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meets Performance

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PCL/SEC/23-24/054 **Date: 4th September 2023**

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

Subject: - Transcript of Earnings Call held on Friday, 1st September 2023.

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 **Friday, 1st September 2023** at 10.15 AM (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 Mukund Pethkar
Digitally signed by Tanmay Mukund Pethkar
Date: 2023.09.04 13:08:59 +05'30'

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

"Precision Camshafts Limited

Q1 FY'24 Operational Performance Discussion Conference Call"

September 01, 2023

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

Moderator: Ladies and gentlemen, good day and welcome to Earnings Call of Precision Camshaft Limited to discuss operational performance for Q1 FY24. 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 this conference call, please signal an operator by pressing star and zero on your touchtone phone. Please note that this conference is being recorded.

And now I'll hand the conference over to Mr. Karan Shah, Whole-Time Director, Business Development. Thank you and over to you, Mr. Shah.

Karan Shah: Thank you. Good morning, ladies and gentlemen. I would like to thank you all for being a part of the Precision Camshaft's Q1 FY24 Earnings Conference Call. In case any detailed questions for finance, please email your questions at cs@pclindia.in or secretarial@pclindia.in and we shall provide you answers in a reasonable time. We have submitted the investor presentation for Q1 of FY24 to the Stock Exchanges on 31st of August, 2023 and the same is also available on our website. Investors are requested to refer to the same. I am happy to share that despite the challenging times that we work in, total income of the company was INR178 crores on a standalone basis and INR270 crores on a consolidated basis.

The parent business PCL India has grown the last year by better asset utilization of foundries as well as machine shops. Several new camshaft and non-camshaft projects have been awarded to PCL over the last years, which have started serial production and are in the ramp-up phase. We are happy to share that PCL has onboarded new customers in India and overseas, and you can see long-term visibility of contracts for the camshaft business. MEMCO has also seen consistent demand and has delivered good top line and bottom line revenues, in line with previous quarters. The total income at MEMCO was INR 13.48 crores during the previous quarter.

Our group company, MFT, based in Germany, has seen stabilization of business during these times, but we still see challenges ahead due to the ongoing crisis. The team at MFT is also focused on bringing new non-engine components to the Company's portfolio. The total income of MFT during the previous quarter was INR 45.9 crores.

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

Coming to our e-mobility subsidiary EMOSS, based in Netherlands, the company has registered significant growth in business over the last 2 years, and EMOSS posted a turnover of INR 33.2 crores in Q1 of FY '24 compared to INR 52.3 crores in the last quarter. The dip in revenues was mainly driven by the general slowdown in Europe, summer shutdowns in several customers and other issues that persist in Europe. The order book still continues to look promising for the coming years.

Coming to the e-mobility developments in India, the Company is developing an electric driveline for sub 4-ton LCVs on India. The Company is focused on bringing a high-quality, reliable product to the Indian market while ensuring cost competitiveness with high degree of localization. We are in the process of setting up our first EV plant and have signed several large customers across India.

We will share more details about the hard product and its specs in the coming quarters, and we expect to start delivering the first pilot vehicles to our major customers in Q3 of this financial year. I will now ask Ms. Aarohi to go through the financials of the Company.

Aarohi Deosthali: Thank you, Karan, sir. Good morning to all. Coming to the financial performance of the company. Starting with the standalone business performance, Precision Camshafts Limited, which houses the camshafts business. Total income for Q1 FY '24 increased by 20.16% Y-o-Y to INR 178.27 crores. EBITDA margin for Q1 FY '24 is 19.08%, and PAT is 11.01%.

Quantity of camshafts sold during Q1 FY 24 -- quantity of cast camshafts sold during Q1 FY '24 increased by 1.72% quarter-to-quarter and increased by 27.74% quarter-on-quarter to 1.60 million. Quantity of machined camshafts sold during Q1 FY '24 decreased by 4.53% quarter-to-quarter and decreased by 10.73% quarter-on-quarter to 0.74 million.

Now coming to the consolidated business performance. Total consolidated income for Q1 FY 24 increased by 12.15% Y-to-Y to INR 270.25 crores. EBITDA for Q1 FY 24 increased by 9.63% Y-to-Y to INR 30.05 crores. PBT for Q1 FY 24 is INR 8.73 crores and PAT is INR 4.11 crores. EBITDA margin for Q1 FY 24 is 11.12% and PAT is 1.52%.

