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meets **Performance**

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PCL/SEC/24-25/020

7th June 2024

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 Wednesday, 5th June 2024.

Dear Sir/Madam,

Pursuant to clause 15 of Para A of Part A of Schedule III with Regulation 30 of Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements), Regulations, 2015, please find enclosed transcript of earnings call held on **Wednesday, 5th June 2024** at 02.30 PM (IST).

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

You are requested to take the same on record.

Thanking you,

For **Precision Camshafts Limited**

Tanmay M. Pethkar

Company Secretary and Compliance Officer

Mem. No: [A53618](#)

Precision Camshafts Limited

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“Precision Camshafts Limited
Q4 FY '24 Earnings Conference Call”

June 05, 2024



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



Moderator:

Ladies and gentlemen, good day, and welcome to Precision Camshafts Limited Q4 FY '24 Earnings Conference Call. 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 star, then zero, 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'd like to thank you all for being a part of this Precision Camshafts Limited Q4 FY '24 Earnings Conference Call. In case of any detailed questions regarding finance, please e-mail your questions at secretarial@pclindia.in, and we shall provide you answers in a reasonable time.

We've submitted the Investors Presentation for Q4 of FY '24 to stock exchanges on the 4th of June and the same is available on our website. Investors are requested to refer to the same. Let me begin by providing an overview of our financial performance. Despite the challenging economic landscape, I'm pleased to report that PCL has maintained a strong financial position. Our revenue streams have remained resilient, thanks to our strategic initiatives and unwavering commitment to excellence. Our focus on operational efficiency and cost optimization has bolstered our bottom line, ensuring sustainable growth and profitability.

We are proud to share that PCL has crossed a turnover of INR704.98 crores on a stand-alone basis with a consolidated turnover of INR1,062.74 crores with a healthy consolidated EBITDA margin of 10.14%. The company now has 14 plants in three countries servicing more than 50 global customers and manufacturing over 15 different products catering to various industries, which are not restricted to the automotive industry only.

The company employs over 2,500 people globally and is on a consistent growth trajectory, delivering -- apologize. I will go back a few sentences. So we were saying that we are proud to share that PCL has crossed a turnover of INR704.98 crores on a stand-alone basis and a consolidated turnover of INR1,062 crores with a healthy consolidated EBITDA margin of 10.14%. The company now has 14 plants in three countries, serving over 50 marquee global customers and manufacturing over 15 different products catering to various industries, which are not restricted to the automotive industry only.

The company employs 2,500 people globally and is on a consistent growth trajectory, delivering a growth of 12% year-on-year. Your company has delivered 1.7% growth in revenues at a stand-alone level and 3.3% growth at a consolidated level compared to Q4 of the previous financial year. On a full year basis, the revenue of the company on a consolidated basis has grown from INR659 crores to INR704.98 crores.

The parent business at PCL India has grown by the last year by better asset utilization of the foundries as well as machine shops. We cast 6.98 million camshafts in FY '24 as compared to 5.8 million in FY '23. And out of this number, the company machined 2.98 million camshafts in FY '24 compared to 3.1 million last year.



In the last year, PCL has been awarded new business in the foundry as well as the machine shop that will ensure complete utilization of our capacities at least for the next 4 to 5 years. In addition, PCL is setting up a new assembled camshaft plant at a new location in Solapur, and these new investments are made on the basis of a strong order book for new assembled camshaft businesses that has been secured along with an addition of past camshaft business.

Now turning to the operational and financial performance of our subsidiaries. Our subsidiaries have played a crucial role in sustaining our operational excellence amidst these turbulent times. MEMCO, our Nashik-based subsidiary, has exhibited resilience and agility in responding to the dynamic market conditions in this region. MEMCO has seen an increase in total income as compared to the previous quarter. It posted a total income of INR12.2 crores in quarter 4 compared to INR12.4 crores in the previous quarter. However, MEMCO has seen a decrease in the total income as compared to the previous year.

Total income in FY '24 stood at INR50 crores as compared to INR53 crores in the previous quarter -- previous year, my apologies. Management of the company is focused on addition of new business from existing as well as new customers. And I'm happy to share that MEMCO has already secured additional business from its key customers in the fuel injection business as well as critical instrumentation business.

