

# 23<sup>rd</sup> Annual Report 2014 -2015



PRECISION CAMSHAFTS LIMITED  
SOLAPUR (INDIA)





**Precision Camshafts Limited  
Solapur (India)**

**23<sup>rd</sup>**  
**Annual Report**  
**2014 -2015**

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## BOARD OF DIRECTORS

**Mr. Yatin S. Shah, Chairman & Managing Director**

Dr. Suhasini Y Shah, Executive Director

Mr. Ravindra R Joshi, Director & CFO

Mr. Jayant V. Aradhye, Director

Mr. Sarvesh N Joshi, Independent Director

Mr. Pramod H Mehendale, Independent Director

Mr. Vedant V Pujari, Independent Director

Mr. Vaibhav S Mahajani, Independent Director

## COMPANY SECRETARY & COMPLIANCE OFFICER

Mr. Swapneel Kuber

## AUDITORS

M/s. S R B C & Co. LLP

Chartered Accountants, Pune

## COMPANY SECRETARIAL CONSULTANT

C S Kelkar & Associates, Pune

## BANKERS

**Bank of India,**

*Mid Corporate Finance Branch, Pune*

**Bank of Baroda**

*Pune Camp Branch, Pune*

## REGISTERED OFFICE

E - 102/103, M. I. D. C.,

Akkalkot Road, Solapur 413006.

Tel: 3295433, 34, 35, Fax: (0217) 2653398

E-mail: [info@pclindia.in](mailto:info@pclindia.in)

Website: [www.pclindia.in](http://www.pclindia.in)

CIN: U24231PN1992PLC067126

## FACTORIES

- 1) E 90, M. I. D. C., Akkalkot Road, Solapur: 413 006
- 2) E 102/103, M. I. D. C., Akkalkot Road, Solapur: 413 006
- 3) D 5, MIDC Chincholi, Solapur 413255 (EOU Division)
- 4) D 6, D 7, D 7-1 MIDC, Chincholi, Solapur 413255 (EOU Division)

## **DIRECTOR'S REPORT**

To,  
The Members,  
PRECISION CAMSHAFTS LIMITED

Your Directors are pleased to present the **TWENTY THIRD ANNUAL REPORT** and the audited Accounts for the year ended 31<sup>st</sup> March 2015.

### **1. FINANCIAL RESULTS:**

The Company's financial performance for the year under review along with previous year's figures are given hereunder:

### **1. FINANCIAL RESULTS:**

(Rs. in Lacs)

Financial Results	Stand alone		Consolidated	
	For the Year ended 31 <sup>st</sup> March, 2015	For the Year ended 31 <sup>st</sup> March, 2014	For the Year ended 31 <sup>st</sup> March, 2015	For the Year ended 31 <sup>st</sup> March, 2014
Revenue from operations & other Income	52,491.82	47,182.90	54,274.89	47,991.31
Profit (Loss) before Interest & Depreciation	14,698.36	9,066.68	15,116.40	9,074.77
Less: Interest	935.02	1,209.41	1,123.28	1,263.28
Less: Depreciation	3,913.44	2,726.08	4,122.33	2,777.74
Profit (Loss) After Depreciation & before Tax	9,849.90	5,131.18	9,870.78	5,033.75
Exceptional Item				
Tax Expenses				
- Taxation Current Year	3,760.03	1,808.36	3,920.30	1,808.36
- Tax relating to prior period	17.22	0.00	17.22	0.00
- Deferred Tax (written back)	(268.37)	334.79	(286.00)	334.79
Profit /(Loss) after tax	6,341.02	2,988.03	6,219.27	2,890.60
Prior Period Items	1,578.00	0.00	1,578.00	0.00
Profit/ (Loss) for the year	4,763.02	2,988.03	4,641.27	2,890.60
EPS ( Basic ) Rs.	5.82	4.69	5.67	4.54
EPS (Diluted) Rs.	5.82	4.69	5.67	4.54

The financial statements of the Company have been prepared in accordance with the Generally Accepted Accounting Principles in India (Indian GAAP) to comply with the Accounting Standards notified under Section 211 (3C) of the Companies Act, 1956 (which continue to be applicable in respect of Section 133 of the Companies Act, 2013 in terms of Rule 7 of The Companies (Accounts) Rules, 2014) and the relevant provisions of the Companies Act, 1956 / Companies Act, 2013, as applicable.