Now coming to the group company's revenue for Q1 FY '24, MEMCO, MFT and EMOSS. Revenue of MEMCO is INR 13.48 crores. Revenue of MFT, INR 45.91 crores. Revenue of EMOSS, INR33.26 crores.

With this, we would like to open the floor for question and answers. Thank you.

Moderator: Thank you very much. The first question is from the line of Garvit Goyal from Nvest Analytics. Please go ahead.

Garvit Goyal: Sir, my first question is on our upcoming facility at Solapur, which is for electric vehicle retrofitment. So I'm relatively new to the company. So can you please throw some lights like what is the whole idea about what is the size of opportunity are we looking at in the next 2 to 3 years down the line?

Karan Shah: What we are doing in Solapur at this point of time is setting up a plan for conversion of LCVs to 100% electric. We are focusing on the sub-4 ton N1 category of vehicle, which is typically in a Tata Ace, Ashok Leyland Dost and other such vehicles.

Just to give you a idea of the market size, there are around 2 million vehicle that are driving on Indian roads today that are used in this category of vehicles, and we have seen the opportunity to work with a lot of customers, large fleet owners, municipal corporations, e-commerce companies, etcetera, to convert that existing fleet of LCVs, which are used for intra-city logistics into pure electric.

We have gone through a complete localization project where almost 95% of the powertrain is sourced in India, which also ensures cost competitiveness and giving the customer a very high reliable product that works well on the Indian road conditions. So we expect to start rolling vehicles to customers in the third quarter of the financial year, and we will keep you updated as we know more.

Garvit Goyal: Like -- yes, sir. So you mentioned like you are in discussion with the players also to convert this thing. So basically, how fast do you think the ramp-up is going to happen? Like 2 million vehicle are on the road. So how fast do you think the ramp-up will happen, the shift will happen from ICE to this EV convertor? It's retrofitment.

Karan Shah: No. For us, it's in the plant. For us, it's not a big ramp-up of sales that we require because it is not a large assembly plant or something like this that we need to set up. At this point of time, we are in the process of setting up our plant in such a way that we can convert vehicles.

I'm unable to give you numbers at this point of time in terms of visibility or in terms of what we can do, but there is a significant opportunity. Even a small percentage, a very small percentage of these 2 million vehicles that we consider for conversion, it's still a very large business opportunity for us.

But unfortunately, I can't give you numbers at this point of time because we don't have that kind of visibility.

Garvit Goyal: Understood, sir. And sir, secondly, our business is basically divided into this casting camshafts and machined camshafts, which, as far as I understand, is a part of ICE vehicles only.

So if we are doing INR1000 crores kind of revenues from something which is not being used due to value migration in the end industry like EV, so how will you grow at a good pace like CAGR of 25% to 30%, going ahead, with this kind of business, which is not used in EV items? So help me to understand that and correct me if I am wrong.

Karan Shah: Can you please repeat the question because I got disconnected.

Moderator: Garvit, one moment.

Garvit Goyal: Should I repeat?

Moderator: Participants please stay connected while we rejoin Karan sir back to the call. Ladies and gentlemen, thank you for your patience. We have line for Karan sir once again reconnected. Garvit, if may I request you to repeat your question once again.

Garvit Goyal: Yes I'm repeating. So basically, my question was business is divided into casting camshafts and machined camshafts, which is, as far as I understand, a part of the traditional vehicles only. So it is not being used in the electric vehicles. So how we will grow at a good pace, like CAGR, 25% to 30% going ahead and the entire EV thing will replace the ICE vehicles? So that was my question.

Karan Shah: I think it's a very far-fetched statement to say that EV will completely replace traditional ICE vehicles. I don't think there will be 100% replacement of petrol and diesel engines or vehicles to electric.

Just an idea on the camshafts business itself, we have at least a visibility over the next 5 to 7 years as contracted business from OEMs all around the world, including North and South America, Japan, Korea, India, Uzbekistan, Europe, etcetera. So it's not that easy of a shift to say that everything will become electric.

We are actually investing further in our camshafts businesses to increase capacities to build up for the growth that is coming. But obviously, we also have the EV business. So we are well hedged against any changes that might happen in the coming years.

