



Where Passion Meets Performance

PRECISION CAMSHAFTS LIMITED



Distinct and Diverse

ANNUAL REPORT 2018-19

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Investor information

CIN:	L24231PN1992PLC067126
BSE Code:	539636
NSE Symbol:	PRECAM
Dividend Declared:	₹ 1/- per share
AGM Date:	25 th September, 2019
AGM Venue:	Hotel Balaji Sarovar Premiere, Aasara Chowk, Hotgi Road, Solapur – 413224, Maharashtra, India



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Disclaimer

This document contains statements about expected future events and financials of Precision Camshafts Limited, which are forward-looking. By their nature, forward-looking statements require the Company to make assumptions and are subject to inherent risks and uncertainties. There is significant risk that the assumptions, predictions and other forward-looking statements may not prove to be accurate. Readers are cautioned not to place undue reliance on forward-looking statements as a number of factors could cause assumptions, actual future results and events to differ materially from those expressed in the forward-looking statements. Accordingly, this document is subject to the disclaimer and qualified in its entirety by the assumptions, qualifications and risk factors referred to in the Management Discussion and Analysis of this Annual Report.

Distinct

Precision Camshafts Limited is a market leader in India and is one of the largest camshaft manufacturers in the world.

Known for its quality & delivery benchmarks, PCL has an enviable track record of zero field failures since its inception. Our domain knowledge and expertise in manufacturing all types of camshafts under one roof, employing the best technologies to stay ahead of the competition, forging strong partnerships and servicing OEMs in over 20 countries make us a distinct supplier of one of the most critical engine components.

Diverse

As a proactive and focused company, Precision Camshafts has grown by capitalising on opportunities ever since 1999. From the first JV with G Clancey in 1999, the two JVs in China, to the more recent acquisitions, PCL has always looked at inorganic opportunities to bolster business growth. The acquisition of the three companies in last two years have strengthened us to grow across the length and breadth of the globe. We have now emerged from being a single product company to one that now manufactures and supplies critical components like balancer shafts, injector components and other automotive and non-automotive components to OEMs around the world.

We have also made headway in the electrical mobility market as a supplier of complete electric drivelines for heavy equipment and vehicles.

PRECISION
GROUP HAS
EMERGED AS A
TRULY DISTINCT
AND DIVERSE
COMPANY IN
THIS YEAR!

Strategic Acquisition

Considering our global reach, we always aim to promptly catch an opportunity, whenever and wherever possible. We are always in search of opportunities that open up synergetic benefits. The Company has done strategic acquisitions to grow the business inorganically over the last 2 years with the goal of transforming the business. This is a gradual process and the acquisitions have helped the Company to broaden the product line and mitigate the risk.

ACQUIRED COMPANY

DIVERSIFIED PRODUCT PROFILE

SYNERGY BENEFIT DERIVED OUT OF THE GROUP COMPANIES



MEMCO

- Fuel injection components for conventional CRDi diesel engines
- Brake components
- High precision instrumentation components



MFT

- Balancer Shafts
- Camshafts
- Bearing caps
- Engine brackets & several non-engine prismatic components



EMOSS

EMOSS is a one of a kind business that designs, develops, produces and supplies complete electric powertrains for trucks, buses military vehicles and heavy equipment.



Wide customer base

Acquisition has helped group companies to diversify and strengthen the customer base.



Know-how in manufacturing

Leveraging on manufacturing capability of acquired Company, instead of procuring fixed assets to produce other auto-component part and hiring human resources to operate it.



Cross sell

Group companies get the advantage to access and sell the product to the existing customer of each entity.



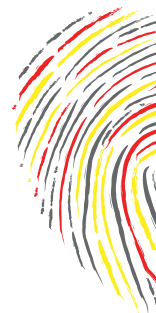
Locational advantage

Through proximity near customers, the group companies enjoy the logistical benefit in terms of cost and time.



Scalability









PCL through its strong balance sheet acts as an emulator in pushing the acquired Company to its potential growth and scale up the production and presence.



