



PRECISION CAMSHAFTS LIMITED
SOLAPUR (INDIA)

24th
Annual Report
2015 -2016





24TH ANNUAL REPORT 2015-16

PRECISION CAMSHAFTS LIMITED

(CIN: U24231PN1992PLC067126)

SOLAPUR (INDIA)

INDEX

CONTENTS	PAGE NO.
INDEX	2
COMPANY INFORMATION	3
CHAIRMAN'S MESSAGE	4
DIRECTORS' REPORT	6
ANNEXURE TO DIRECTORS' REPORT	15
BUSINESS RESPONSIBILITY REPORT	47
CMD AND CFO CERTIFICATION	54
DECLARATION FOR COMPLIANCE WITH CODE OF CONDUCT	55
AUDITORS REPORT ON STANDALONE FINANCIAL STATEMENTS	56
ANNEXURES TO THE AUDITORS REPORT ON STANDALONE FINANCIAL STATEMENTS	58
STANDALONE FINANCIAL STATEMENTS	62
AUDITORS REPORT ON CONSOLIDATED FINANCIAL STATEMENTS	100
CONSOLIDATED FINANCIAL STATEMENTS	103

COMPANY INFORMATION

COMPANY INFORMATION

BOARD OF DIRECTORS

Mr. Yatin S. Shah, Chairman & Managing Director.
Dr. Mrs. 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. SRBC & Co. LLP
Chartered Accountants, Pune

SECRETARIAL AUDITORS

M/s J. B. Bhawe & Co., Practicing Company Secretaries, Pune

BANKERS

1. Bank of India,
Mid Corporate Branch, Shivaji Nagar, Pune
2. Bank of Baroda
2, Moledina Road, 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
Website: 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)

CHAIRMAN'S MESSAGE

Dear Shareholders,

It gives me immense pleasure to share an update on the overall performance of your Company for the financial year 2015-16 and apprise you of the opportunities ahead.

As you are aware fiscal 2016 was a very trying period for business and economy across the globe. In advanced economies the recovery was modest and largely uneven. The scenario for emerging markets and developing economies too was not uniform. The collapse of Brazilian economy, slowdown and rebalancing of the Chinese economy, low commodity prices and geopolitical tensions in West Asia continued to weigh on growth prospects. India's position was relatively better, though the pace of recovery was rather sluggish and fragile.

In a challenging external environment, your Company remained focused on margin improvement, cost control, better working capital management, and performed admirably well enhancing profitability despite drop in turnover. Even while the company continued to enjoy an uptrend in many a global region because of its pre-eminent position in the camshafts market, disturbances in Chinese market and also reduced supplies to General Motors (GM) in Russia due to political reasons did affect the Company's top line growth during the latter half last fiscal. While China and Russia have taken the sheen away in the year under report, we are hopeful of having better times ahead. The situation in China seems to be improving from March of 2016 and we are seeing positive signs at GM Russia too.

Your Company is poised to procure major contracts from global OEMs for recent technologies that it has introduced - namely - DUCTILE IRON/HYBRID CAMSHAFTS and ASSEMBLED CAMSHAFTS. The Company has presented some unique cost advantages to global OEMs besides ensuring sustainable supplies over the long run. You will be glad to note that, for the first time, PCL is emerging as a SINGLE SOURCE for GLOBAL PROJECTS! In May 2016, we have established 'ENGINEERING CENTERS' manned with international experts in the US and Europe to sustain the growth. This team would help PCL harness the best of technology going forward.

Your Company remains very focused on its strategy in increasing sale of machined camshafts that strengthens the profitability and this is evident from the sale of machined camshafts in the first quarter of current fiscal (100,000 nos) vis-à-vis Q1-16 (60000 nos). This would protect/enhance our margins even as sales of AS CAST camshafts remain muted. Our plan is to more than double the current annual machining capacity of 2.2 million camshafts by 2021.

Also, your Company is planning to put up a new facility for manufacturing larger variety of camshafts that go into large stationary engines besides catering to the locomotive industry, as there is a growing market for these specialized products in India and abroad. The Company also plans to cater to the two wheeler market - a space that has not been tapped till now. Both these segments should help the Company mitigate risks.