Garvit Goyal: You mentioned you're getting new orders, like you also mentioned about it in your opening remarks long-term visibility and order book you are getting. So what kind of growth guidance or growth CAGR do you see for next 3 to 4 years down the line for the business at consolidated levels?

Karan Shah: We are unable to provide you with forward-looking numbers at this point of time.

Moderator: Next question is from the line of Vishal Agarwal from Leo Capital Advisors.

Vishal Agarwal: I wanted to understand the growth in EMOSS over the last few quarters. The growth obviously slowed down with the war in Ukraine, and we always felt that the order books are very good and the growth will come back. But for the last several quarters -- while on a year-on-year basis, both still looks good for the financial year, previous financial year, but the last several quarters, the growth has been tepid.

So is this the base at which EMOSS kind of settles where given the nature of the business, this is the scaled protection of the business? Or is there more possibility there? And how should one think about long-term growth for this business?

Karan Shah: I think it would -- it's very difficult to look at the business of this nature on a quarter-to-quarter basis. So we are not a typical FMCG type of Company where you can see all this happened in this quarter and this has happened in others. As such, important to look at the bigger picture and see what is happening year-on-year. If you look at where we were just 4 years ago to where we are today, I think we have grown 5 or 6x, that's significant growth.

We still continue to look for opportunities to grow. And I think the market is there in Europe to -- with our existing customers as well as new customers to grow this business. And we are continuing to do that, and the order book for the next 2 to 3 years is quite healthy. We see good visibility. And I would not say that the business has plateaued out at this level. There is definitely opportunity to grow from here. But I can't quantify that to you in terms of a forward-looking number right now.

Vishal Agarwal: Understand. Sir, your business has not plateaued out, but has it kind of become a scaled business, at which point it starts growing at high teens kind of growth rate? And is that the potential? Or do you think it's still a very nascent business and it can really grow much faster for several years? Obviously, not on a quarter-to-quarter, maybe but over a long term, if I take a 3, 5-year view, it can grow a lot faster.

Karan Shah: It can. Yes, yes. I mean looking at the landscape in Europe in general, looking at where customers are focused on, especially on de-carbonization, on electric mobility, I think there is a lot of potential. We are also looking at newer technologies to working in the businesses that we are in with our customers. So there is definitely opportunity, but I can't say whether it is going to be teens or 30s or 40s, it's really hard to say that right now.

Vishal Agarwal: I understand. But you don't think it's a mature business, which is kind of going to be growing in the teens and so on. And you -- as a management team, you feel confident or much higher, but obviously, it's hard to tell.

Karan Shah: Yes.

Vishal Agarwal: Got it. And switching gears to the India LCV launch, you mentioned that the launch is expected next quarter. And several OEMs like Tata Ace have also launched an electric -- probably Ashok Leyland, comes out with their one soon. How do you -- and here, I am just asking of with retrofitment. One, how does the cost benefit for a retrofitted vehicle from PCL or EMOSS compare versus these offering of those kind Leyland's, and what's the potential you see in that business?

Karan Shah: Yes, see, I can't talk a lot about commercial at this phase point of time before we have launched. There's going to be a phase in over the next, say, 6 to 8 months where we will have a significant amount of road trials and understanding directly from our customers because these vehicles will be delivered to customers in the coming -- in the next quarter. So I would be able to speak a little bit more on commercial later.

But I think -- look, I think this is a -- it's a very small market at this point of time. You know e-mobility is less than -- if you look at the total number of vehicles sold on India, certainly, and I'm excluding 2 and 3 wheelers vehicles. If you look at four wheelers only, I would say that it's less than a percentage of sales right now. So it's a big opportunity for everybody and enough space for everybody to be in.

So while the OEMs will have their own products, like you mentioned, I think we are catering to a very different audience here where we are saying that you have existing fleet of vehicles and you have the opportunity to spend an entire amount to convert existing fleets into electric, thereby giving you tremendous amount of operational cost savings over the years that you continue to operate the vehicles.

And there the customer has a choice whether to convert the existing vehicle into electric and use that for the next 7, 8 years or to go and buy a new one, which is all I can tell you at this point of time, it is definitely more expensive to buy a new electric vehicle than it is to convert one with us.

Now how much is that gap? I can't explain to you right now, but there is definitely a difference between buying a new one and then converting an existing one.