The company would invest in new capex for additional business in the coming year. Our Group company MFT based in Germany has demonstrated remarkable fortitude despite the instability prevailing in Europe. The company's commitment to quality and innovation has enabled us to maintain our market position and even seize new opportunities in the midst of all of this uncertainty.

The team at MFT is now focused on bringing new non-engine components to the company's portfolio. MFT posted a total income of INR42.7 crores in Q4 compared to INR33.3 crores in the previous quarter. MFT has also seen a decrease in the total income as compared to the previous year, whereas this year's income stood at INR160 crores compared to INR170 crores the last year.

While the overall situation in Europe is grim, MFT has a top line and is continuing to work with new customers to diversify its product portfolio. We're happy to share that we see good visibility of the business for the coming years with existing customers as well as new non-automotive customers. However, it will be difficult to comment on how long the recessionary environment will last in Europe.

EMOSS, based in the Netherlands, has faced its fair share of challenges amidst the instability. However, the team's unwavering dedication to sustainability and cutting-edge technology has positioned us as a forerunner in the electric mobility segment, which is poised for growth in the coming years. EMOSS posted INR31 crores in Q4 compared to INR51 crores the previous quarter, and the total income for the year has been clocked at INR147 crores compared to INR230 crores in the last financial year.



EMOSS is facing significant headwinds in Europe. This is due to the overall recessionary trends, a slowdown in public spending, pushback on EV subsidies and a general lackluster growth forecast. We are in close touch with all our customers to predict the visibility of business for the next 1 to 2 years. The growth at EMOSS would be muted over the coming quarters and should be taken into account considering the general economy in Europe.

Speaking of electric vehicles, I'm excited to share our endeavors in the EV segment in India. As the automotive industry undergoes a shift, Precision Camshafts is strategically positioned to capitalize on this trend. We recognize the immense potential of the EV market and we are committed to playing a significant role in the evolution of this market.

We have already successfully deployed over 25 vehicles with 15-plus key customers in logistics, e-commerce, waste management, etcetera. The results of these trials have been very encouraging and successful for our customer applications. And I'm proud to share that we not only offer 1 but 3 different variants for the Tata Ace electrification, which provide a single charge range from 70 kilometers all the way up to 250 kilometers on a single charge.

This is game-changing for several customer applications. And while we provide this great flexibility to our customers in terms of fit-for-use electrification, our biggest range variant still costs less than buying an OEM EV at this point of time, hence, retrofitment is still a very economically viable option for the customer.

With the 250-kilometer range on a single charge, the return on investment on our electrification kit can be less than 2 years. And while our trials continue, we are happy to share that EMOSS India is in the process of signing commercial agreements with several key customers, including one of India's largest service provider company for the use in waste collection application, one of India's largest biomedical waste management company and an EV-only pan-India logistics provider.

As we start to deploy vehicles commercially over the coming months, we will share more details on the customers and their applications. With a dedicated focus on innovation, quality and customer satisfaction, we are confident in our ability to emerge as a leader in the EV segment contributing to the nation's vision of a cleaner, greener future.

Coming to a quick financial summary of the business, starting with the stand-alone business. Total income for Q4 decreased by 0.2% year-on-year to INR176 crores. EBITDA margin was 17% and PAT margin was 11%. Total revenue contribution from exports was about 47% and the balance was domestic sales. And total camshaft sales increased by about 3% quarter-to-quarter.

Coming to the consolidated business, total consol income decreased by about 8% to INR261 crores. EBITDA margin was about 10% and PAT margin was about 1.2%. Looking ahead, we remain optimistic about the prospects of PCL and its subsidiaries. Our unwavering focus on innovation, sustainability and customer-centric centricity will continue to drive our success and position as a leader in the global automotive segment.

With this, I would now like to open the floor for question-and-answers. Thank you very much.



Moderator: Thank you. We'll take our first question from the line of Tushar Khurana from Peace Wealth. Please go ahead.

Tushar Khurana: Sir, I have just 1 question. A few weeks ago, there was an article in Economic Times, which mentioned a government official talking about the electrification of LCVs that we have the technology now in place. So I would only recon it's EMOSS technology that they may be talking about. And then they also talked about the financial incentives that will be given to the people who would be converting their vehicles into electric LCV. So I just wanted to understand from you, are there any discussions with the government also on the financial incentives that may come in place for this electrification?