India's auto-components industry has experienced sustainable growth in the last few years on account of high demand from end-user market, improved consumer sentiment and rising vehicle demand. The country has become an automobile component sourcing hub for major OEMs and exports to five continents. Europe accounts for the largest share, followed by Asia and North America. With global auto component players adopting a dual-shore manufacturing model, India is poised to emerge as an outsourcing hub.

Your Company has formed a special team of experts to pursue opportunities with Japanese OEMs given its breakthrough with Toyota and Suzuki for DUCTILE IRON camshafts. PCL is working with leading technology partners in Germany to acquire cutting edge technologies like SLIDING CAMS and CAM MODULES. This should help PCL emerge as ONE STOP SOLUTION for camshafts using all technologies which will make the Company unique worldwide.

CHAIRMAN'S MESSAGE

PCL is planning to diversify its products range and introduce critical components like Balancer Shafts to its products portfolio. As part of the growth strategy, PCL plans to set up its own manufacturing facilities in China and Brazil by end of 2018 to cater to local customers in those countries. Further, the Company is actively pursuing an acquisition in Europe which will not only add niche products to the current portfolio but will also strengthen the company's position with customers in Europe and the US. All these should transform PCL from a REGIONAL SPECIALIST to a TRUE GLOBAL PLAYER by 2020. PCL will continue to be a responsible corporate citizen wherever it operates, and is committed to delivering long-term value creation for all its stakeholders.

At PCL, we always believed in giving back to the society. Precision Foundation was formed in 2006 – much before CSR became mandatory under Companies Act, 2013 – with an objective to support the underprivileged in the society and to enrich their lives. Starting with making quality healthcare accessible and affordable to the workforce at PCL and their immediate family members, enabling the spread of education to the ward of workers, the Foundation's activities touch the lives of a large number of individuals.

Some of the notable initiatives already implemented by Precision Foundation are upkeep and maintenance of the crematorium and burial grounds at Solapur, running a battery operated vehicle at the railway station for the old and physically challenged, providing infrastructure and starting brain based education in a school in backward areas of Solapur, besides conducting medical camps, blood donation drives, etc. In fiscal 2016, we identified 14 schools in the vicinity of Solapur and provided computers and projectors to six of them. Computer labs were set up in 6 schools and infrastructure projects like construction of toilet blocks were undertaken in 2 schools. For the current fiscal we have identified projects in the area of education and health care.

Finally, I would like to take this opportunity to thank each and every employee whose commitment and hard work helped deliver a successful year. I would also like to thank all our customers, suppliers, vendors and lenders for their unstinted support to the company during the year. My deep appreciation to each one of you and your family members. We look forward to your continued partnership and co-operation.

Warm regards,

Yatin S. Shah
Chairman & Managing Director

DIRECTORS' REPORT

To,
The Members,
PRECISION CAMSHAFTS LIMITED

Your Directors are pleased to present the **TWENTY FOURTH ANNUAL REPORT** and the audited Accounts for the year ended 31st March 2016.

1. FINANCIAL RESULTS

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

(Rs. in Lakhs)

Financial Results	Standalone		Consolidated	
	For the Year ended 31 st March, 2016	For the Year ended 31 st March, 2015	For the Year ended 31 st March, 2016	For the Year ended 31 st March, 2015
Revenue from operations & other Income	45,511.19	52,491.82	49,423.14	54,274.89
Profit (Loss) before Interest, Tax & Depreciation (EBITDA)	13,450.10	14,850.70	15,116.50	15,116.40
Less: Interest	906.29	1,087.36	1,112.85	1,123.28
Less: Depreciation	3,899.91	3,913.44	4,271.44	4,122.33
Profit (Loss) After Depreciation & before Tax (EBIT)	8,643.90	9,849.90	9,732.21	9,870.78
Exceptional Item				
Tax Expenses				
- Taxation Current Year	3,721.74	3,760.03	3,915.44	3,920.30
- Tax relating to prior period	(180.48)	17.22	(180.48)	17.22
- Deferred Tax (written back)	388.15	(268.37)	(418.71)	(286.00)
Profit/(Loss) after tax	5,490.80	6,341.02	6,415.96	6,219.27
Prior Period Items	---	1,578.00	---	1,578.00
Profit/ (Loss) for the year	5,490.80	4,763.02	6,415.96	4,641.27
EPS (Basic)	6.55	5.82	7.65	5.67
EPS (Diluted)	6.53	5.82	7.63	5.67

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.

