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PCL/SEC/24-25/063

27th November 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 Monday, 25th November 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 **Monday, 25th November 2024** at 12.15 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

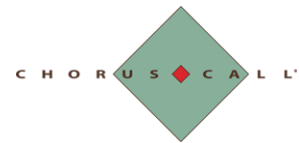
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“Precision Camshafts Limited
Q2 FY '25 Earnings Conference Call”
November 25, 2024



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



Moderator:

Ladies and gentlemen, good day, and welcome to the Precision Camshafts Limited Earnings Conference Call for Q2 and FY '25. As a reminder, all participant lines will be in 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:

Good afternoon, ladies and gentlemen. I'd like to thank you all for being a part of this Precision Camshafts Q2 FY '25 Earnings Conference Call. In case of any detailed questions related to finance, please e-mail your question at cs@pclindia.in, and we should provide you answer in a reasonable time.

We have submitted the Investors Presentation for Q2 FY '25 to Stock Exchanges on the 24th of November, and the same is also available on our website. Investors are requested to refer to the same.

I'm pleased to announce that Precision Camshafts Limited, on a stand-alone basis, has achieved a growth in top line as well as bottom line in this quarter despite the challenging economic condition. Q2 revenue increased by 6.33% quarter-on-quarter to INR181 crores and our net profit reached INR18.36 crores, up from INR18 crores in the previous quarter.

Our subsidiary, MEMCO has also shown improvement, MEMCO's total income for the current quarter was INR13.04 crores with a net profit of INR0.45 crores for this quarter. This positive shift underscores MEMCO's effective turnaround and its operational improvements. While the Indian market had remained insulated over the last 1 year, we are now starting to see headwinds there as well.

In Germany, our group company MFT has seen some stabilization amidst this turbulent times. MFT's total income for the quarter was INR27.3 crores. And despite the ongoing challenges, MFT remains focused on diversifying its product portfolio by introducing new customers and components.

However, I must say that we are taking great challenges and strong headwinds with our e-mobility subsidiary, EMOSS in the Netherlands. There is a revenue dip, which is largely due to the overall recessionary environment in Europe. Delayed decision making by the municipalities on capital investments, withdrawal of certain subsidies in Europe, the Russia-Ukraine conflict, amongst other things.

The geopolitical instability has caused a shortage of parts and increased volatility in vehicle costs as well. EMOSS saw a total revenue of INR17 crores in the last quarter compared to INR46 crores in the previous quarter. And the outlook is still muted for the next 2 to 3 quarters, post which we can expect some recovery.

Turning to our e-mobility efforts in India, we have started with the commercial phase of our retrofit solutions for several customers across India. Our close collaboration with large fleet



owners over the last 1 year has now started seeing some traction. The demand pickup in this business is slower than expected, but has started.

In summary, Precision Camshafts Limited continues to navigate opportunities and challenges with resilience. We are committed to delivering value and driving growth across our diverse portfolio. Coming to the financial performance of the company's. On a stand-alone basis, PCL, which houses the Camshafts business had a total income increased by 6.33% quarter-on-quarter to INR181 crores. EBITDA margin was 20.5%, and PAT margin was 10.1%.

Coming to the consolidated business, total income for Q2 decreased by 9.2% to INR238.8 crores. EBITDA increased by 30.98% to INR35.6 crores. PBT was INR19.6 crores, and PAT was INR8.4 crores, which is 3.5%.

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

Moderator: Thank you very much. We will now begin the question-and-answer session. The first question is from the line of Gautam Rajesh from Leo Capital. Please go ahead.

Gautam Rajesh: My question was on the Camshafts business. What portion of the business comes from Europe? And what sort of growth are we looking for the next, let's say, 2 to 3 years for the Camshaft business?

Karan Shah: Thank you for the question. So at this point of time, about 50% of the business is domestic market and 50% is export. Out of that 50%, I would say about 20-odd percent is Europe and the rest is North America, Korea, Brazil, Mexico, etcetera. So it's very well diversified in terms of the countries that we are supplying to.

It would be very hard to give a number in terms of what the growth perspectives are for the next 2 to 3 years. But as I have said in previous calls, we have a very robust order book for the Camshaft business even up to 2030. We are installing new capacity as we seek for which additional capex has been incurred in the current year.

We have received new contracts, new business from Indian OEMs as well as overseas OEMs or new canyons or new camshaft programs for new engines. So I think from an order book point of view, we are quite secure...

Gautam Rajesh: Okay. Can you give like a rough figure per share?

Karan Shah: Sorry?

Gautam Rajesh: You can't give a rough figure for like 2 to 3 years down the line? How we...