Karan Shah: Thank you for the question. Yes, I think there is discussion within the government and they're involved in certain forums regarding the financial incentives for retrofitment. However, it's not yet clear and the new policy, which is yet to be implemented by the government has to be declared. And as of now, we are basing our business model and the economics and the total cost of ownership for the customer based on nonsubsidized electrification. And if there is a subsidy, it will be greatly beneficial for the company in the future.

Moderator: We'll take our next question from the line of Vipul Shah from Sumangal Investments.

Vipul Shah: Sir, my question is regarding performance of the subsidiary. So a substantial portion of our stand-alone profit is being offset by poor performance of subsidiaries. And in stand-alone business, also, we are not seeing any substantial growth. So how long this situation will continue? And is this strategy right to persist with subsidiaries, which are not contributing in any manner to the growth and profitability or rather they are contributing negatively to the profitability? So -- means, how we are going to solve this problem of growth at the bottom line?

Karan Shah: Thank you for the question. I think we are well aware of the situation that we face, not just we, but the entire world faces in Europe. There is a declared recession, significant slowdown of business, which has impacted both of our European subsidiaries.

It would not be fair to have such a short-term view of saying why these subsidiaries are not contributing to the bottom line. In the past, they have contributed to the top and bottom line. They have also grown. You have seen the significant growth at EMOSS in the last 5 years. However, we need to tide from these difficult times, we need to be encouraging them for the upliftment of performance and to which we are closely connected with our subsidiaries in Europe and working to support them in any way possible.

However, I must make it clear that none of the subsidiaries are taking any financial benefits from PCL from the stand-alone company. The companies operate on their own as stand-alone companies and are completely P&L at that level, which they take care of. So there is no cash that is being shelled out from the parent company to the subsidiaries.

However, at this point of time, due to the overall economic conditions, we have to be patient in trying to get over this difficult time and hopefully, we see better visibility in the future, whether it is on the mobility side or on the MFT business, which is also we are seeing good visibility,



but very hard to predict at this point of time when we would be out of this recessionary environment.

Vipul Shah: And sir, how this retrofitting business is scaling up, if you can provide some color on that, it will be very useful? Means, if you can share some numbers that what type of revenue we can expect from that business? Means, we should have some growth driver, no? Here everything is stagnating, that is my worry, sir.

Karan Shah: Right, sir. The electrification business in India has just started about 3 or 4 months ago. Over the last 2 years, we have spent a lot of resources and a lot of work has happened on the development of these powertrains and battery banks and so on, and we have started to commercially deploy only beginning of this calendar year.

We are seeing very good traction from some very large customers across India from the north, south and western part of India. We see that there's a good potential is there. In terms of numbers, I think I cannot give you a revenue outlook at all, but we can certainly tell you what kind of fleets are owned by the customers that we are talking to.

And if you look at the 15 or 20 customers, the large ones that we are dealing with, just between them, they own or operate more than 10,000 vehicles just in the LCV category. So a conversion of those into electric at the kind of options that we provide, like I said, multiple range options that we provide. I think even a percentage of that large fleet would be a significant business for EMOSS in India or PCL in India.

Vipul Shah: So lastly, so what should be the installed capacity of our retrofitting facilities? So hypothetically if all...

Karan Shah: Sorry?

Vipul Shah: What should be the installed capacity of retrofitting facility in India in terms of numbers? So suppose if 50,000 vehicles come for retrofitting, naturally, we cannot -- our capacity...

Karan Shah: Yes, the facility is not a bottleneck. In most cases, if it is a pure retrofitment case, it would need to be done in close proximity to the customer. For example, if it is in Chennai or if it is in Delhi, the retrofitment workshops need to be very close to the customers because movement of vehicles back and forth to our parent location in Maharashtra would be, I mean, unfeasible, completely not feasible.

So scaling up in terms of setting up satellite conversion workshops is definitely something which we are looking at. And that is not the bottleneck. The bottleneck can more be the supply chain and availability of components, battery packs, BMS, things like that. But in terms of scaling up the manufacturing itself, we don't see that as a big bottleneck right now.