ATTRIBUTES POSSESSED BY EACH OF THE ACQUIRED COMPANY

GROWTH IN THE INITIAL PERIOD AFTER ACQUISITION

CONSOLIDATED FINANCIAL OUTCOME

<p> Strong infrastructure It includes two ISO certified plants, Plant 1 consisting of 40,000 sq ft and plant 2 consisting of 10,000 sq ft along with excellent design capabilities of auto components.</p> <p> Different product segment Apart from auto parts, MEMCO manufactures engineering components as well as medical equipment.</p>	<p>Acquired year 2018</p> <p>Stakes acquired 100%</p>	<p>Revenue from operation increased from ₹ 421 Crores to ₹ 695 Crores</p> <p>Gross profit margin 65.5%</p> <p>EBITDA margin 20.2%</p> <p>Consolidated Retained earnings increased from ₹ 246.7 Crores to ₹ 252.6 Crores</p> <p>Fixed assets expenditure increased by ₹ 49 Crores</p> <p>Debt to equity 0.31</p>
<p> Production experience Manufactures engine part since more than 70 years.</p> <p> Enthusiastic team Dynamic and young team having profound knowledge in machining.</p> <p> Renowned tier-I supplier Enjoys cost optimisation by supplying products directly to OEM which includes big clients.</p>	<p>Acquired year 2018</p> <p>Stakes acquired 76%</p>	
<p> Efficiency Within short span of 90 days convert buses and trucks with internal combustion engines (ICE) into electric power train vehicles.</p> <p> Robust technology EMOSS is a technology-based company deriving its value from R&D activities. Equipped with state-of-the-art manufacturing facility, place where latest software is used by engineers.</p> <p> End to end solution EMOSS provides end to end solution including research & development, engineering, production, testing, certification, delivery and post-sale service.</p>	<p>Acquired year 2018</p> <p>Stakes acquired 51%</p>	



Precision Camshafts Limited: The Journey at a Glance

Precision Camshafts Limited (referred to as 'PCL' or 'the Company' hereafter), incorporated in 1992, is a leading manufacturer of camshafts. It produces about 150 types of camshafts under one roof. The camshafts are supplied to different automobile segments, ranging from passenger cars, tractors, light commercial vehicles up to locomotive engine applications. The Company has two manufacturing facilities located in Solapur, Maharashtra, which adhere to zero defect policy. One facility is entirely set up for export purpose and another one is for domestic purpose. Both the facilities are equipped with state-of-the-art technology, helping us to be cost competitive in our niche market.

The Company has established long term relations with leading global OEMs. The client portfolio coupled with product portfolio and engineering expertise has been further strengthened through acquisition of three subsidiaries over the last two years. Growing aggressively through organic and inorganic route has been very much possible due to our strong and experienced Management team. To gain competitive edge over others, we have also affiliated ourselves with various technical partners around the globe.

WE ARE NOT ONLY KNOWN FOR
OUR MANUFACTURING QUALITY
THAT MEETS THE CUSTOMER
REQUIREMENT BUT ALSO FOR
BEING PEOPLE-ORIENTED
ORGANISATION WHICH GIVES BACK
TO THE SOCIETY THROUGH SOCIAL
AND GREEN INITIATIVE MEASURES.