The audited consolidated financial statement provided in the Annual Report is 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.

2. COMPANY'S FINANCIAL PERFORMANCE

Despite the challenging macroeconomic environment, the total revenue from operations of the Company was Rs. 493.23 Cr. as compared to previous fiscal to Rs. 542.74 Cr. Net Profit (before exceptional items) was Rs. 64.15 Cr. as compared to previous year Rs. 62.19 Cr.

DIRECTORS' REPORT
3. DIVIDEND

Your Board of Directors in their meeting held on Wednesday, 16th March, 2016 declared and paid Interim Dividend of Rs. 1/- per equity share (i.e. 10%) for the Financial year 2015-16.

Your Directors do not recommend any final dividend for the Financial Year 2015-16.

4. INITIAL PUBLIC OFFER

Your Board is pleased to inform that the Company has successfully completed the Initial Public Offer (IPO) and equity shares of the Company were listed on both BSE Limited ("BSE") and National Stock Exchange of India Limited ("NSE") with effect from 8th February 2016.

Initial Public Offering (IPO) of Company comprised of a fresh issue of 1,29,03,225 equity shares and an offer for sale of 91,50,000 equity shares by selling shareholders for Rs. 186/- per equity share (inclusive of premium of Rs. 176/- per share).

Consequently Paid up share capital of the Company increased from Rs. 81,84,16,000/- to Rs. 94,74,48,250/- after making allotment of fresh issue of share.

Issue Detail:

- »» **Issue Open:** From Jan 27, 2016 - To Jan 29, 2016
- »» **Issue Type:** Book Built Issue IPO
- »» **Issue Size:** 2,20,53,225 Equity Shares of Rs 10 aggregating up to Rs 410.00 Cr.
- »» **Face Value:** Rs 10/- Per Equity Share
- »» **Band Price:** Rs. 180/- Rs. 186 Per Equity Share
- »» **Market Lot for application:** in multiple of 80 Equity Shares
- »» **Listing At:** BSE, NSE
- »» **Oversubscription:** 1.91 times

IPO of your Company was the first issue of calendar year 2016 in the Capital market. It was also the first issue after SEBI shortened the IPO timeline to T+6 (that is time taken between IPO closing and the day of listing from 12 days to just 6) and also with 100% compulsory ASBA method.

5. SHARE ISSUE EXPENSES

Pursuant to the Initial Public Offering (IPO), equity shares having par value of Rs. 10/- per share were allotted at a price of Rs. 186/- per equity share comprising of fresh issue of 1,29,03,225 equity shares and offer for sale of 91,50,000 equity shares by selling shareholders. The equity shares of the Company were listed on the BSE Limited ("BSE") and National Stock Exchange of India Limited ("NSE") with effect from 08th February, 2016. The Company has incurred expenses of Rs.12,52,33,959/- (net of service tax) relating to fresh issue of equity shares which has been adjusted to securities in terms of section 52 of the Companies Act, 2013.

Details of utilization of net IPO proceeds

(Rs. in Lakhs)

Particulars	Objects of the offer as per the prospectus	Total Spent / Utilization Upto March 31, 2016	Amount recovered from shareholders	Amount pending Utilisation
Establishment of a machine shop for ductile iron camshafts at the EOU unit	20,000	1,284	-	18,716
Offer related expenses	1,314	1,275	-	39
General Corporate Purposes	2,686	-	-	2,686
Amount recovered from the existing Shareholders towards their offer related expenses	-	-	1,028	1,028
Total	24,000	2,560	10,282	22,486

DIRECTORS' REPORT

Unspent amount is kept in fixed deposits with banks:

(Rs. in lakhs)

Particulars	Amount
Fixed deposits with banks	20,940
Amount lying at current account of the Company	1,528
Total	22,466