Vipul Shah: So all supply chain-related issues have been sorted out or they are in the process of being sorted out?

Karan Shah: We have the supply chain in place right now.



- Moderator:** We'll take our next question from the line of Ketan Chhedda, an individual investor. Please go ahead.
- Ketan Chhedda:** My first question is with respect to the stand-alone business. In this quarter, quarter 4 of FY'24, the stand-alone operating margins have also dropped significantly as compared to the other three quarters in this year. So could you explain what are the reasons for that?
- Karan Shah:** We will get back to you on the exact details as this is a finance-related question. If you can just please drop us a short note, we will get back to you. But I mean there have been no significant changes in our raw material or power cost or any such things. So there is no reason for a significant drop in operating margins.
- We are still talking about 17-plus percent EBITDA margins, which has been perhaps in the 19% to 20% range in the past. I think the one thing that I can point to is that the domestic business has exceeded the export business in the last quarter, which is 53% domestic and 47% export and realizations are typically lower in the domestic business, and this can be one of the contributing reasons.
- Ketan Chhedda:** Okay. I'll drop an e-mail, so we can explore that question. The other question I have is with respect to the retrofitment plans that you mentioned, like you're obviously seeing a good amount of traction and a good response in the market. So this financial year, do we plan to open any additional centers? Because as you rightly mentioned, that we need to be close with the customer and you already are in touch with a lot of customers who have a huge fleet size, which are a potential for conversion. So do we plan to open more centers in this financial year?
- Karan Shah:** Yes, there could be a requirement to open a few centers in this financial year.
- Ketan Chhedda:** But nothing is finalized at this stage?
- Karan Shah:** No, not at this point. I think it has to be -- I mean, look, when it's still smaller volumes, we are able to get this work outsourced with partners in various cities, but there has to be a critical volume or a critical mass for us to set up our own facility or own satellite worktops.
- Ketan Chhedda:** Okay. And would you be able to mention the figure for this retrofitment revenues that we got in FY'24? I know it will be a very, very small number because you've done just 25 vehicles...
- Karan Shah:** There is no revenue in FY'24 from retrofitment in India.
- Ketan Chhedda:** But you said you've done 25 vehicles this...
- Karan Shah:** These are all pilot trial vehicles with customers and those were also deployed in December and January. So it's -- I mean, only the last three months of the previous financial year.
- Moderator:** Next question is from the line of Vishal Agarwal from Leo Capital. Please go ahead.
- Vishal Agarwal:** You mentioned that in the earlier calls that you start with retrofitment, but you'd over time want to become an OEM for EVs in India. Any update on the timeline there? Do you think it's -- you



look at it from a 12-month perspective or is that a few three, four years away? How do you think about that?

Karan Shah:

Yes. As I had mentioned in the previous con-call, I believe, is that it's still a two to three-year process for us because our whole objective with retrofitment is to make sure that the powertrain that we have developed, the powertrains that we are deploying on these retrofitted vehicles, our true workhorses, they are not -- they are reliable, they are economical and so on, and we want to capture a lot of data from however many thousand vehicles that we put out in the market in the coming years. And this needs to be -- this will be the basis of our development for OEM track where we will essentially be using same or similar powertrains to drive our OEM vehicles. So it is still another two to three years away I would say.

Vishal Agarwal:

Understand. And on the retrofitment from what we hear, Tata Ace also does not sell that many electric variants as of now. I mean, their one variant does not sell that much. People just seem to prefer the diesel or the CNG version. From what you mentioned, the ROI at two years seems pretty compelling. So my question is, one, why has the OEM not been able to sell so much of EVs and cost benefit is pretty compelling? And given that backdrop, what gives us the confidence that we will have success with the retrofitting solution?

Karan Shah:

I mean I cannot comment on why OEMs cannot or don't sell enough EVs, not for me to say. But I think for us, it's clear that we have multiple variants. And what we offer to our customer is quite special, right?

So if there is a customer who is driving a Tata Ace for only 50 kilometers a day, for example, in a waste collection application, we provide them with a very small battery pack, which can take them to 50 to 70 kilometers on a charge, which is very economical for them, whereas we also have a customer who says, I want to drive 200-plus kilometers a day where we provide a higher battery pack with the 250-kilometer range. And we have the flexibility to do that, which not only affects range but directly affects price. And as you would know with any EV, the more you drive it, the more you extract kilometers out of it.