In accordance with the Companies Act, 2013 ("the Act") and Accounting Standard (AS) 21 on Consolidated Financial Statements read with AS 23 on Accounting for Investments in Associates and AS 27 on Financial Reporting of Interests in Joint Ventures, the audited consolidated financial statement is provided in the Annual Report.

## **2. OPERATIONS AND FINANCIAL OVERVIEW**

During the year under review, the turnover of the Company grew by 11.25% over the last financial year. Profitability before tax as percentage of turnover increased from 10.88% for the last financial year to 18.76 % for the current year.

This increased profitability was due to better utilization of capacity in the new foundry and machine shop, improved operational controls, strict control on raw material cost and because of the depreciating Rupee. There was an overall saving due to proper inventory management.

### **PCL EOU Division**

The productivity was increased in the foundry division due to improved operational controls.

Foundry No. 2 is being modified and will be used for manufacturing Ductile Iron induction hardened camshafts. The trial production of this variety of camshafts has been approved by Toyota and Ford. The serial production of camshafts using the said technology will start in 2016.

Total sales from EOU division increased by 12 % from Rs. 394.15 Crores in 2013-14 to Rs. 452.54 Crores in the year 2014-15. Export sales increased by 11% while domestic sales increased by 30%.

Total Camshafts sold in 2013-14 were 78,31,699 in numbers while that in 2014-15 were 95,17,976 in numbers.

About 12 new varieties of Camshafts were developed during the year 2014-2015 for Ford BEP, Ford VEP, VM Motori, and ITL. These would translate into sizeable addition to the annual sales from next financial year onwards.

### **Machine Shop at the EOU**

The production capacity at the machine shop remained same i.e. 137500 per month during the year under the review. The total number of camshafts sold during the year from EOU machine shop increased due to increased volume from GMK. The sale value increased due to more value added parts under export and as an effect of piece price compensation. Sales from Machine shop increased by about 20% from Rs. 94. Crores in 2013-14 to Rs. 113.09 Crores in the year 2014-15. This sale forms part of the sales from the EOU division.

### **PCL Unit I and Unit II at MIDC Akkalkot Road, Solapur**

There was a marginal decrease in the sales in the foundry division (PCL Unit II) as compared to the last financial year. Sales to Machine shop decreased due to shifting of production of certain parts to the EOU division. Total sale from PCL unit I and II amounted to Rs. 31.63 crores in the year under consideration.

### **Quality Certifications**

All units of PCL are certified with ISO / TS 16949:2002, ISO:14001:2004 and BS OHSAS

18001:2007.

ISO/ TS 16949:2002 is a quality system, which certifies consistent manufacturing practices and defect free products. ISO:14001 is related to EMS (Environmental Management System) and shows the steps taken towards protecting the Environment. BS OHSAS: 18001 is related to Occupational Health & Safety Management System. (Based on British Standard, OHSAS - Occupational Health, Safety Assessment Series) and clearly shows the intent of your company in this area.

The new Machine Shop at the EOU division received the QSB Compliant status from General Motors.

### **3. DIVIDEND:**

Your Directors have declared a Dividend of Rs. 0.05 per share on a capital expanded after bonus issue of shares in the ratio of 19 shares for every 1 held subsequent to subdivision of face value from Rs.100 per share to Rs. 10 per share in their meeting held on 23<sup>rd</sup> June, 2015. Your Directors do not recommend any final dividend considering the need to augment resources for expansion of the Company's business activities.

