

Precision Camshafts Ltd: Good Issue

**IPO Note: 9% global market share in passenger vehicle camshaft market
:Ranking*****



Issue details

Price band (Rs)	Rs. 180-186
IPO Opening Date	27-01-2016
IPO Closing Date	29-01-2016
Issue Size	Rs. 410.00 Cr.

Recommendations

To part finance its proposed expansion and raise general corpus funds, the company is coming out with its maiden IPO that consists of issuance of fresh equity as well as Offer for Sale. While offer for sale will be 9150000 equity shares, the rest will be fresh issue for Rs. 240 crore (approx 1.30 crore shares) making aggregate size of the issue of Rs. 405 to 410 cr based on lower and upper price band.

Despite a relatively slower period of growth in the automobile industry in the last five years, the company have been able to consistently increase global market share in passenger vehicle camshafts market from 5%-6% in 2010 to an estimated 8%-9% in 2014.

For first six months ended on 30.09.15 it has earned net profit of Rs. 34.10 cr. on a turnover of Rs. 263.56 cr. If this is annualized and attributed to enhanced equity post IPO then asking price is at a P/E of around 26. There are no listed companies in India that engage in the manufacturing of camshafts. Hence, it is not possible to provide an industry comparison in relation to Company. The Issue may be considered for the long term.

Highlights

- Leading supplier of camshafts for passenger vehicle engines in India and globally
- Long term relationships with marquee global OEMs
- State-of-the-art manufacturing facilities, technology innovation and engineering expertise
- Consistent financial performance
- Experienced and qualified team of professionals
- Consolidated turnover and consolidated restated profit from FY11 to FY15 at a CAGR of 18.16% and 37.09%, respectively
- The company proposes to set up two new machine shops at Solapur, Maharashtra specifically for ductile iron camshafts and assembled camshafts, respectively, by fiscal 2017 and fiscal 2018

Company Introduction

Company Profile

Incorporated in 1992, Precision Camshafts Ltd is world's leading manufacturer and supplier of camshafts, a critical automobile engine component. Company supply over 150 types of camshafts for passenger vehicles, tractors, light commercial vehicles and locomotive engine applications. Company has a manufacturing facilities in Solapur, Maharashtra.

Company's Clients

Company caters to both international and domestic market. Some of the long term clients includes General Motors, Ford Motors, Hyundai, Maruti Suzuki, Tata Motors and Mahindra and Mahindra.



www.pclindia.in

Financial Summary (Rs. In Crore)

Particulars	FY2012	FY2013	FY2014	FY2015
Total Income	302.61	358.82	467.35	532.42
Net Profit	18.54	23.92	28.91	46.41
EPS (Rs)	2.99	3.87	2.06	7.62

Source:RHP

RANKING METHODOLOGY

WEAK	*
AVERAGE	**
GOOD	***
VERY GOOD	****
EXCELLENT	*****

Company has two manufacturing facilities in Solapur, Maharashtra. This includes an export oriented unit and a domestic unit. Precision Camshafts has two joint ventures with Ningbo Shenglong PCL Camshafts Company Limited, for machining of camshafts and PCL Shenglong (Huzhou) Specialised Casting Company Limited, for setting up a foundry in China.

Promoters

Precision Camshafts is promoted by Mr Yatin Shah and Dr Suhasini Shah, who have over 20 years of experience in the critical engine component manufacturing and have established strong business relationships with large global original equipment manufacturers. Company's promoters are first generation entrepreneurs who started the business of manufacturing of critical engine component in 1992.

Camshafts are designed in such a way so as to open the engine valves at the correct time and to keep them open for the necessary duration for the desired engine performance. The camshaft design, weight, manufacturing process and machining requirement vary across vehicle categories depending on the desired engine characteristics. The camshaft generally lasts the life of the IC engine, although it may be replaced if it affects the engine's performance significantly over time.

IPO Issue Proceed

The company have been able to increase consolidated turnover (net) and consolidated restated profit from fiscal 2011 to fiscal 2015 at a CAGR of 18.16% and 37.09%, respectively. For the six months period ended September 30, 2015, consolidated turnover (net) and consolidated restated profit were 253.37 crore and 34.10 crore, respectively

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