The higher your operating cost savings are, the faster your recovery time is. So especially on the higher range variant that we have with the customer driving 200 kilometers a day and saving INR7 to INR8 per kilometer we're talking about a significant amount of money that is being saved on a daily monthly basis.

Vishal Agarwal:

Understand. And given that context from the conversations you have had are you pretty confident of the uptake in the next few quarters or years?

Karan Shah:

Yes, we will be starting our commercial sales this quarter itself with some of the very large customers that we have on board. I mean I see a good traction. It would be hard to say how fast the numbers pick up, but we will be starting to sell to a lot of the customers and across India within this next few months or even starting this quarter.

Vishal Agarwal:

Understand. And from the initial conversations that you have had, is it more like the number is likely to be in the 100s for the first year and then it becomes a 3 year phase where this retrofitting



is basically like you said a data gathering and product fine tuning exercise or you think that it will be in the thousands and it can actually become a viable business as well?

Karan Shah: It can be a viable business, but it's just -- I mean, look from day one we focus on operational profitability. We are not selling any powertrains below cost of course and there is -- obviously the idea is to make it a profitable standalone business by itself. How fast it can grow and how big it can become. I think in the next few quarters we will know as more and more vehicles get commercially deployed, customers get more confidence about them and so on.

Vishal Agarwal: Understand. And one last question is around EMOSS. You highlighted in the beginning that it's been a tough year in general in Europe and obviously for EMOSS as well and it's likely to be a tough few quarters going ahead, but how do you think about that business both from a near term next year perspective as well as a longer-term 3 year, 4 year perspective? What are your aspirations in that business?

Karan Shah: Yes. So two things. One is the next couple of quarters or the next year or two is going to be muted growth. I think it's clear from all the macro trends that we see in Europe that it is not going to be the 30%, 40%, 50% kind of year-on-year growth that we have seen at EMOSS in the last 3 years to 4 years.

There is stability however. We see that some of our customers that there was -- because of the various reasons that I mentioned our customers are still very much connected to EMOSS, want to grow, but it's a situation that doesn't allow that to happen, but I think what we are doing parallelly is developing a complete ground up platform at EMOSS which I think once we have more visibility on it and more details on the technological aspects of it I will be able to share it.

But we're developing a platform which will be extremely modular, extremely flexible. We will be working with some of the largest suppliers in the world that will allow us to be extremely competitive on cost and provide some very unique solutions in the European kind of off-highway vehicle application which should start kicking in the next 2 years or so I would say. The development is already very much on track for that new platform.

Vishal Agarwal: Can you -- you said it's a new platform. So it's going to be a platform which you then what it is called auto components supplier to OEMs or...

Karan Shah: Powertrain platform, not a vehicle platform.

Vishal Agarwal: So you won't be the end vehicle manufacturer, but you will be the powertrain manufacturer, a powertrain which you can sell to other OEMs?

Karan Shah: Yes as we do today also.

Vishal Agarwal: Okay. And you mentioned for off-highway application. Can you talk a bit more as to what exactly is the market you are targeting?

Karan Shah: So these are mostly like niche application. Even today what we do is the likes of waste collection trucks and road sweepers and cranes and multi axle vehicles and so on. So this has wide variety.



It's not a typical container truck that we are electrifying because there are large OEMs that do it. So we operate in that bottom 10%, top 10% kind of vehicle where the requirements for electrification are actually much more required than in the highway applications, the long-haul highway application. What I mean by off-highway is niche applications of vehicles.

Vishal Agarwal:

No I think it's pretty clear. Thank you so much for the opportunity.

Karan Shah:

Thank you.

Moderator:

Thank you. We have a question from the line of Shubham an Individual Investor. Please go ahead.

Shubham:

I have a few questions on the India eLCV business. One is what is the typical number of days you are setting up, for example, in Solapur you must have set up factory for conversion. So how many base are there? And typically in the press release which we had done earlier it says that within 1 day or 24 hours we will be able to completely retrofit a vehicle and roll it out.