### **4. CHANGE IN SHARE CAPITAL:**

21,25,000 Unissued Optionally Convertible Cumulative Redeemable Preference Shares of face value of Rs. 100 each in the Authorized Share Capital of the Company were cancelled and Equity Share Capital of the Company of Rs. 7,75,00,000 divided in to 7,75,000 of Rs. 100 each was increased to Rs.29,00,00,000 divided in to 29,00,000 Equity Shares of Rs. 100 each. Simultaneously Equity Share having face value of Rs. 100 each was subdivided into 10 equity shares of Rs. 10 each. Further the Authorized Share Capital of the Company was increased from Rs. 29,00,00,000 to Rs.100,00,00,000 divided in to 10,00,00,000 Equity Shares of Rs. 10 each.

On 6<sup>th</sup> February 2015, the Company issued and allotted 7,77,49,520 Equity Shares of face value of Rs. 10 each as Bonus Shares in the ratio of 19 (Nineteen) Bonus Equity Shares for every 1 (One) Equity Share of Rs. 10 each held, to the members of the company.

### **5. PUBLIC ISSUE OF SHARES**

The Company has filed Draft Red Herring Prospectus with SEBI/Registrar of Companies, Pune for Initial Public Offer of its shares consisting of Fresh Issue of Rs. 2400 million and offer for sale by some of the existing shareholders up to 86,40,000 equity shares.

### **6. HR UPDATE:**

#### **A) Orbit**

We have started various people initiatives under the name 'Orbit'. Under 'UTKARSH' employees are recognized for outstanding contribution towards organizational development every quarter. Post appraisal, the TOP BLOCK PERFORMERS are felicitated at the hands of

Chairman and Managing Director.

**B) Learning & Development:**

Nurturing People is a key organizational goal. Over the years, we have been trying to develop this core area. Learning and development offerings are customized for each phase of the employee life cycle, and span all career levels, skill and domain groups. Teaching expertise has been cultivated in-house, in the form of dedicated trainers.

**C) i-manage**

In an endeavor to make its people's operations more process driven, PCL invested in "I-Manage" a people operations tool that covers the entire life cycle of an employee from joining to exit on a system. The process of appraisal for the staff continues to be carried out successfully on I Manage in the most unbiased and system driven way. Employee policies too are maintained and made available through I Manage.

**D) Recruitment**

We believe in recruiting right person for right job in the company, thus making possible for both, the employee and organization to contribute in overall development of self and the organization. Company has introduced PSYCHOMETRIC TEST in recruitment, thus enhancing the best possible cultural fitment and long-term association with the company.

**E) Awards / Recognition**

Environmental, Health and Safety related ISO 14001:2004 and OHSAS 18001:2007 certification is valid up to 25/02/2016.

Quality Management System related ISO/TS 16949: 2009 is valid up to 15/07/2016.

The Company has received 'Best Overall Exporter Award' under the medium size exporters category from Export Credit Guarantee Corporation of India Limited and Dun and Bradstreet at the ECGC D&B Indian Exporters' Excellence Awards

The Company has also received 'Best Manufacturer Exporter Award' under the medium exporters category from Export Credit Guarantee Corporation of India Limited and Dun and Bradstreet at the ECGC D&B Indian Exporters' Excellence Awards

**F) Special Achievements**

Your company developed 'Ductile Iron Induction Hardened Camshafts' for a very discerning customer Toyota and for Ford. Serial production of Ductile Iron Camshafts will start in the Year 2016.

**G) Internal Complaints Committee ( Anti- Sexual Harassment Policy):**

No complaints were reported to the committee during the year ended on 31<sup>st</sup> March, 2015 in

accordance with the Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013

## **7. CORPORATE SOCIAL RESPONSIBILITY (CSR)**

The Company's guiding principle for CSR is to build its relationship with stakeholders and the community at large, and contribute to their long term social good and welfare. Your company, as a matter of duty, has been carrying out the CSR activity since long even when there were no statutory requirements in this regard.

The Company has constituted Corporate Social Responsibility Committee comprising of Mr. Yatin Shah, Managing Director (Chairman); Dr. Mrs. Suhasini Shah, Director (Member); and Mr. Vedant Pujari, Independent Director (Member). The role of the CSR Committee is to formulate and recommend a CSR policy to the Board, to recommend amount of expenditure to be incurred on CSR activities, to monitor the CSR policy of the Company from time to time and to institute a transparent monitoring mechanism for implementation of CSR projects or programmes or activities undertaken by the Company.

