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www.pclindia.in
info@pclindia.in
+91 217 2357645
+91 9168646531/32/33
L24231PN1992PLC067126

PCL/SEC/22-23/042

Date: 15th September 2022

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, 12th September 2022

Dear Sir/Madam,

Pursuant to Clause 15(a) of Schedule III, Part A, Para A read 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, 12th September 2022.

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

You are kindly requested to take the same on record.

Thanking you,

Yours Faithfully

For Precision Camshafts Limited

Gautam V. Wakankar
Company Secretary and Compliance Officer

Disclaimer

Transcript may contain forward-looking statements about the company, which are based on the beliefs, opinions and expectations of the company as of the date of this call. These statements are not guarantees of future performance and involve risks and uncertainties that are difficult to predict.

Precision Camshafts Limited

☺ Solapur : D5 MIDC, Chincholi, Solapur, India – 413255
☺ Solapur : E102 MIDC, Akkalkot Road, Solapur, India – 413006
☺ Pune : 501/502, Kanchanban "B", Sunit Capital, Senapati Bapat Rd, Pune, India - 411016



“Precision Camshafts Limited Q1 FY23 Earnings
Conference Call”

September 12, 2022



MANAGEMENT: **MR. KARAN SHAH – WHOLE-TIME DIRECTOR, BUSINESS
DEVELOPMENT, PRECISION CAMSHAFTS LIMITED
MRS. AAROHI DEOSTHALI - ASSISTANT GENERAL MANAGER,
ACCOUNTS, PRECISION CAMSHAFTS LIMITED**



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Moderator: Good day ladies and gentlemen and welcome to Earnings Call of Precision Camshafts Limited to discuss operational and financial performance for Q1 FY23. As a reminder, all participant lines will be in the listen only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing * 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 Shah: Thank you. Good afternoon ladies and gentlemen. I would like to thank you all for being a part of the Precision Camshafts' Q1 FY23 Earnings Concall. I am joined today by Mrs. Aarohi Deosthali from Finance for financial related questions.

In case of any detailed questions on finance, please email your questions at cs@pclindia.in and we shall provide you answers in a reasonable time. We have submitted the investors' presentation for Q1 of FY23 to the stock exchanges on 8th of September 2022 and the same is available on our website. Investors are requested to refer to the same.

I would now start with an overview of the auto industry and then get to the Company's performance. The global automotive industry has seen a lot of ups and downs in the last 2 years and while the demand recovery in India is encouraging, the European region still continues to struggle with higher commodity prices and high energy costs due to the ongoing crisis. There also seems to be a light at the end of the tunnel with regards to the chip shortage issue.

I am happy to share that despite these times, your Company has delivered a 33.3% growth in the total income at a standalone level and 10.9% growth in total income at the consolidated level compared to Q1 of the previous financial year. Compared to last quarter, the total income has decreased by 4.5% to ₹ 148 Crores on a standalone basis and increased by 3% to ₹ 240.9 Crores on a consolidated basis. The parent business, PCL India has grown by 30% over the last year by better asset utilization of the foundries as well as machine shops. Several new camshaft and non-camshaft projects have been awarded to PCL over the last year which have started serial production and are in the ramp up phase.

We are happy to share that this year has onboarded several new customers in India and overseas and can see long-term visibility of contracts for the camshaft business. In summary, PCL as a parent Company continues to enjoy healthy margins and has great visibility for growth in the coming years.

MEMCO has seen consistent demand and delivered good topline and bottomline results in line with the previous quarters. The management of the Company has focused on addition of new



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business from existing customers as well as new. The Company is also focused on technology upgradation and installation of cost saving programs like solar power, etc. Our group Company MFT based in Germany has seen stabilization of business during these difficult times; however, we still see challenges ahead in Europe due to the ongoing crisis. The team at MFT is also focused on bringing new non-engine components to the Company's product portfolio.

In summary, the group's automotive component business is now well diversified in terms of products and customer base where no single customer contributes to more than 20% of revenues and is showing consistent growth in top and bottomline.

Now, coming to our e-mobility subsidiary, EMOSS based in the Netherlands, the Company has registered significant growth in the last 2 years. EMOSS posted a turnover of circa ₹ 42 Crores in Q1 FY23 compared to ₹ 30 Crores in the last year. However, the Company continues to pay headwinds in the European market due to severe shortage of component supplies in Europe and a general state of uncertainty. EMOSS has not lost any customer business during this period and the order book does continue to look promising.

Coming to e-mobility developments in India, the Company is developing an electric driveline for sub 4-ton LCVs for the Indian market. There are over 2 million of such LCVs currently running on Indian roads with 500,000 new ones added each year for various applications such as last-mile delivery, waste collection, postal services, etc. The Company is focused on bringing a high quality reliable product to the Indian market while ensuring cost competitiveness by means of high localization. We are in the process of setting up our first EV conversion plant in Solapur and have signed up with several large customers across India. We will only be able to share more details about the hard product and its specifications in the coming quarters. With our growing team in India, the Company hopes to build out the sizable EV business in the next 3 to 4 years. Thank you for joining this call and I will now hand over to Mrs. Deosthali for financial updates.