And how many such facilities are you planning across and I presume that you would be planning one in Delhi, one in Chennai, one in the Eastern part of the country Calcutta and probably one in Bombay also. So what is the plan over the next 3 quarters because this quarter you're going to do a commercial launch. And you have customers across India so you will not be hauling those vehicles or you will not be wanting to do the entire work through outsourcing if I'm not wrong?

Karan Shah:

Yes and no. One is the setup in Solapur is -- I mean it can -- it has few base today it can have multiple base. I think it's not a large capex kind of set up retrofitment bay, but yes like you said, within a day is what we look at conversion times for any vehicle that comes into our plant or any of our facilities. We will decide on the location of the satellite looking really based on where the most customer demand is coming from.

At this point of time because yes we do have the customer orders, but the volumes are not high enough to warrant a plant being set up immediately. So as and how that requirement increases our idea, of course, is to be as close to the customer as possible ship only the powertrain components and battery packs and so on and do conversions close to the customers, but at this point of time, I can't tell you where and how soon that will be.

Shubham:

And what will be the typical margins for this particular line of business, gross margins of the company?

Karan Shah:

It's too early to say sir because see I mean it's all volume dependent. At 10s and 100s of volumes it's very different. At 1,000 volume, it's very different and at the 5,000 volume it's very different. At a big picture kind of long term goal if you ask me and we're talking about around a 20%, 25% gross margin and about a 15% operating margin 10% to 15% operating margin is what we hope for.

Shubham:

Okay. So essentially, if I may -- my back-of-the-envelope calculation says that 1 bay, 1 vehicle and if you have 20 bays, 20 vehicles a day, which translates into 5,000-6,000 vehicles a day



capacity you have for conversion in a particular location. But this something which you're contemplating at such a large scale or immediately or you just want to take it slow in only a few hundred vehicles per quarter as of now?

Karan Shah:

It's really hard for me to answer that because it depends on customer demand. If there is -- we are deploying some vehicles. Commercially, we are deploying some vehicles with 2 very large customers in different parts of India. And if this is a success, very quickly, I think there is a huge possibility to be in the close -- in the low thousands also in terms of numbers or it could be in the few hundreds also. But it's really difficult to predict right now.

It has -- we have to be -- I think to all the participants of this call. I would like to reemphasize that this -- we have to be patient in this process. It's not a component that we are selling. It is a complete service. It comes along with a lot of different components to it, including financing, insurance, serviceability, parts, etcetera. And we have to be very careful in how we do this and not try to overstretch what is possible. So we are working at growing steadily in the coming quarters. And we will, for sure, let you know as soon as we know better.

Shubham:

Okay. Cool. One more thing that we have signed contracts of 15 customers you're saying, are -- do you have more customers in pipeline? Essentially with the B2B customers? And also, are you also looking at selling to individual customers, individual operators, as of now?

Karan Shah:

Yes.

Shubham:

Okay. Last question is, how is your non-auto components business coming up? In PCL, you had mentioned that you have got an order for 1 particular component, right, which is nonautomotive and the other subsidiaries as well?

Karan Shah:

Yes. All 3 subsidiaries where we make components, we have nonautomotive business. At PCL, we manufacture brake components, so it's still automotive, but it's not engine-dependent, let's put it like that. We have ramped up the volume. Customer is already -- I mean, we're already shipping commercially to this customer for the last 2-3 months and we should see higher volumes in the coming year.

Similarly, at MEMCO, we have an instrumentation customer, which we are growing with compared to last year. And we have new business opportunities also in similar cases and not just with this customer but with others. And at MFT also, we have a new customer, which is in the HVAC space and has awarded us business for certain high-volume components that we will be starting production this year, this calendar year. So I think everywhere we are starting to what we had promised about a year ago, 1.5 years ago that we want to diversify all 3 components -- at all 3 companies, we have been able to do that.

Shubham:

Okay. So is there any line of sight in terms of what percentage of revenues are coming in from these non-engine components business?

Karan Shah:

Too soon to say, but we will share that once it reaches peak volumes. I think towards the end of this year, it will be a much better place to say that.



Shubham: Okay. Fantastic. And are you looking at other industries as well, capital goods, defense, aerospace, etcetera, because you're making precision conference, right?