Detailed information report on CSR policy developed and implemented by the Company on CSR initiatives taken during the year pursuant to Section 135 of the companies Act, 2013 is given as annexure -1

## **8. DETAILS OF SUBSIDIARY/JOINT VENTURES/ASSOCIATE COMPANIES**

The Company having following three subsidiary / joint ventures companies namely,

<b>Sr. No</b>	<b>Name of the Company</b>	<b>Amount and Percentage and Equity Shares held by the Company as on 31<sup>st</sup> March 2015</b>	<b>Amount and Percentage and Equity Shares held by the Company as on 31<sup>st</sup> March 2014</b>	<b>Type of Investment</b>
1.	PCL (Shanghai) Company Limited	100.00%	100.00%	Share Capital
2.	Ningbo Shenglong PCL Camshafts Company Limited	22.50%	10.00%	Share Capital
3.	PCL Shenglong (Huzhou) Specialized Casting Co Ltd.	40.00%	40.00%	Share Capital

### **1. PERFORMANCE AND FINANCIAL POSITION OF EACH OF THE SUBSIDIARIES, ASSOCIATES AND JOINT VENTURE COMPANIES**

#### **PCL Shanghai Co. Ltd. (PCLSCL)**

PCL Shanghai Co. Ltd., a wholly owned subsidiary of the company, was incorporated in China in the month of March 2011. The total permitted investment of PCLSCL is USD 410,000 and its registered capital is USD 230,000 The nature of business of the subsidiary is 'Trading'. This company was formed in order to be able to invoice the Chinese customers in RMB (Chinese currency) as per the laws and regulations of China.

PCL Shanghai purchases Camshaft castings from PCL India, takes care of custom clearance,

warehousing and sells these to the end customer in China as per their requirements.

**Ningbo Shenglong PCL Camshafts Co. Ltd.**

This subsidiary company was incorporated in April 2012 as a joint venture (JV) between PCL and Ningbo Shenglong Powertrain Company Limited to start a facility for machining of camshafts in Ningbo, China. Your company contributed USD 375,000 to the equity capital and holds 22.50 % equity of the JV Company.

The plant Installation, commissioning, sample submission & approvals by customer had been completed in the year 2012-13. The plant had an installed capacity for machining 600,000 camshafts per year in 2013-14 and the has increased to 10,00,000 camshafts per annum from January 2015. Plant capacity will be enhanced up to 20,00,000 camshafts per annum by Jan 2016 for meeting increased demands.

This plant has produced & supplied 9,35,203 shafts to customer during the year 2014-15. Plant capacity utilization was about 80%. The plant has met 100% compliance to customer's schedule / requirements. The Company has achieved the annual sales of approximately Rs. 127 crores for the year 2014-15.

**PCL Shenglong (Huzhou) Specialized Castings Co. Ltd.**

Your company has signed another JV with Ningbo Shenglong Powertrain Co. Ltd. in March 2013 to put up a foundry facility at Huzhou in China. Your company has contributed rupees equivalent to RMB 8,000,000 towards the equity capital and holds 40% of the equity capital of the JV Company.

All necessary agreements & contracts have been signed in the month of Sept 2013 and Business License was obtained in Oct 2013. Construction of the plant was started in June 2014 & has been completed in Feb 2015. Equipment Installation & Commissioning was completed in August 2015. Trials/ sample submission & approvals from customer will be completed by September 2015. Serial production is expected to start from October 2015 with the installed capacity of 100000 camshaft castings per month. PCLSL will have the total Installed capacity of 300000 camshafts per month by end of the year 2016.

**10. DEPOSITS:**

The Company has not accepted any deposits during the year under review. At the end of the year, there are no outstanding undisputed deposits that are matured and unpaid.

**11. DIRECTORS & KMPs**

During the year, Mr. Pramod Mehendale (DIN 00026884), Mr. Vedant Pujari ( DIN 07032764)