Vishal Agarwal: And buying the new EV or buying the new IC engine vehicle?

Karan Shah: New EV. New EV.

Vishal Agarwal: Got it. Got it. And within the e-mobility space in India, our focus will largely be the LCV space? Or are we looking to tap into other spaces as well over time?

Karan Shah: At this point of time, only LCVs. It's a big enough market that are -- and I think if you look at the application of these vehicles, there are so many different applications in terms of waste collection, in terms of last-mile deliveries, in terms of just pure logistics, etcetera. And these are the vehicles, if you think about it, that pollute the most because these are always running within the city. There is a lot of start/stop in these vehicles, which causes even more pollution.

And if you want to really have a completely circular kind of setup, then your best -- that is to go with repowering as we call it, because you're essentially taking away one decent vehicle from the road and putting that same vehicle back as one that does not emit any pollution. So it's kind of -- that's our focus area. We are not at all looking at any other type of vehicles at this point of time, at least.

Vishal Agarwal: And from a scalability perspective, for you in the constrained in the short term with demand? Or will it be your ability to manufacture? Like from a manufacturing setup or ability perspective, what's the kind of ramp-up that's required if you see a lot of demand in the market? And how are you placed to handle that if you see it?

Karan Shah: I don't think setting up manufacturing is a constraint because we are able to scale up pretty quickly. It is not a high capex kind of assembly plant that we need to set up, it's a very different setup than typical OEM because we are only disassembling the existing powertrain, assembling a new one, doing a lot of testing in-house and then shipping it out. We are able to scale up. We are also able to do, let's say, satellite plants wherever our biggest customers are so as to be closest to them.

So that's not an issue. Creating the demand will be a thing that we will look at in the coming quarters because at this point of time, we do have a good set of customers, who are willing to take the first bet, who are willing to actually start with these pilot vehicles in the next quarter but we need to see how this can be scaled up with other new customers as well.

Vishal Agarwal: And you want to scale it up slowly with first do a pilot vehicle give it a few months and then launch and then launch it full-fledged. You don't want to do something like some of the startups have done, just to go the whole hog and launch in one shot?

Karan Shah: No, I think that has not worked in many cases and we don't want to take that kind of an approach.

Vishal Agarwal: Got it. Thank you so much.

Karan Shah: Thank you.

Moderator: Thank you. Next question is from the line of Shubham Jain, individual investor. Please go ahead.

Shubham Jain: Karan, hi. Congratulations for the excellent performance in the parent business. Now, I had a couple of questions on the e-mobility business in India. Now, you are setting up the plant and you have done all the testing and you are going to launch early next quarter. I wanted to understand, what is the average time taken to retrofit either of these vehicles Tata Ace or Ashok Leyland those in terms of rolling out completely retrofitted vehicle and what can be the estimated amount of cost for doing the retrofitment.

We know that the cost of probably a Tata Ace EV which is being launched by the company as well as around INR9 lakhs to INR10 lakhs and where do we see, the conversion cost coming in and what is the payback period, which is estimated for the customers, who are going for this retrofitment? Thank you.

Karan Shah: Thanks. As I mentioned in my previous answer, I really cannot comment on commercials at this point of time. It's just too early to do that. We need to have vehicles in the market. We need to have feedback from customers, etcetera. Only then I would be able to give you more insight on that. But like you said, a brand new Tata Ace EV is available in the market for INR12 lakhs today. And our conversion cost is surely lower than that but I will be able to only explain to you in more detail, when we have much more customers using these vehicles in the coming months.

As far as your first question on how much time does it take, it's a function of the kind of setup that we have and the number of people that we have working on these vehicles but it takes a measurement is in hours, so it's not a very lengthy process.

Shubham Jain: Okay, so can we get to know how many vehicles that we planning to convert in a monthly basis is that possible to know currently or?

Karan Shah: No, I don't have that at this point of time because we are yet to roll out the first pilot vehicles with our customers and we have about 10 to 15 customers, we have MOUs or LOIs with and we are rolling out to these customers in the next quarter and only after, it has been enough testing on field, enough data collected that we will be able to actually start ramping up and give you real numbers that are possible.

Shubham Jain: Okay and these customers are both private sector entities in the government departments is that so?

Karan Shah: Yes.