Karan Shah: We try to stick to our knittings and understanding where the customers are, the volumes are large. They have to -- I mean, it's nice to look at other industries, but they have to also fit our kind of set up, our kind of manufacturing processes and so on. So we try to stick to where we are best at and also look at high-volume opportunities -- but of course, I mean I'm not going to say no, that we don't look at other industries. But right now, we are kind of focused on the ones that I spoke about.

Shubham: Okay. Last question is this retrofitting business will be capital-intensive business, if I'm not wrong, right, working capital intensive because you will have to buy all the components, you'll have to retrofit then you'll have to apply and then the money comes in later, you're putting in an element of financing, etcetera. So is there -- do you intend to raise some capital by separating this into a separate company or at PCL level, you want to raise some amount of capital? Is there...

Karan Shah: Yes, I think, at this point, it can be done at PCL level quite comfortably with raising -- I mean, working capital can be bought in terms of debt, right? It doesn't need to have equity capital at this point.

Moderator: Thank you. We'll take our next question from the line of Ketan Chhedda, an Individual Investor. Please go ahead.

Ketan Chhedda: My question is in 2018, I think in one of the con-calls, you had mentioned that the EMOSS would take about 60-75 days to convert a traditional vehicle with a new powertrain and all, and I think this came down by 2020 this has come significantly. And now I think in the last quarter's call, you mentioned that in India, we are able to convert 1 vehicle or the retrofitting, we can use 8-10 hours.

So can you explain like how this reduction has been made possible? Because there's a remarkable reduction in the turnaround time to complete the retrofitting. So I just want to understand like what went into, to achieve this kind of timelines to the retrofitting.

Karan Shah: Yes, I think the key focus has been on standardizing processes and practices on the plant floor, making them more streamlined in terms of the operational flow of parts, people, etcetera and more importantly, standardizing the supply chain as much as we can, making sure that -- we are using the similar or same type of components on a variety of system platforms rather than each unique 1 for different applications.

So that's also going towards what I said earlier that e-commerce as platform, which will be really state-of-the-art, which will have the best components, yet the most economical one, etcetera. And a lot of the work that has been done over the last years in terms of operational efficiency improvement as well as standardization of the bill of material has basically led to this. And I think what we have been able to do in India, I think a lot of learnings that we have from the component manufacturing business in PCL, we use those and horizontally deploy those directly into vehicles.



- Ketan Chhedda:** So similar efficiencies would it be possible now in the EMOSS in the Netherlands itself? Like there also have we been able to reduce the time lines whenever like...
- Karan Shah:** We have been able to reduce it. Yes, for sure, we have been able to reduce it, but not to the level of getting a vehicle done in a day. I don't think that's possible there simply because the vehicles are very, very different from what we do here. What we do in India is a small truck essentially. And what we will -- the Netherlands are more complicated machines, I would say. I would not even qualify them as trucks or vehicle, so it does take much more time. We have gotten better over the years. But I mean, enough to say that at this point of time, our capacity is not the constraint at all.
- Ketan Chhedda:** The other question I have is, you had an aspiration to grow your consul revenues to 20% to 25% by FY'25. So, would that looks feasible now at this juncture?
- Karan Shah:** And what was the question, sorry, grow by 25%, you said?
- Ketan Chhedda:** No. To have the non-Camshaft components business up to 25% contribution.
- Karan Shah:** Yes, I don't think it would be possible in this current financial year, but perhaps a year later would be possible. So, we are still on track to -- we have the customer orders and the business to do it. I think it would be a little bit slower than expected, but it's possible. I must say that while we say the non-engine and nonautomotive and so on, we cannot ignore the fact that we have actually won several new contracts on camshaft business for which we are investing significantly in new lines, in new plants and etc.
- So, I think the fundamental core of our business is the camshaft business where we are market leaders and we continue to invest in that as much as we continue to invest in e-mobility. So, we have faith in both industries, you may say.
- Ketan Chhedda:** Thank you so much for answering my questions. Wish you all the best.
- Moderator:** Thank you. We have our next question from the line of Vishal Agarwal from Leo Capital.
- Vishal Agarwal:** Can you just confirm the margin profile that you said could happen in the retrofitting business in India at reasonable scale? Did you say 25% gross margin and 10% to 15% operating margin. Is that correct?
- Karan Shah:** Something like that. That's around about what we -- what you can see at OEM levels also and what we see in the Netherlands business as well.
- Vishal Agarwal:** And what sort of scale would you need for this kind of a margin profile?
- Karan Shah:** I would say 4,000, 5,000 plus per year.
- Vishal Agarwal:** Let's assume INR10 lakh sale price, you're talking about INR400 crores, INR500 crores revenue a year is when you can expect 10% to 15% EBITDA?
- Karan Shah:** Yes.



