



**Mr. Yatin Shah - Chairman & Managing Director**

# PRECISION CAMSHAFTS LIMITED

## WHERE PASSION MEETS PERFORMANCE

### **WHAT WERE THE OPPORTUNITIES YOU SAW FOR YOURSELF AND THE COMPANY WHEN YOU DECIDED TO TAKE ON THE ROLE?**

My father ran a business that was engaged in manufacturing tractor components consisting of a foundry and a machine shop which was a partnership concern. I had joined somewhere around 1988-1989 after my post-graduation from Simba Education. I did an MBA there and joined in as a partnership concern and was working for about 4 or 5 years. The business significantly introduced new changes that were talked to me during my college days in Symbiosis. Having said that I've always felt a little claustrophobic because it was a partnership concern and too many people had too many things to say from the business so I just decided to quit the business and start my own in roughly around 1993-1994 where I kept out of a large organization and a possible heir to the organization of the company. I said "No, I quit" and decided to start proceeding in camshafts set up in those days as a machine shop which was a smaller facility, like a garage of 1,200 sq. ft. shed and about 5,000 sq. ft. plot area. I started my business with a very small number of around 600 camshafts a month at that point in time which we paid for roughly 5 people including me. My first balance sheet at that point in time which I signed for was roughly



about 7 lakhs. From there onwards, it has been a consistent and very challenging roller coaster ride. We've gone through a lot of ups and downs. We stuck to my knitting as my core business and stuck to camshafts. Fast forward to now and Precision Camshafts is spread over to almost about 50 acres of land. Now it has 4 foundries and 4 machine shops. We have grown from a number of 7,200 camshafts per month to now close to 11 million. Now we also have 4 foundries that manufacture 11 million camshafts and machines about 4 million. It's a story that began with a scratch. I did not inherit anything. It started with me and it has grown significantly with the aid of some fantastic team members who were committed from Day 1 till now. So Precision Camshafts not only has those significantly doing camshafts but we've also acquired companies in Germany, a company in the

Netherlands, and a company in Nashik. We do different things besides camshafts. So obviously now we've become a multinational company. We're now engaged in manufacturing different products besides Camshafts. So we have insulated the rifts of becoming a single product company. All of this within a lifetime has been a very good achievement and I would say that I'm pretty content with what has happened. In spite of all of this, I still feel very excited when I got to the office every morning. That is one reforming challenge.

### **WHAT ARE THE PLANS FOR THE COMPANY'S GROWTH IN THE MEDIUM TO LONG TERM, SAY 3 TO 5 YEARS' TIME?**

I think we are on rapid growth. We have acquired three companies. Precision Camshafts focuses on a growing path. All I can say is that we intend to exploit opportunities for all the companies that we've

undergone in the Precision group and grow them significantly over the coming years besides looking at new acquisition opportunities. So to put a number, right now we have around 800 crores of turnover. What you would want to become in 5 years, we have that as a number and we have what we want to do.

money in the bank and we are a highly profitable organization. Right now there are challenges that the auto components are facing which makes them uncertain for the next three months but we're seeing clear visibility for the next 3-5 years. So when you ask, what is it that you want to improve, we constantly say that we have a model that we run

or an electric vehicle. So that means that by the year 2025, we want to be a company that manufactures 50 percent Camshafts and 50 Percent Non-Auto Camshafts. I could have easily said I can do this 6 or 7 years from now but progressively thinking, honestly the desk technology is constantly engaging with the best in the world.



**WHAT ARE ALL THE KEY AREAS OF FOCUS FOR YOUR COMPANY TO IMPROVE OVER NEXT 12-18 MONTHS?**

This goes back to the way we work around the PCL/DNN culture. The PCL/DNN culture is pretty much unique in its own way. We believe in this culture of what you would call total transparency working with partners, discipline, regimented manufactures, and a conservative financial approach. All of this put together is the way we've been running our business. I'm not in a component business and we are a debt-free company. We're a highly profitable organization. That's not what you would hear from an auto component industry today in the market because not many people would tell you that we are a debt-free company. We have lots of

the business with. But we're always in the search of saying, what is it that we can do now to provide better services to the customer, how can we improve our own performance, how can we become more profitable. We question our own business model constantly, for instance, let's put it in this way, Precision Camshafts is doing Camshafts as the name suggests. Electric vehicles do not need Camshafts. That's a long story, maybe 10-15 years. I think we're recognizing that we don't need to start looking at that 10 years from now. We start looking at opportunities to mitigate with beginning today so we have planned that from the year 2025, we would be a company that does a lot of other products which are either tools, cars, which will always be there irrespective if its a diesel car

Challenging our own beliefs has been key to the PCL working. Even we're content with what we're doing. We're always trying to challenge everything that we do, be it a manufacturing process or business practices. It is something that we always find and the good part about it is that we're a highly internally developed company. We do not seek consultants. Nothing that we have done so far has been in the aid of consultants. This has been homegrown and done by the team internally. This has been done by the people who worked and have managed to satisfy the best of the best customers in the world with talent from Solapur.