Shubham Jain: Okay, now coming back to our EMOSS business, we have seen you've always maintained that, it's to compare the business year-on-year, right, but the revenues have gone down but I've seen that, you have shown in small negative EBITDA also in this quarter. Can you throw some light as to why we have turned into a loss in the first quarter?

Karan Shah: So again as I mentioned, it's not possible to look at this business on a quarter to quarter basis. There are certain dips in the overall economy in Europe as you know. This period of time which is June, July, August is typically a summer shutdown in Europe, which is why there is always, if you even compare it to the last year, you will also see a similar trend. And there will be again, let's say, a stabilization in the coming quarters. But the simple answer to that is that this reduction in revenues has led to a negative margin, but that should get compensated in the coming quarter. So I would again suggest not to look at this on a quarter to quarter basis.

Shubham Jain: Are we safe to assume that, our revenues are intact just because of the summer shutdowns and holidays in Europe, the revenues have been pushed back to Q3, Q4, or whatever it is. And we'll continue to see...

Karan Shah: There is also, like I said in my opening statement, there is also a general slowdown in Europe. You see that there is... most countries in Europe have declared that there is a recessionary trend. And even though it is not... we are not as hard impacted on the EV side of things as it is on let's say the typical combustion engine vehicles but there will still be an impact, it is hard to ignore that.

Shubham Jain: I understand but we were anyways order booked full for the next two years right if I'm not wrong and are we seeing any cancellation of orders or withdrawal of orders also?

Karan Shah: Not cancellations but there can certainly be pushbacks there can be delays and uptake.

Shubham Jain: Okay, so we're safe to assume that, the growth rate which we have been maintaining over the last three years, four years will continue to target to hit those growth rates in the next two years, three years time. And the most, yes. Now coming back to EV mobility business in India, one question is the revenues will start reflecting in our annual accounts from Q3 onwards, right? So we will see the first revenue coming in when we talk again sometime in January, February, right? On your Q3 results, will that be the case?

Karan Shah: It's really hard to answer at this point of time because it will take some amount of testing, some amount of understanding from customers, real world application of these vehicles. So towards the end of this financial year early, next year is something that we should expect.

Shubham Jain: Okay Karan, thank you.

Karan Shah: Thank you.

Shubham Jain: All the best, sir.

Moderator: Thank you. Next follow up question is from the line of Garvit Goyal from Nvest Analytics. Please go ahead.

Garvit Goyal: Hi, thanks for the opportunity again. Just want to understand more, like you mentioned that we are trying to capture the gap due to the cost of new EVs and this retrofitting. So is it not like a conflict means that this will put you directly in a competition with players like Tata and Ashok Leyland, who are into producing the new EVs and they are at the same time, our customers also in the traditional business of camshafts. So how do you look at it?

Karan Shah: I actually don't look at it as competition because we are not going after the same customers in terms of new vehicles being sold. We are looking at an existing fleet owner or an existing government body that has vehicles but would like to electrify for reaping the benefits of electrification which is decarbonization as well as reduction in operating costs. So that is where our focus is. Like I mentioned in one of the previous answers, it's a very small percentage of the market and there is enough room for everybody to grow here.

Garvit Goyal: So continuing with this thing like you mentioned there is enough room for everybody to continue. So, is it like there are no entry barriers in this retrofitting thing or there are some technology advantages that you have and somebody or any other player is not having and due to which he can't enter into this space?

Karan Shah: Absolutely, there are technology barriers and it's not an easy, it's not okay, let me explain it like this, electrification of a vehicle is not the same as converting a diesel vehicle into CNG. That even a technician can do at a garage, which is possible. When you are talking about electrification, you are changing the complete power train of the vehicle, it is not just the fuel source. It is a complete power train, it requires a lot of engineering work, it requires a lot of software, it requires after you have sold the vehicle, requires a lot of after sales care and so on and so forth. So it's not as simple change. So there are not, if you look at what we do at EMOSS in the Netherlands, there are only let's say four or five companies around the world that can do the kind of work that we do at EMOSS on the heavy vehicle side. And even in India today, if you look at the overall market, there are a lot of players in the two-wheeler three-wheeler space but not a lot of players in the four-wheeler space it's because it is a much more complicated architecture.

Garvit Goyal: So in India right now, Precision only that is doing this kind of thing right? Four-wheelers.