PCL acquired

**51% stake in Dutch company
EMOSS in May 2018 for ₹ 58 Crores**

**Remaining 5% stake in MEMCO
for ₹ 2.6 Crores in April 2019**



Standalone Financial Snapshots in 2018-19

Revenue from operation Y-o-Y growth
₹ **424** CRORES **3.88 %**

EBITDA Y-o-Y growth
₹ **116** CRORES **14.09 %**

PAT Y-o-Y growth
₹ **43** CRORES **23.48 %**

Gross profit margin EBITDA margin
71.7 % **26.2 %**

PAT margin
9.7 %

ROCE
11.1 %

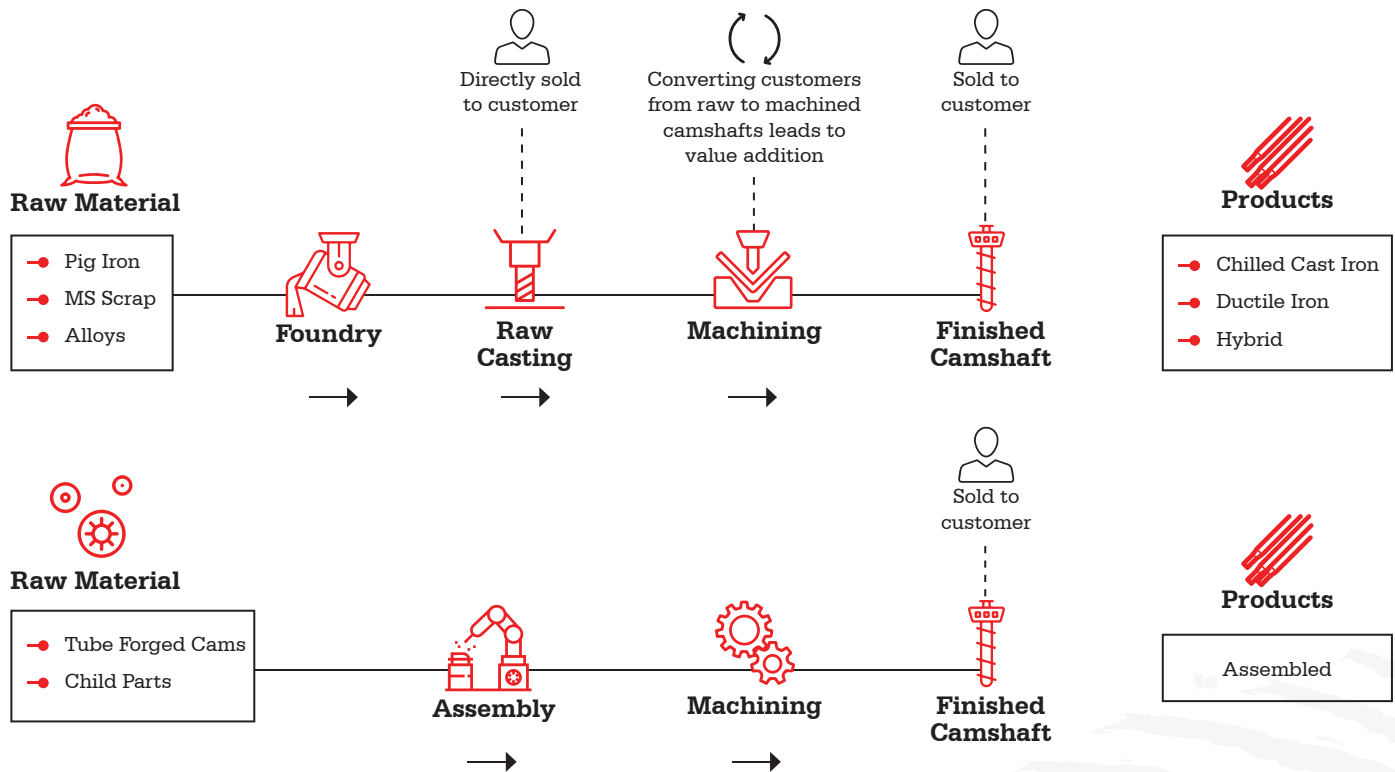
Debt to equity
0.05

Milestones

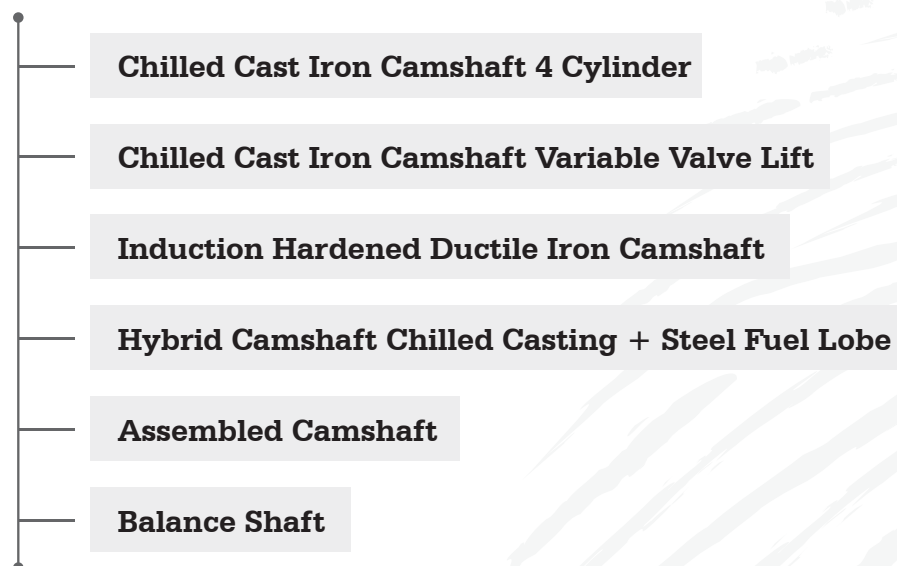
- 2018** Acquisition of MFT & EMOSS
- 2017** Added machine shop with capacity of 2 Mn units p.a
Acquired MEMCO
- 2016** Made an IPO and got listed on BSE & NSE
- 2014** Exclusive agreement with EMAG
- 2013** JV with China-based Shenglong Automotive Powertrain Company for Foundry Unit
- 2012** JV with China-based Shenglong Automotive Powertrain Company for camshafts manufacturing
- 2011** Incorporated 100% subsidiary in China PCL (Shanghai) Company Limited
- 2008** Tata Capital buys stake from CDC
- 2006** Acquired stake in JV with G. Clancey
- 1999** Technical & Financial JV with G. Clancey, a European camshafts manufacturer
- 1997** Investment by PE Investor CDC
Capacity of Machine shop & Foundry expanded
- 1992** Incorporation of PCL

Manufacturing Facility and Diverse Core Product Portfolio

Manufacturing process and types of Camshafts



Diversified Product Portfolio