Aarohi Deosthali:

Thank you Karan sir. Good afternoon to all of you. Now, coming to the financial performance of the Company, starting with the standalone business performance Precision Camshaft Limited which houses the camshaft businesses, the total income for Q1 FY23 increased by 33.35% Y-to-Y to ₹ 148.35 Crores. EBITDA for Q1 FY23 reduced by 6.83% year-on-year to ₹ 25.80 Crores. PBT for Q1 FY23 is ₹ 15.92 Crores and the PAT is ₹ 12.09 Crores. EBITDA margin for Q1 FY23 is 17.39% and the PAT is 8.15%. The total revenue contribution from the exports for Q1 FY23 is 55.29% and balance is domestic sales.

Quantity of camshaft sold during Q1 FY23, quantity of camshaft sold during Q1 FY23 decreased by 6.86% quarter-to-quarter and increased by 15.19% quarter-on-quarter to 1.25 million.



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Quantity of machined camshaft sold during Q1 FY23 decreased by 2.75%, quarter-to-quarter and increased by 50.30% quarter-on-quarter to 0.83 million. Total camshaft sold during Q1 FY23 decreased by 5.26% quarter-to-quarter and increased by 27.06% quarter-on-quarter to 2.09 million.

Now, coming to the consolidated business performance, total consolidated income for FY23 increased by 10.97% year-on-year to ₹ 240.97 Crores. EBITDA for Q1 FY23 decreased by 13.16% year-on-year to ₹ 27.40 Crores. PBT for Q1 FY23 is ₹ 7.17 Crores and PAT is ₹ 4.19 Crores. EBITDA margin for Q1 FY23 is 11.37% and PAT is 1.74%.

Now, coming to our group Company's revenue for Q1 FY23; MEMCO, MFT and EMOSS. Revenue of MEMCO is ₹ 12.90 Crores, revenue of MFT ₹ 37.90 Crores and revenue of EMOSS ₹ 42.47 Crores. With this, we would like to open the floor for question and answers. Thank you.

Moderator: Thank you very much. We will now begin the question and answer session. The first question is from the line of Vijay Jadhav from Precision Camshafts Limited. Please go ahead.

Vijay Jadhav: I am really excited to hear from our CMD that soon they will be assembling the line of electric vehicles, I am really excited further, I would like to know from the management whether you have any kind of joint venture with other leading Companies for any kind of commercial launch and distribution and what will be your capital expansion, is there any plan for capital expansion as such for your Company?

Karan Shah: At this point of time, we are not able to share further details about our partnerships, however, we are not signing any joint ventures with companies in India for expansion of our EV business, however, like I said in the call, we have already signed up with several customers across India, large customers across India, details of which we can share in the coming quarters once the product is ready and at this point of time, we are not looking at any additional capital expense.

Moderator: Thank you. The next question is from the line of Shubham Jain, an Individual Investor. Please go ahead.

Shubham Jain: I had a few questions, one is on this EMOSS thing, we hit a peak topline of ₹ 50 Crores, I think around the couple of quarters back and then all of a sudden venture dipped down because I think we had some issues in terms of sourcing raw materials, etc., given the war in Ukraine and Russia and now, we have come back to ₹ 42 Crores, now, I just wanted to know whether the situation is normalized and I believe that this is not loss of sales, but only deferment of sales, is my understanding correct on the EMOSS sector?



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Karan Shah: Yes, there is no loss of sales, no loss of order book at this point of time, however, given the uncertainty that continues, the supply chain bottlenecks do exist and we are still working to get back to complete normalcy, but I think at this point of time, given the uncertainties, it would be hard to say when exactly that would be, but again order book seems to be very much protected at this point of time.

Shubham Jain: And secondly, also you had earlier mentioned that I think I read in the annual report as well that you had put up another space in Netherlands, another factory space, is that as an operational plan? Has that started contributing to the topline of the Company there?

Karan Shah: Yes, absolutely. It has been operational for almost a year now.

Shubham Jain: And coming back to the e-mobility business in India, having these agreements with your customers, these are only what I mean only retrofitting of vehicles or would it also entail some sort of OEM supplies as well?

Karan Shah: At this point of time, we are talking about conversions and retrofits, but I think we will be able to give you more details on the lines in the coming quarters once we have more clarity.

Shubham Jain: Any estimate of when the first product would be rolled out from your factories in this quarter?

Karan Shah: I would not be able to give you that estimate at this point of time unfortunately.

Shubham Jain: But do we see it is coming in this financial year or is it going to be pushed to the next financial year that at least if you can tell us?

Karan Shah: Like I said, so I think it would be unfair to kind of provide that at this point of time. We are in the development. The development has been very positive and we still continue to work with the government authorities for certification, homologation, etc., so it would be unfair to give an estimate at this point of time, but it would be in the coming quarters like I said.