Karan Shah: Yes.

Garvit Goyal: And sir, lastly you mentioned about this recessionary trend in Europe. So are you witnessing it across the category or is it towards a particular category like passenger vehicles or the commercial vehicles or something like that?

Karan Shah: It's across the world. It's not just in our industry also, it's just across the world, there is a slowdown.

Garvit Goyal: Okay, understood, sir. And it is getting worse and worse over the quarter, so that's what you are mentioning?

Karan Shah: Yes.

Garvit Goyal: Okay, so that's it from my side, thank you.

Moderator: Thank you. Next follow up question is from the man of the Vipul Shah from Sumangal Investments. Please go ahead.

Vipul Shah: Hi, thanks for the opportunity. So Mr. Karan, my question is, means what type of capex we are planning to spend on this retrofitting of EV project and have we data for in-house data of course, which you cannot share with us right now, but have you data for converted EVs which have worked for two, three months, and do you have some in-house data for that?

Karan Shah: To your second question, yes, of course, we have in-house data for vehicles that we are testing. But at the end of the day, we are waiting for customers to use these vehicles in their real-world applications. Each application is applications. Each use case is different, which is why we are starting with these pilot rollout next quarter. But to your other question, it's not a high capex business as I mentioned before. It does not require large machinery or equipment.

It is mainly people and a good supply chain and good technology to be in place to make sure that we can effectively convert these vehicles. At this point of time, as I mentioned in some of the previous call, approximately INR 5 crores to INR 7 crores has been spent on the plant setup.

Vipul Shah: So this technology has come from EMOSS, should I assume that?

Karan Shah: Architecturally yes, but we have localized everything in India. So I like I said more than 95% of the powertrain is localized in India. So while the overarching technology and architecture has been acquired from our Netherlands business, it is re-engineered to fit Indian needs.

Vipul Shah: And regarding your European subsidiaries, sir, can you share what type of capacity utilization they are working with? And at what percentage of capacity utilization they should break even at EBITDA level. If you can give directionally any color, it will be very helpful, sir?

Karan Shah: So, at EMOSS level, it is we can't define capacity because it is again a similar thing like what we do here. It is retrofitment or it is a kit business for our customers. So as we only need more space and more people to scale up capacity, each kit is also different. So we make a very small kit for a road sweeper, we make an extremely large kit for a 50 tons vehicle. So it's hard to define capacity. Whenever required, we are able to scale up very quickly. On the MFT side, Aarohi ma'am, if you can please explain if we have some idea of capacity utilization.

Aarohi Deosthali: Existing 70% at MFT and expecting 80% for breakeven.

Vipul Shah: So, what should be the breakeven level for MFT at this that much?

Karan Shah: 80%.

Vipul Shah: 80% at EBITDA level Mr. Karan?

Karan Shah: Yes.

Vipul Shah: Okay. Thank you Mr. Karan and wish you all the best.

Karan Shah: Thank you very much.

Moderator: Thank you. Next follow up question is from the Vishal Agarwal from Leo Capital. Please go ahead.

Vishal Agarwal: Karan, in the past con call, you had also mentioned that the vision is to start with retrofitment but eventually be an OEM in India in the LCV space. Can you talk a bit about that journey? How far along are we on that? And is that something, I know you mentioned it will be happening next financial year. Is that something we are on track for?

Karan Shah: No, I did not mention that it would happen next financial year. I think, the journey towards becoming an OEM is already underway, but I certainly can't give you an update from last quarter to this. It's a long process. And we expect this to be a journey of at least two to three years to actually set up the entire -- the facilities, the technology, the know-how to transition from becoming just a powertrain supplier to becoming an OEM. It's a tall order, but we are working towards it.

Vishal Agarwal: Understood.

Karan Shah: So the idea is to have enough vehicles on the road with our powertrain in the next, let's say two to three years, where we get enough data, where we understand the market well, where we understand our customers well, based on which we can build our OEM platform rather than doing it right away.

Vishal Agarwal: Got it. So the next two to three is the focus in your retrofitment and uses the basic experience that you kind of create the vehicles for the OEM.

Karan Shah: Correct.

Vishal Agarwal: Understand. And how much capital investment does all of that require? Because a lot of startups are raising a lot of capital externally and so on. So any plans to do that for you and how much capital would that need?