### **WHAT DO YOU BELIEVE SETS PRECISION CAMSHAFTS APART FROM ITS COMPETITORS?**

The first step is away from our competition. I think we in our space of business, our Camshafts are recognized as the global benchmarks in terms of quality. So we are benchmarked along with the rest of the others. If Precision Camshafts can achieve this quality level, why can't you? So automatically that's the level that we've established and have been consistent for the last 20 years. It's not that we do this once a month. I think most customers that we operate with believe that we're the benchmark to be in business. Now, this comes out of great passion and commitment towards what we do. So we don't think it's worth it but it's something that we enjoy. If you come to our facilities, 45 acres, I think it's a place you would love to come and work. Because in a 45 acre, where in the world would you see 16 acres covered in lawns? We are committed to a green cover. It is much better than sending you to the city in the traffic where it's congested. I think people find this as a good place to work. In fact, I would often say that this is a lovely resort to come to work. So our quality level separates us from everybody and that comes out of the passion we have for our work, that we must believe we're the best and nothing else.

### **HOW HAVE YOU ACTUALLY WORKED WITH YOUR SUPPLIERS OVER THE YEARS TO FORM STABLE PARTNERSHIPS?**

When you run a business and when it's successful or when it's consistently doing good, you owe the success to almost every stakeholder in the business. So one stakeholder is your shareholder who gives you the money to run the business and the other stakeholders are customers because of whom

we're here today. The third stakeholder is obviously the people who manufacture Camshafts and deliver them at good quality. Both stakeholders are the people who supply us with the material of which we can do it. So to hear me correctly, I have clear prioritized the ranking for stakeholders. Without the shareholders I would not be in my place, a shareholder being me. If I had not put the money in business, Precision Camshafts would not have been here. My primary obligation and commitment go to the shareholder because the shareholder has put the money. We were able to put up the facilities and go to the customers who gave us the business, so that was also a stakeholder. The third stakeholder who's very important in this entire thing is the fantastic team that does this, I mean one has to look at saying how can you satisfy for sure with the people. You need skillsets, commitment, passion, you need all of that and that's an important stakeholder to me which is a priority. Obviously, unfortunately, you may not hear that the suppliers are an important stakeholder but on the ladder, they come last. Look when all this is set up, you're obviously going to have people coming and saying "Can I do this business with you? So when you want to do business then it's okay, we'll do this business but amongst the lot, you've got to realize one thing that there are suppliers who can be fair-weather friends. If business is good, we'll be with you, if business is bad, we're not with you. Now PCL has cultivated a partnership model for so many years. We've worked with companies and today we take pride in saying that we established suppliers when they were nothing and they've grown with us today. We've given them a single share of the business. We've given them a

large share of the business. They showed us a lot of responsibility that if they failed to deliver, they're in a problem. So cultivating a partnership model, working closely with the suppliers, and understanding each other's needs made them recognize the customer's importance. So all of that has been some of the practices that we've established with the suppliers. They've grown multi-fold. There's a distinction you need to make that unfortunately the shareholders are not putting money on the ground. Where will he go and find a shareholder or where will he find a customer? So we have absolute clarity in terms of what we owe to whom. I mean it's nice to say that without the customer, we would be nothing. I agree without the customer, we would not be there. But if the money was not there, who would put up the facilities, where would we get the customers from. If I go to the customer and say, look I'm going to put up 50 crores of plant, can you give me business? You'll say first put up the business, let me have a look at it, let me see the quality level and then I'll give you the business. It's as simple as that. People try and listen to different parts. Customer is the key undoubtedly but in this entire thing, we must not forget that the stakeholder is for us, the key to the entire story.

### **WHAT BENEFITS HAS YOUR COMPANY SEEN AS A DIRECT RESULT OF HAVING THIS STRATEGIC SUPPLIER RELATIONSHIP?**

Take, for instance, we have 4 foundries. Between the 4 foundries, we probably have about 20 electric furnaces, big, small, large, etc. Now when we choose to start with one supplier who gave us good quality, met our requirements in terms of pricing, numbers, delivery time, and in terms of support, we establish a relationship with the company.