Vishal Agarwal: And you also talked about a new platform in EMOSS in one of the earlier questions. How is that different the new powertrain platform from the existing business that we are doing in EMOSS, like how does it compare with what we are doing now versus what we plan to do?

Karan Shah: It's not different. It's just a more advanced version of it, let's put it like that, because we are developing this ground up based on today's technology availability, supplier availability and so on, whereas what we have been doing or what we continue to do has been developed 3 years or 4 years ago, and we continue to work with our customers on that.

But those are let's say, each powertrain was developed for a certain customer in a certain way. And so there is not as much standardization as we want. There is not as much -- I mean and when you say standardization, the more we standardize the product, we have better leverage on buying at better prices with better terms and so on.

So, that is -- the whole idea of creating a platform is to make it flexible, to make it modular, so that it can be used across industries, across vehicles, etc. So, that's what we are working on right now. And obviously, there will be pressure on pricing going forward as sell prices reduce and so on. So, we have to be ready for that in any case.

Vishal Agarwal: And this helps optimize purchase costs and reduce our costs as well.

Karan Shah: Correct.

Vishal Agarwal: And from a -- and who would be your main competitors in EMOSS? And how large would some of those guys be?

Karan Shah: I would not like to name competitors publicly, but I think what -- they're all in the similar size as what we operate in, whether they're in Europe or the US. And mainly in these 2 geographies in a similar size that we operate in at this point of time, I would say. But they are again, niche powertrain manufacturers or integrators like us. And then the obvious competitors are the OEMs that do electrification of trucks themselves.

Vishal Agarwal: And from a stand-alone business perspective, what sort of growth are you expecting in the stand-alone business? Because the stand-alone business for you is not just domestic. It's also exports, which is under pressure in a way. So, what sort of growth do you expect there for the coming year?

Karan Shah: I can't put a number on it. It would be -- I cannot give you a forward-looking number in terms of what we expect. But for sure, there is we are putting in significant investment. Look, we are setting up a new plant, we are adding new machining lines because we have the new contracts that will go into production, either late this year or middle of next year, or some even towards the end of next year.

A lot of these businesses are for the domestic market. The domestic market is expected to grow significantly over the next 3 years to 4 years, I would say, 8%, 9%, 10% year-on-year. And so we happen to have a very good connect with our customers where we are either a very large



majority source for that customer's engine or a single source in several locations, and we continue to grow with these customers.

There are several instances also where we have got new business as import substitution from China that is bought from China today. So, it's -- I think overall, the domestic market will help not just offset but even go over what we were expecting in terms of the mix between exports and domestic in the next 3 years to 4 years.

Vishal Agarwal: But I mean the growth has been quite muted -- if I look at the recent year or quarters. So, overall, if you zoom out, you expect this to grow double digits or do you think that's some time away?

Karan Shah: I don't think double digits would be possible immediately in the coming quarters. But I think there will be a point where we have 3 or 4 new contracts that will come into SOP, or basically start supplies all in a very short period of time in the next 12 months to 24 months, let's put it like that. And that will add significantly to top and bottom line.

Vishal Agarwal: When you say significantly -- I mean are these large contracts, would this be a very large percentage of the current business?

Karan Shah: It would be a significant percentage.

Vishal Agarwal: I think that's 12 months to 18 months away?

Karan Shah: Yes.

Vishal Agarwal: Okay. Thank you.

Moderator: Thank you. Ladies and gentlemen, we'll take that as a last question for today. I would now like to hand the conference over to Mr. Karan Shah for closing comments. Over to you, sir.

Karan Shah: Thank you so much, everyone, for attending this conference call. I hope we've been able to answer most of your questions. We look forward to your participation in the next quarter. Thank you again for joining this conference call with us.

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