how we can insulate ourselves against what we believe would be a threat which we perceive is not even going to be medium, but long-term in nature.

**During the ongoing pandemic, does being located in a smaller place give players like PCL an advantage or help tackling the challenge better?**

Undoubtedly so. The pressure that's there in the metros is not there in these smaller places. However, while you are in not that difficult a situation, you should also have your market that's not entirely in the metro region. The difference for a company like PCL is that we are not heavily dependent on the domestic market. So, the moment we were allowed to put the components into a container and send to the port and out, we ramped up fairly fast. June was fairly good. July looks to be better.

**For any company, the first Rs 1,000 crore is a big milestone. When do you see PCL touching that?**

I can't tell you how fast we want to get there now. And, we are looking beyond that.



**Being based in Solapur, which is over 400km away from Mumbai, has helped PCL to resume operations faster than many others.**

not without its share of challenges. Some, like the 2008-09 global recession was so severe for the company that Shah thought "probably it's the end of the story". "I thought that 2008-2009 was probably the most devastating time that we have ever faced, like anybody else. But, interestingly enough, during that point of time when we actually thought it's all over, we came out of it earlier than most, because of our exports business," he says.

Diversifying its customer base beyond India helped PCL cushion itself from the global recession knock. Its revenue grew from Rs 99 crore in 2007-2008 to Rs 194 crore in 2009-2010. "We didn't look back after 2009 or 2010," says Shah.

**Exports strategy to the rescue during pandemic**

That strategy is helping PCL during yet another challenging period. During the ongoing pandemic, which is affecting the big auto hubs more,

being based in Solapur (over 400km away from Mumbai) has helped PCL to resume operations faster than many others. However, with many of its customers and market within India being located in locked-down areas, PCL's production is now heading more to the port for exports.

**Appetite for more**

PCL acquired three companies during the 18-month period starting March 2017. With the already fast changing global automotive industry is witnessing more disruptions, the Indian player is looking for new opportunities for a sustainable growth. "Even prior to the pandemic, we were scouting in the market for opportunities. However, obviously now presents a different picture altogether," says Shah. Which, in other words, means opportunities or valuations that may not have been available earlier. Much of it will be driven by the younger entrepreneur. ■