They gave us everything we wanted for which we had multiple choices. Among the multiple choices, this company came forward and met more than our requirements. What's the reward point for the term? The reward point for the term is as we expanded, we gave them the first right of refusal. End of the term we said, here's an opportunity and they grabbed it with all four hands and said okay, we'll take this up. So over a period of time, we established that they got the business. We were able to gain benefits of economy of scale, that we gave the order to the same company and you have to realize that once you have these many sets of automatically serviced spare parts, maintenance becomes easier unlike if I had at the end of the term sat the X, the Y the Z. So four varieties of furnaces in our company and once when one company goes down then none of us knows who to approach and how to approach because each furnace behaves and acts differently. So this is the same with capital equipment or this is the same with people who supply us raw material. Progressively the same company has become a major success story in supplying sand in India. We've grown but we've made sure that those who stuck by us in the initial period, who gave us a lot of support during our initial difficult period were rewarded with large business as we grew. And I think that's the model that we continue to follow because it helps both the supplier as well as PCL. We both understand each other. So I think because we understood each other very well, there was no conflict and we continued to go forward.

**HOW MANY SUPPLIERS DO YOU HAVE FOR YOUR BUSINESS THAT ARE KEY?**

In capital equipment, I would say about 10 and in raw material, I would say about 15. There are



multiple other suppliers but we would not say that strategically in nature they're our partners. They were people for whom they give business with us which was not consistent. But to buy large for whatever we require in bulk or on a consistent level basis, we look at partners who understand our requirements and partners who are willing to stick through us in thick and thin. They are the most important. We're looking at suppliers who understand markets and are not driven by features. We're a derived demand. That too if you manufacture a car, you'll require a Camshaft but if you don't manufacture a car, you'll not require a Camshaft. If the situation deteriorates for some reason or the other, we expect our suppliers to say "Yeah, we recognize it and you're being very helpful and supportive. We also recognize that these are difficult times and we'll be with you in these times".

**WHAT DO YOU THINK WOULD BE THE KEY BUSINESS MESSAGES THAT YOU WOULD WANT TO PROMOTE WITHIN THIS FEATURE?**

I think the message is that we're an auto component supplier. Obviously, as I said all of us are derived demand. We're not individual suppliers. I think the key message that I want to give to a lot of people is first of all to diversify your product portfolio. Diversify your customer portfolio. For instance, our Precision Camshafts is not by chance but it is by desire which our pie chart reflects that none of our customers have a share of more than 16 percent globally. If you now look at a typical auto component supplier, it will be broken up into 3. The first would take 16, the second would take 13, the third would take 10 whereas we have approximately 25 customers but nobody takes more than 17 percent. We are spread between Korea, China, South America to

North America. Our customers are spread wide across the globe. Distribution is fairly diverse. Different types of customers need different applications hence we are a diversified product portfolio company but we own companies that do something besides Camshaft. That's what we have learned over a period of time. Let's say our core strength is Camshaft, You need to leverage the core strength that you have and that is why we've acquired companies that do products other than Camshafts. So we also wanted to diversify our product portfolio. I think another message I want to send is very clear. We're a highly balanced and driven organization. Although we're a technical company, we believe that it's important to actually see whether you're making profits or not and that is where I think most companies struggle in the auto component industry. The bottom line is simple. We're an auto component supplier and we are debt-free. That is a reflection of our conservative financial approach which has helped us. I think a conservative financial approach has got such a wide meaning that I can't tell you but to condense it and say, a conservative financial approach is extremely necessary for auto component suppliers. Typically they get highly leveraged. They go in a state of depending on one customer and recklessly invest heavily. One downturn and everything starts falling apart. So I think that's something that most auto components manufacturing units are cognizant of. I think one of the most important things is to ensure that we clearly are a systemic and profitable company. People neglect that a lot. There has to be a system and process for everything and the customers need to see it in that way, to define and develop customs, processes, protocols, and procedures for



everything so that it becomes independent of an individual. This is what the customers want to look at. What's there in that company that ensures that I get my product at the right time, at the right quality, and also at the right price. One of the most important things is why would a customer want to continue giving business to PCL. I think one more message I would like to send which the customer wants to see is that if you develop and make good quality, then 30 percent of the battle has been won. Honestly, the best technology means 50 percent of the battle won. Most important, 40 percent of the battle is won when you can demonstrate to the customers that you have the ability to invest for the future. So what does this even mean? Is the balance sheet strong? Do you have the money? Can you raise money? Let's assume that I'm supplying you with 10,000 Camshafts. Mr. Shah, your company is very good, 1000 Camshafts is fantastic, even the quality level is good, etc. So you got your act together. Within our company, we're thinking of giving you a business of 150,000 Camshafts. See I can't even think about this so the simple reason is the reason why it costs such a lot of investment. So how do you sell it? I've put up 10,000. My challenge is I can stretch it to 50. Can I go to 50? can I go to 100?. That's when you need a strong balance sheet, money, and the ability to raise finances. The customer actually does due diligence of your balance sheet and sees whether you're a partner for the present or whether you're the partner for the present and the future. Most companies don't look for a partner for the present. They say we want this company to be a partner with us for the next 15 years and this company to withstand the growth pressures that would apply.