PRECISION CAMSHAFTS **IPO REVIEW**

ISSUE HIGHLIGHTS:

Issue Opens:	Wednesday, January 27, 2016
Issue Closes:	Friday, January 29, 2016
Price Band:	Rs. 180.00 – Rs.186.00
Bid Lot:	80 Equity Shares & in multiples of 80 thereafter
Face Value:	Rs.10/-
Listing:	BSE & NSE
Issue Size:	Fresh Issue of Rs. 240 Crs + OFS 9,150,000 Equity Shares (Rs. 405 Crs at Lower Band & Rs. 410 at upper band)
Allocation:	QIB: 50%; NIB: 15%; Retail: 35%

OBJECTS OF ISSUE:

1) **Establishment of a machine shop for ductile iron camshafts at the EOU unit; and**
2) **General corporate purposes; and**

Further, Company expects that the listing of the Equity Shares will enhance its visibility and its brand image among its existing and potential customers.

Company Financials:

Particulars	For the year/period ended (in Rs. Million)				
	31-Mar-15	31-Mar-14	31-Mar-13	31-Mar-12	31-Mar-11
Total Liabilities	5,543.60	5,006.37	3,937.51	3,375.43	2,200.04
Total Assets	2,570.81	1,956.24	1,573.19	1,598.51	1,147.44
Total Income	5,249.19	4,718.27	3,655.95	3,114.62	2,772.83
Profit After Tax (PAT)	635.81	141.00	248.65	210.15	176.56

BRIEF COMPANY BACKGROUND:

Solapur-based Precision Camshafts Ltd (PCL) is one of the world’s leading manufacturer and supplier of camshafts, a critical engine component, in the passenger vehicle segment. It supplies over 150 varieties of camshafts for passenger vehicles, tractors, light commercial vehicles and locomotive engine applications from its manufacturing facilities in Solapur, Maharashtra. A majority of its revenue comes from export of camshafts to various OEMs directly and indirectly and has long term relationships with several marquee global OEMs, such as General Motors, Ford Motors, Hyundai, Maruti Suzuki, Tata Motors and Mahindra and Mahindra. It recently won the awards for ‘Best Overall Exporter’ and ‘Best Manufacturer Exporter’ from Dun and Bradstreet India at the Export Credit Guarantee Corporation of India Limited Indian Exporters’ Excellence Awards under the medium exporters category in March 2015.

IN FAVOUR OF THE IPO:

- 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
- Diversification of product range
- Increased focus on value added products viz. fully machined camshafts
- Expansion through inorganic growth
- Increasing geographical penetration and expansion of addressable market
- Growth of the Global Vehicle Industry
- Increasing trend of outsourcing critical valve train components by global OEMs
- Availability of capital for expansion of manufacturing capabilities
- Optimization of Sales Network

CONCERNS:

- Depend on a limited number of customers for significant portions of revenues
- Failure to comply with quality standards may lead to cancellation of existing and future orders
- Inability to successfully diversify product offerings may adversely affect growth and negatively impact profitability
- Exposed to foreign currency exchange rate fluctuations
- Volatility in the supply and pricing of raw materials may have an adverse effect on the business
- Manufacturing process is dependent on a technology driven production system
- Geographical concentration of manufacturing facilities may restrict operations and adversely affect the business and financial condition
- Slowdown in the automotive sector, particularly the passenger vehicle market can adversely impact business
- PCL may be subject to risks associated with product liability, warranty and recalls
- PCL face competition in product line, including from competitors that may have greater financial and marketing resources
- Increases in interest rates may materially impact results of operations

OUR VIEW:

On the upper price band of Rs. 186, based on FY2015 EPS of 7.77, its P/E ratio works out to be 23.37. There are no listed peers in this business segment, hence the comparison of valuation can't be specifically stated.

Precision revenues have grown by 17% CAGR in the last 5 years. It is a virtual monopoly and niche player in business segment it operates. It holds long-term orders form top global auto giants. It also generate healthy margins over 12% in last 18 months. While it is among a preferable IPO for to be bet for short to long period, one should also consider the current volatility of the stock market which can also drag down the listing price of the IPO.

Considering high margin, niche product, strong client relationship, high exposure in the export market, strong management and inorganic growth opportunities, investors can 'Subscribe' the issue from a long term perspective.