Zero Defect Policy during Production Process

To comply with the Zero Defect Policy, we take numerous initiatives such as inspections on periodical basis to ensure all aspects of production and machining processes are under control. We constantly look to improvise the production process by upgrading our machines, making sure they are operating at the highest level of quality management. This has helped us to deliver quality products at steady fast pace to our customers which meet their standard.

BENEFITS FROM

ZERO DEFECT POLICY

- Cost optimisation
- Waste reduction
- Low rejection rate
- Meeting global standards

LEADS TO

- Customer satisfaction from new ones
- Improvisation in the customer loyalty parameters from the existing ones

OUTCOME

- Increase in the sales and profit
- Repetitive orders from the customers

Manufacturing systems follow customer requirements like QSB/ Q1/VDA6.3

ISO/TS 16949:2009, ISO 14001:2004, BS OHSAS: 18001:2007 certified

Camshaft Capacity

Manufacturing unit details (Solapur)

FY 2018-19	UNITS	CAPACITY	ACTUAL PRODUCTION	UTILISATION (%)
Camshaft castings	Four foundries	9 million	7.64 million	84.88
Machined camshafts	Four machine shops	3.01 million	2.09 million	69.44

Notes:

- Foundry Capacity has been reduced to 9 million per year due to change in product mix, increase in ductile iron camshafts and decommissioning of old Unit 2 foundry.
- Machine shop capacity will gradually increase to 3.60 million in the next 2 years.