Karan Shah: No, we have -- I would like to not give forward-looking numbers.

Gautam Rajesh: Works. And my second question was, what's the progress on the EMOSS business in Europe? By when do we expect a revival here? And what sort of scale is possible here?



Karan Shah:

Look, I think it's not a situation which is unique to EMOSS. If you look at across the board in Europe, a lot of companies have been facing these significant headwinds. I would not -- I would be -- I would -- without naming any companies, there are several -- at least 5 to 7 companies in the field of work that EMOSS is in or in the general electrification space that have gone belly up in the last 6 to 12 months simply because they cannot sustain in these markets.

A lot of this is driven by the fact that there is a significant delay in decision-making from the government side in terms of buying off these various electric mobility assets. There's a lot of shift of subsidy, which is going away from e-mobility towards the war efforts that are happening on several fronts in Europe. And in general, a lot of instability and kind of a recessionary environment. So I think there is a slowdown.

We are not the only ones experiencing it. But despite these times, we are sustaining the business. We are scaling it down, of course, in terms of the people and so on to sustain these times. And I think it would be at least 2 to 3 quarters before we can expect a sizable recovery.

Gautam Rajesh:

And post -- let's say, in 2, 3 quarters -- 2 to 3 quarters, you see recovery, is there any scale you can hint towards?

Karan Shah:

No, I don't think there's any scale I can hint towards. We are working on -- with a lot of customers. Again, we are a derived demand. We work with OEMs across Europe, what as we - - and we are basically working exclusively with these OEMs. So as they grow, we will grow with them.

You have seen this in the past, prior to the slowdown, a significant growth in revenues and essentially getting to profitability. But I think at this point of time, it would be very difficult to put a number.

Moderator:

The next question is from the line of Shagun Jain, who is an individual investor. Please go ahead.

Shagun Jain:

I wanted to know two things about those investments which you have done, right? There was a CapEx of INR25 crores to set up a new plant. The plant was for the camshafts business and for EV mobility business also in India, right? So where are we on that? And when is the plant getting commissioned so that we can start knowing -- seeing the revenues coming in, both for the camshafts side and also for the EV mobility business in India?

Karan Shah:

Yes. So the investment is still underway. The plants are being built. The plant should be ready in the next 2 months, let's say. But then it will include additional 10 to 12 months of setting up the machines and so on. That is not what is being done right now. It's only the plants that are being built.

So towards the end of next year, we should see start of supplies from this plant, which is for contracted business with customers in India and overseas for camshaft. In terms of the e-mobility business, we are -- the plant that we are setting up right now is not only catering to the demand of the book of business that we are building up for the Tata Ace and those plus retrofit. But we are also working on some more new exciting projects on heavier vehicles.



There's not much that I can say at this point of time beyond that, but this plant will be utilized for the retro fitment of the small LTVs as well as certain very specific and special applications of heavier trucks for the Indian market, but I will speak a lot more about that at the appropriate time.

Shagun Jain: Okay. Okay. And what would be the capacity of the Camshaft business, which you're putting up on this new plant, which is coming up?

Karan Shah: I mean, it's hard to define capacity right now because it is all dependent on customer orders and so on. What we have contracted for right now are 2 to 3 businesses, which would make up about 70,000, 80,000 machine camshafts per month, and this will continue to increase, but the total size of the plant is much bigger than the 70,000, 80,000 that I'm talking about. So the capacity that can be installed is significantly higher.

Shagun Jain: Okay. And this will be primarily the machine camshafts or the casting ones, which the new plant which you are putting up for?

Karan Shah: This will be assembled camshafts, which are then machine also. So these are not cast camshafts.

Shagun Jain: So these are the higher-margin ones, right, which you've been doing?

Karan Shah: Yes.

Shagun Jain: Fantastic. Now second question is what is the progress on the non-engine business, which we are doing where you've got some orders for braking systems, et cetera. So I wanted an update on that as well?

Karan Shah: I think similar to what I said the last time, we have already installed one machining line, already parts have been shipped. I mean, production has started -- but the big issue there has been, of course, the fact that these parts are getting supplied towards European OEMs. This is all export business. And because of the slowdown there, we have a drop in volumes as compared to what was planned in the original ramp-up.

But of course, the projects are awarded. They have been started production including some new business that we have won at MEMCO, which is for nonautomotive components as well. So all of that will start ramping up and going to production in the calendar year '25. But the camshafts for braking system is already productionized.