6. DIRECTORS & KMPs

Composition of Board of Directors of the Company:

Mr. Yatin S. Shah, Chairman and Managing Director
 Dr. Mrs. 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
 Mr. Swapneel S. Kuber, Company Secretary and Compliance Officer

Changes in the Composition of Board of Directors of the Company:

During the year under review Mr. Vaibhav S. Mahajani, (DIN 00304851) was appointed as Independent Director of the Company vide Extra-ordinary General Meeting of the Company held on 8th June, 2015 for a term of 2 years i.e. up to the conclusion of the 25th Annual General Meeting of the Company.

In accordance with the Articles of Association of the Company and the provisions of the Companies Act, 2013, Mr. Jayant V. Aradhye (DIN - 00409341) retires in the ensuing Annual General Meeting and being eligible offers himself for re-appointment.

The term of appointment of Mr. Pramod H. Mehendale (DIN 00026884) and Mr. Vedant V. Pujari (DIN 07032764) is ending on ensuing Annual General Meeting and it is proposed to renew the same for the next 5 years i.e. up to the 29th Annual General Meeting of the Company subject to the approval of the Shareholders.

The brief resumes and other details relating to the Directors who are proposed to be re-appointed, as required to be disclosed under SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 forms part of the Notice of 24th Annual General Meeting.

7. DECLARATIONS FROM THE INDEPENDENT DIRECTORS

The Company has received declarations from all the Independent Directors of the Company confirming that they meet the criterion of Independence as prescribed under Section 149 (6) of the Companies Act, 2013 and SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015.

8. STATEMENT ON FORMAL ANNUAL EVALUATION OF THE PERFORMANCE OF THE BOARD, ITS COMMITTEES AND DIRECTORS

Pursuant to the provisions of the Companies Act, 2013, evaluation of every Director's performance was done by Nomination & Remuneration Committee. The performance evaluation of Non-Independent Directors and the Board as a

DIRECTORS' REPORT

whole, Committees thereof, and Chairman of the Company was carried out by the Independent Directors. Evaluation of Independent Directors was carried out by the entire Board of Directors, excluding the Director being evaluated.

Further SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 mandates that the Board shall monitor and review the Board evaluation framework. The Framework includes the evaluation of directors on various parameters such as –

- Board dynamics and relationships
- Information flows
- Decision-making
- Relationship with stakeholders
- Company performance and strategy
- Tracking Board and Committees' effectiveness

The performance of the Board was evaluated on the basis of criteria such as the Board composition and structure, effectiveness of Board processes, participation in assessment of annual operating plan, risks. etc.

Member of the Board carried out a formal review for the performance and effectiveness of the Board, committees of the Board and of all the directors including the Chairman of the Board.

For further details, please refer Report on Corporate Governance forming part of this Annual Report.

Disclosure of the ratio of the remuneration of each Director to the median employee's remuneration and other details as required pursuant to Section 197(12) of the Companies Act 2013 read with Rule 5(1) of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014 are in **Annexure E**.

The Details of remuneration paid to the Directors are given in the Form MGT-9 forming part of the Directors' Report.

9. PARTICULARS OF LOANS, GUARANTEES OR INVESTMENTS

During the year under review, the Company has not granted any Loan and Guarantee covered under Section 186 of the Companies Act, 2013.

10. PARTICULARS OF CONTRACTS OR ARRANGEMENTS MADE WITH RELATED PARTIES

All contracts/ arrangements/ transactions entered by the Company during financial year with related parties were on an arm's length basis and were in the ordinary course of business. The details of transactions entered with related parties during the year 2015-16 are enclosed herewith as **Annexure –A**.

11. STATEMENT ON RISK MANAGEMENT POLICY

The Company has in place a mechanism to identify, assess, monitor and mitigate various risks to the Company. The Company's future growth is linked with general economic conditions prevailing in the market. Management has taken appropriate measures for identification of risk elements related to the Industry, in which the Company is engaged, and is always trying to reduce the impact of such risks. The Company has also formulated Risk Management Policy and Risk Identification and Mitigation Plans are discussed at the Audit Committee.

12. 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