Karan Shah: I will need to get back to you on that. I don't have that number off the top of my head right now.

Vishal Agarwal: And on the EMOSS side in Europe, any particular segment or areas that have been affected from a growth perspective or from where you have seen all the postponements or pushback, which kind of has resulted in some weak performance in the last few quarters, or is it more general in nature?

Karan Shah: No, it's quite general. We work across a variety of fields, right from, road sweeping to waste collection to buses, small buses to large trucks and it's across the board. It's very general.

Vishal Agarwal: Got it. And any plans around EMOSS for it to extend beyond Europe? Do you see a market there outside of Europe given the technology that EMOSS has and you mentioned it's there with only a very few number of players globally. Any plans to scale that beyond Europe?

Karan Shah: We do have a customer in New Zealand, for example, right now where we are supplying kits and that customer is growing, we grow with that customer. But if you look at the business opportunity in Europe itself, this is one of the most mature markets in terms of e-mobility and we are saying that, we should focus there rather than looking for small pieces of business in different parts of the world. So given that, we are located in Europe, that would be the primary market but of course opportunistically we will look for other customers as well.

Vishal Agarwal: Got it. Thank you so much.

Karan Shah: Thank you.

Moderator: Thank you. Next follow-up question is from the line of Garvit Goyal from Nvest Analytics. Please go ahead.

Garvit Goyal: Hi, thanks for the question again. I just wanted to understand on the margin, product mix change, like you are entering into this retrofitting thing. So what kind of asset terms do you expect, or what kind of margin do you expect? Is it likely that it will be at higher level as compared to the existing business? Because you are mentioning we are the only player in India in this space. So how it is going to shape up?

Karan Shah: I can't answer that question right now because I'm also unable to answer anything regarding the commercials including even the selling price of the kits. So it's really difficult for me to answer that. But while I say that, we are probably one of the first ones or the early ones to do this in India. It is an extremely cost-competitive market. At the end of the day, these are vehicles used by individual driver owners in most cases or fleet owners for whom using these vehicles is bread and butter.

They are using this for transport of goods and the only metric that is important is how many rupees does it cost per kilometre per kg to go from point A to point B. So it is an extremely competitive, cost competitive market and that should give you some idea of what the pricing and margins would be, but I can't give you the numbers today.

Garvit Goyal: Okay, thank you.

Moderator: Thank you. Next follow-up question is from the Shubham Jain, an individual investor. Please go ahead.

Shubham Jain: Karan, you have started the non-engine business as well, right, in MFT and in the parent entity as well. So what are we seeing? How is the traction coming up and because we want to diversify away from Camshaft over a period of next few years. How is it coming up and what is the expected contribution to revenue? The non-engine business is contributing right now and is expected to contribute by the end of this year?

Karan Shah: See, look, all three manufacturing businesses, whether it is PCL, MEMCO, or MFT, all have diversified businesses with non-engine components. For example, at MEMCO, we have a customer where is, who is doing instrumentation parts, where that share of business used to be 5% just four years ago. Today, it's almost 25%. So we have grown that business.

Similarly, at PCL, we have started a non-engine component with a global Tier 1. And that is just in the ramp-up phase. So you will not see a big percentage difference as a percentage of sales from now till the end of this year but there will be more towards next year and the years after that. And we also have been awarded a new non-automotive business at our German subsidiary, where we will start production and supplies next year in calendar year 2024.

So we will only see impact there after the supplies are started. But this should give you enough comfort in saying that, across all three component manufacturing companies, we have actively started manufacturing and supplying non-engine components.

Shubham Jain: So do we have a long-term plan in terms of three, four years, where do we want to look at as a total percentage contribution to revenue, where do we want to have the non-engine revenue contribution?

Karan Shah: Yes, we have said this in previous calls also that, we are expecting that over the next three- four years that about 20%- 25% of our component business revenue should come from non-engine components. But it's really important for me to restate here that we are absolutely focused also on our camshaft business, on our MEMCO engine component business, as well as MFT's engine component business, because this is a business that continues to grow.