Shagun Jain: And can we have some sort of estimation as to -- your top line now is around INR700-odd crores, right, on a stand-alone basis, probably 5%, 7% growth over the next year, 10%. So what percentage can this business constitute in overall growth of PCL on the stand-alone level? Some rough number, can you give us? Or will it not be possible?

Karan Shah: No, I don't think it will be possible, not right now, especially with the volume reduction right now, I think it would be not painting the right picture in terms of what that business can be as a total part. But I think once we are at stable volumes then I should be able to provide more insight on that.



Shagun Jain: Okay. Is there a plan to get into non-engine components in India as well, probably because a huge amount of cash is generating, probably looking at some inorganic acquisition growth in India?

Karan Shah: Yes, also looking at that. Yes.

Shagun Jain: Okay. Fantastic. And if you could give us a little bit update on the EMOSS India business, the rest of it, how is it going and whether we have won any orders...

Karan Shah: Yes, of course, we have won orders from 4 to 5 different customers across India. These are in different spaces. One is a logistics company, one is a biomedical waste company, one is a large services company that is doing waste collection. Another is a pure logistics company and e-commerce. And we have big names with large fleets, we have started commercial sales to all of them across India in 6 to 7 different states.

And I think the way this works is basically, it's the first of its kind in India. We are doing something, which has not been done before at scale especially. And so customers are obviously looking for evidence of how this works, whether the savings are real and so on. And so it will be a slow start. But we are quite optimistic about it because we have seen certain customers who have said, okay, let's start with 5 vehicles.

Once they are successful, we do 10, then we do 50, then we do 100 and so on, right? So we have an idea of what the total size of the fleet can be, but it's a slower ramp up. And we have to build a trust with the customers. We have to explain to the customer that this is the right solution for them. It will work in the long term, how the service works, how does warranty and things like that, right? So it's kind of creating a new space in itself, so it will take a little bit of time.

Shagun Jain: No problems. We are not in a hurry currently. We just want to know how is business proceeding. And is there a way you could tell us what will be the total vehicles all these 5, 6 customers have so that we, as analysts, can estimate some numbers in our mind, yes, total number of vehicles?

Karan Shah: There are about 5,000-odd vehicles just between these 5 customers.

Shagun Jain: Fantastic. Wonderful. And once the proof of concept is done ready, if they are happy, they will move ahead with retrofitting all these 5,000 vehicles over the next probably, say, 3, 4 quarters, 5, 6 quarters time, right?

Karan Shah: Yes, yes, yes.

Shagun Jain: Okay, fantastic. And there was a policy of Telangana, which had come out, which was -- which has given some subsidy on retrofit. Can you give some dope on whatever different state having some retrofitment subsidy or some benefits which have been given to customers?

Karan Shah: No. At this point of time, there are no states which offer any retrofitment subsidies. In fact, the subsidies that were there for new vehicle purchase also on the EV side are gone, right? So there are -- at this point of time, I think there are no subsidies available. There is a framework that has been Frame 3, but[we really don't know until it is published.



Shagun Jain: Okay, okay, okay. Fantastic. And lastly, when will you start giving out the numbers in terms of how many retrofits you have done? I know it's a slow and steady 10, 20, 100 or whatever it is. So we get to know how the progress of that is.

Karan Shah: I think once we have some stability, once we have a flow, a good flow, I think that's when we will start doing that.

Shagun Jain: We can expect that next quarter?

Karan Shah: I would not say so. I think we should be a little bit more patient in this process because it's not like the traditional camshaft business or component business where we are completely doing a demand-based supply where OEMs are building vehicles and we are supplying components, and therefore, the volumes are very predictable.

This is -- this can be up and down just based on how a customer reacts, what kind of capital they have available, what kind of fleet allocation they want to do and so on. So it would not be fair to give such numbers and then make predictions or forecasts based on it.

Shagun Jain: Okay. Understood. Understood. Lastly, there was one point in an annual report also that you were readying yourself to be an OEM in this space. So if you could give us a brief dope on where that project is headed to and how is the progress on that project, please?

Karan Shah: We are working on it. But like I've said before, it is still a couple of years away. We don't want to jump into something which is extremely capital-intensive, requires tremendous networks being created across the country and so on. We want to make sure that this retrofit business takes off properly, that we have enough vehicles on the road that can prove that the technology works, that the -- everything is in place, only then we will take that jump. But internally, the progress is going on.

Moderator: The next question is from the line of Vipul Shah from Sumangal Investments.

Vipul Shah: So Mr. Karan, when this retrofitting business scales up, what type of CapEx intensity that business will have?