Moderator: Thank you. The next question is from the line of Manjul Agarwal from Green Portfolio Private Limited. Please go ahead.

Manjul Agarwal: Sir, around 250 vehicles were supposed to be dispatched to Solapur Municipal Corporation by the end of 2022, so sir is there any delay for that, so can we expect revenue recognition to begin from quarter 3?

Karan Shah: No, I think there is some misunderstanding. Solapur Municipal Corporation has 250 vehicles in their fleet, the MoU as it stands today is that we will be providing them with 3 vehicles for a



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trial basis by the end of this year and we still hope to achieve that. It is not an order of 250 vehicles.

Manjul Agarwal: So sir, we are expecting to deliver then the three vehicles by the end of this year?

Karan Shah: We are still hoping that we can be able to deliver, yes.

Manjul Agarwal: Sir, in the revenue from EMOSS, sir, can you give a breakdown of how much the revenue was from retrofitting and how much was from e-driveline kits?

Karan Shah: Approximately 40% on conversions on retrofits and 60% from kits approximately.

Manjul Agarwal: Sir, have we received any Indian orders for this subsidiary, for EMOSS?

Karan Shah: No, as we have been mentioning in our annual reports as well as concalls, the business of EMOSS in the Netherlands is completely focused on the European market. There is tremendous amount of demand there which is mostly driven by policy and regulation and we have a good customer base there and we continue to focus the EMOSS business as the subsidiary in Europe. A separate division has been created in India for e-mobility initiatives. It is only LCV front.

Moderator: Thank you. There is a follow-up question from the line of Shubham Jain, an Individual Investor. Please go ahead.

Shubham Jain: Karan, would the e-mobility business will be housed in the PCL or you planning to set up in the new subsidiary to house the e-mobility India business?

Karan Shah: No, at this point of time, it would be under PCL itself.

Shubham Jain: One question I had is on this non-engine business, you had spoken right, we had earlier also had a chat that we want to diversify from camshafts to non-engine business, what are the progress there? Have we started booking revenues from the non-engine business or will take some time and if we have started working what percentage is coming from the non-engine business?

Karan Shah: We have got new business which is from the non-engine component space, particularly in the braking system area for commercial vehicle. The serial supplies have not yet started, but our parts are already in the customer pipeline and I will not be able to say what percentage of revenue it is at this point of time because it is only ramping up, but we do see that we have additional orders from the non-engine category going forward in the next 2 to 3 years.



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Shubham Jain: Can we safely assume that probably your dependency probably from 100% at PCL level come down to 60-70% in the next 2-3 years' time on the camshaft side of business?

Karan Shah: That is our target. We hope that 25% or so comes from non-camshaft or non-engine components by 2025, but like I said in the speech also that we have been gaining new contract within the camshaft business from old and new customers and volumes continue to increase and I think PCL as one of the largest camshaft manufacturers in the world at this point of time. We are poised to look at new developments for OEMs around the world.

Shubham Jain: Related to this, one question I had is, while I understand that number of majority of the camshaft is in-house by large companies as well, but if you hold the 10% market share globally and besides you there are two other players who own similar kind of market share, probably 50-60% is still which is in-house and are you seeing those capacities moving out because ultimately what is happening is the market is shrinking, so it is moving out and coming to you?

Karan Shah: I mean, yes OEMs are looking at offshoring or outsourcing more of their in-house capacities, but this would be over a longer period of time.

Shubham Jain: And there has been some improvement in margin compared to that last quarter and I just wanted to understand was it due to the fall in the prices of the raw materials, the commodity prices falling down and that is why this improvement is coming or is there any other reason for improvement in margins?

Karan Shah: That is particularly the main reason, the softening of commodity prices.

Shubham Jain: So we expect the margins to improve because commodity prices are softening globally, the shipment is also going down globally?

Karan Shah: Yes.

Shubham Jain: So, the margin should improve going ahead for at least for the PCL?

Karan Shah: Yes.

Shubham Jain: And EMOSS also have seen some erosion in margin if I am not wrong, right and was this particularly due to this war situation which has happened?

Karan Shah: You have look at EMOSS separately, it is not typical manufacturing large volume business like what we do in the rest of the companies. It is heavily engaged in R&D as well. There is a lot of development that we look at for the future. There are people, there are systems that set up,



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so that we are future ready and I think that it would be difficult to look at EMOSS as a quarterly business delivering specific EBITDA margins per quarter. I hope that clarifies.

Shubham Jain: But on an annualized basis, we maintained 10% EBITDA margin is what I assume, right?

Karan Shah: Yes, we would hope so.

Moderator: Thank you. As there are no further questions from the participants, I would now like to hand the conference over to Mr. Karan Shah for closing comments.

Karan Shah: Thank you so much ladies and gentlemen for joining this Q1 FY23 Concall of Precision Camshafts Limited. I hope we have been able to answer most of your queries and we do look forward to your participation in the next quarter. Thank you again for joining. Bye-bye.

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