From the outside, it looks like that EV will take over everything but this is not the ground reality of things. There are new businesses that we have won from OEMs that start production next year and go up to 2030 or even beyond that. So we will continue to invest in these businesses, we will continue to grow these businesses and as a matter of fact, being an Indian manufacturer, being in this Indian auto space, which is expected to double in terms of volumes in the next five to six years, we are in a very good place to actually take best advantage of this, rather than saying that, we forget about all the good that we are doing on the engine component side and only focus on diversification. So I just wanted to clarify that.

Shubham Jain: I understand that Karan. I wanted to also understand from you, a lot of global majors have the camshaft business in-house. So has there been a trend of some of the camshaft business, some of these global majors moving in-house to getting, coming to Tier 1 suppliers like yourselves? Is that also happening?

Karan Shah: Look, no, the legacy businesses will continue because the OEMs are very reluctant to give up what their existing capacities are because you have to also understand that, they have the assets to do it, they have the people to do it. So it's not very easy for OEMs to say, okay, we let go of hundreds of people from their payroll and also write off equipment and machinery and plants and outsource. What is for sure is any new programs that come into production, almost all of them are outsourced but legacy businesses will continue as is.

Shubham Jain: And sir, what percentage of this is coming to a standalone entity? What I understand is, we have around 9% to 10% market share globally and as we are increasing our business, I believe that over the next three- four years in a shrinking market, we should have our market share increasing. So do you expect the market share to go from 9%- 10% to 14%- 15% over the next three- four years? Though the market might shrink a bit, but because we are the leaders in India and also we are one of the global leaders, do we see that kind of attraction coming in for us?

Karan Shah: I just want to give you a slight correction before I tell you where we can expect ourselves. The market is not shrinking in general. If you just purely look at India numbers, there were let's say, 4 million cars manufactured this year, out of which 2% were electric. The expectation is that in three years, if this number is 6 million or 7 million, and even 20% of those are electric, the traditional vehicle numbers are still growing.

Not only in India, also in North America, also in countries like Mexico and Brazil, also in countries like Russia, Uzbekistan, Korea, etcetera. So it is not a shrinking market. I do want to clarify that. But based on where we see, of course, we will look at increasing our market share, whether it's in India or globally. And I can't give you a number today, though. I can't quantify that.

Shubham Jain: Okay.

Moderator: Thank you. Next question is from line of Brijesh from Avenues Corporate. Please go ahead.

Brijesh: Hi Karan. So I have a couple of questions. One question on the OEM part has been answered. My second question would be, there are some talks about launching a new in-house LCV, a small capacity LCV, but we have not heard anything about it for the last couple of quarters. So the plan has been shelved or still in the pipeline?

Karan Shah: I've answered, I've mentioned this over the last few answers that we are planning to actually start rollout of these pilot vehicles of electric LCVs in the next quarter.

Brijesh: No, I'm not talking about retrofit, I'm talking about developing an LCV in-house?

Karan Shah: Yes, that will take time, it will take a few years at least, there is also something adjustments and that.

Brijesh: That will come maybe after OEM part, right?

Karan Shah: That is OEM part. In-house developed LCV is OEM part.

Brijesh: Okay. And just a last question. So in terms of, let's say once we have confirmed order in place, so we will have to do some small capex cluster wise to cater to the customers? Like region wise or maybe city wise and all?

Karan Shah: Yes, ideally being close to the market is a good idea because there is cost of logistics otherwise. But at this point of time, we have enough and more customers in and around where we are in Maharashtra, so that is our focus. But of course, when there is a bigger demand in, let's say, Delhi or Chennai and Bangalore or whatever, we would look at expanding in those markets.

Brijesh: Okay, great. And just last question on, so we were like, we're talking about the OEM part. I know, you may not disclose some information as of now, but are we in touch or maybe we are in testing more than some of the largest, let's say, the players like Tata and all to supply the powertrain complete solution over the years. Have we started the testing part at least?

Karan Shah: No, I can't disclose anything on those fronts right now.

Brijesh: Okay. No issues, Karan. Thank you so much, Karan, and I wish you all the best.

Karan Shah: Thank you.

Moderator: Thank you very much. A reminder to all the participants, you may press star and one to ask the question. As there are no further questions, I would like to hand the conference over to Mr. Karan Shah for closing comments.

Karan Shah: Thank you very much. I hope, we have been able to answer most of your queries today. We look forward to your participation again in the next quarter and thank you again for joining our earnings call. Bye-bye.

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