Karan Shah: Sir, it's not a very capital-intensive business because there is no demand and if there's no machinery and tools and so on required. It's mainly a process of this disassembly and assembly. And in fact, as we scale up, we would intend to have small micro factories across the country rather than having one standardized setup in one place. That is purely to save on logistics costs earnings. You can imagine that if there is a large fleet in Bangalore, for example, or Delhi, it would not make sense to drive all those vehicles to Solapur or Pune, convert and then send them back. It is best to do retrofitment locally. So we would do that.

Even in that case, there are certain partnership models that we are working out on with local -- I mean, competitive service providers and the only requirement for scale here would be working capital basically to fund the business.



Vipul Shah: And Mr. Karan, what is our total nameplate capacity for casting camshafts and machine camshafts? And what is our capacity utilization? If you can give some color, it will be really useful.

Karan Shah: The casting capacity is about 12 million camshafts per year or 1 million per month. And the machining capacity is about 4 million camshafts per year. We are at about 80% utilization right now because of the reduction in volumes around the world, not just India, but around the world, we are down to about 75% to 80% on the foundry side and similarly, 70% to 75% on the machining side. But hopefully, as things improve over the coming quarters, we will have a better utilization of these assets.

Vipul Shah: So in past, what was our highest utilization?

Karan Shah: We have been at 90% on both.

Moderator: The next follow-up question is from the line of Shagun Jain, who is an individual investor. Please go ahead.

Shagun Jain: Karan, besides the business side of things, I wanted to check with you more on the balance sheet side. Now we have generated around INR75 crores of cash in the first half of the year. We have more than INR250 crores of cash line on balance sheet. So I mean, is there a plan in action to use that or probably return some of it to shareholders via a large dividend or a buyback or something like that?

Karan Shah: So I think the primary plan is, of course, funding investments, whether it is camshafts business...

Moderator: Ladies and gentlemen, we have lost the connection for the management. Please stay connected while we reconnect them. Ladies and gentlemen, thank you for patiently holding, the management is back on line.

Karan Shah: Thank you. As I was saying the capital allocation is mainly towards new investments in the camshafts business as well as funding the EV business as it grows. I think besides that, what we are intending to do is expand on our solar capacity, which is today is 15 megawatts, we intend to double it in the next year or two. This is because we have a significant part of our expense on the camshafts side, especially on the foundry side, is power, and we would use some of this capital for expanding on that capacity.

We are, like I said, also looking actively for inorganic opportunities and -- but that will -- that needs to be at the right time, the right company and so on. So there would be some amount earmarked for that. But I take back your suggestion on buybacks and so on, and we will discuss this internally with the Board.

Shagun Jain: And this MSK business of yours in Germany has -- this seems to be in a long-term, I mean, problem. It is not completely revived or it's not in our -- if I can say, we don't seem to have control over getting it into profitability for whatsoever reasons based out of Germany, right? So is there any thought of looking at divesting that particular entity because it's not making any



money and we are throwing in a lot of cash, right, to that entity over the last few years, we have done it. So -- and yes, your thoughts on the same, if you have any.

Karan Shah: I would refrain to comment on whether we divest it. I think we are putting in a lot of effort from the India side as well as from the German team to recover the situation. I think there are some factors that are completely out of our control, which difficult to manage that, but some that are in our control, we are trying to.

I must add that, yes, it has been not profitable over the last couple of years, but it is not draining on PCL, right? We are not funding MFT's losses through PCL. It is still managing in liquidity and cash flow as a stand-alone company by itself, and there is no transfer of funds from India to MFT to sustain that company. So our best efforts are there in order to revive and turn around the situation there, but it's a little bit difficult.

Shagun Jain: Okay. So then we might consider a sale of the company as well, right, probably?

Karan Shah: It all depends on the situation.

Moderator: The next follow-up question is from the line of Vipul Shah: from Sumangal Investments. Please go ahead.

Vipul Shah: Mr. Karan, you said you want to increase the solar capacity from the 15 megawatts to 30 megawatts, right?

Karan Shah: Yes, something along those lines. Not the exact.

Vipul Shah: What will be the capex per share?

Karan Shah: It will be similar to what we have done right now. So the total investment was about INR60 crores for 15 megawatts, including land and panel and permissions and so on. So it would be similar to that.

Vipul Shah: INR60 crores, right? 6-0?

Karan Shah: Roughly, yes.

Moderator: As there are no further questions, I would now like to hand the conference over to Mr. Karan Shah, Whole Time Director, Business Development, for closing comments.

Karan Shah: Thank you so much, ladies and gentlemen, for joining this conference call. I hope we've been able to answer most of your queries. We look forward to your participation in the next quarter, and thank you again for joining this con call.

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