Going through the expansion phase

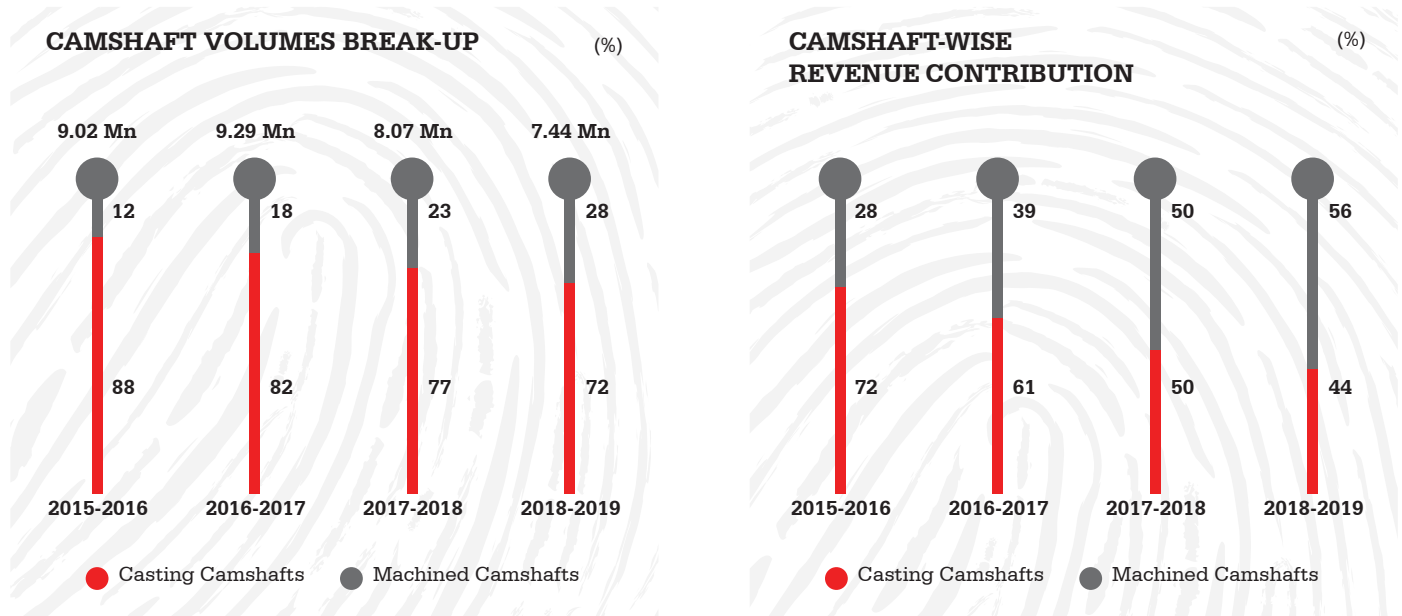
Apart from the inorganic growth, we are doing a capacity addition in our in-house facility of machined camshafts. Expansion is taking place in phases to amplify the current production capacity from 2.22 Mn units to 4.0 Mn units by 2022 to meet the increased demand from OEMs. Once we have passed the expansion phase, it will aid in bagging big orders.

Higher capacity utilisation level = Lower operational cost

We are not operating at optimum level utilisation currently. However, the output will improve gradually with ramp up of the new programs, growing number of customers and demand. Hence, with rising quantity, there will be decline in our fixed cost which will help us to be operationally efficient. Also, it enables us to offer products at competitive prices and increase the market share.

ON AN AVERAGE, CAMSHAFT DEMAND IS 1.5 X THE PASSENGER VEHICLES PRODUCED

Shift from Casting Camshafts to Machined Camshafts



Higher Machined Camshafts Volume = Improving Margin

Machined camshaft is the next level of refined stage of casting camshaft. It is ready to fit into the engine assembly. Strategically, we are moving our focus towards machined camshaft as it offers better realisation, adding further value to our product. With machined camshaft segment, we have seen a higher margin accretive business due to its less dependency on raw material prices as they are based on cam profile complexity and the extent of machining. Going forward, it will ramp up our margins and ROCE.

MACHINED CAMSHAFT OFFERS POTENTIAL 2.5 TIMES HIGHER REALISATION AS COMPARED TO CAMSHAFT CASTING