

talbro's Automotive Components Ltd

Investor Presentation
September 2015



Safe Harbour

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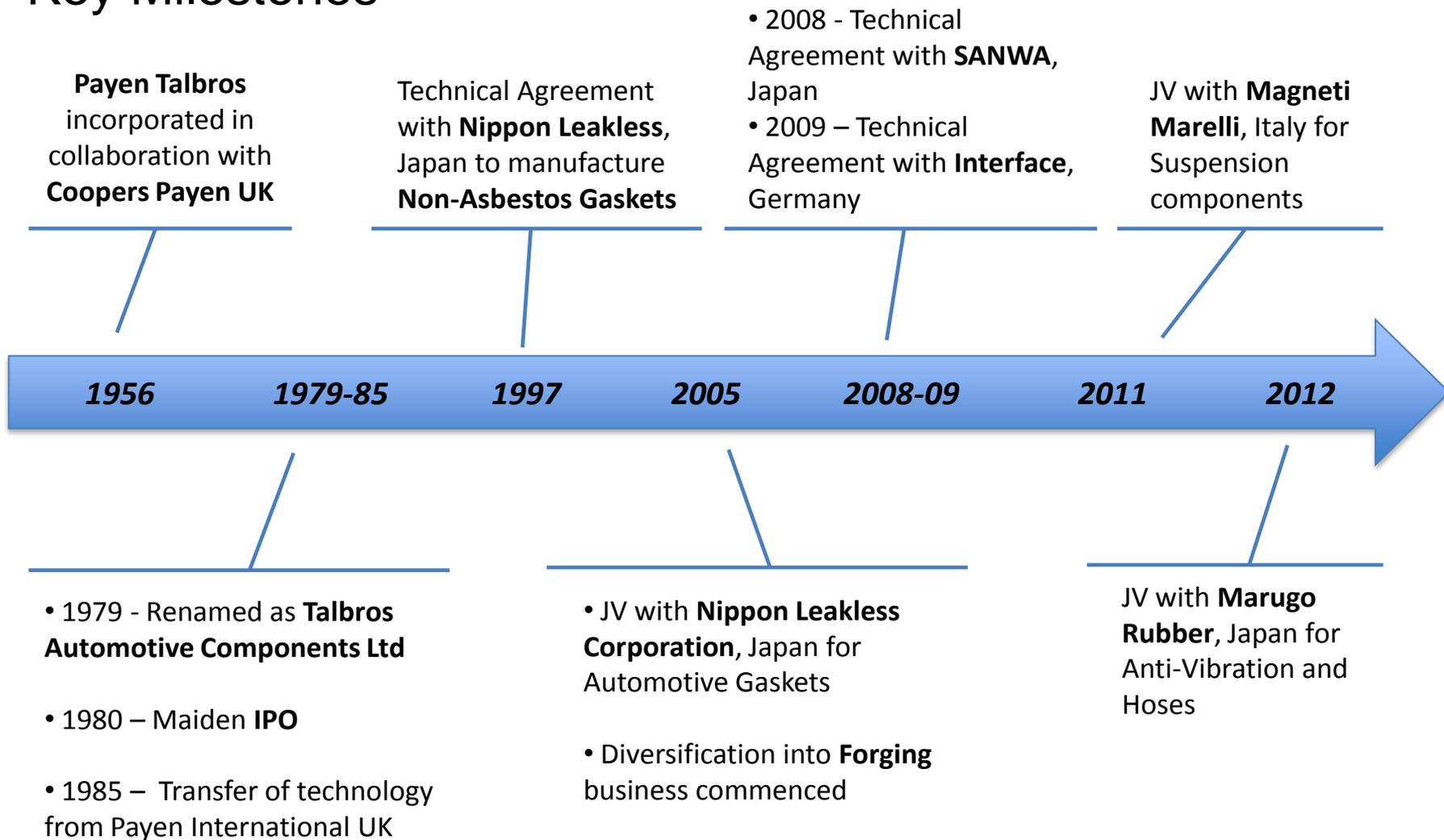
- **Corporate Overview**
- Diversification – Products , Customers & Markets for Creating Value
- Financials Q1 FY16

Corporate Overview

- Over **6 Decades** of experience in Auto Component manufacturing
- Promoted by **Talwar Family** with **53.9%** holding lead by Mr. Naresh Talwar and Mr. Umesh Talwar
- Diversified Auto Component player with presence *across **Two Wheelers, Passenger, Commercial Vehicles and Farm Equipments***
- Wide client base, **~40% revenue from top 5 clients**
- Businesses across **OEMs, Exports and After Market**
- **Four International Technology Tie-ups** including 3 JVs for Best in Class Products
- Diversified Portfolio - **Gaskets, Forgings, Suspension Systems, Anti-vibration Products & Hoses**
- Consistent **Dividend Payout over 50 years**

One of the Most Hedged Auto Component Player

Key Milestones



The Leadership Team



Mr. Naresh Talwar

Chairman



Mr. Umesh Talwar

Vice Chairman & MD

Steering Committee



Mr. Vidur Talwar

Director



Mr. Varun Talwar

JMD



Mr. Anuj Talwar

Executive Director



Mr. Navin Juneja

Director & Group CFO

Executive Management

Mr. Manvinder Singh Ajmani

CFO

With experience spanning across M/s. HEG, International Tractors, Jindal Sour Ltd, Eicher Motors Ltd to name a few he has a total of 27 years of financial experience

Mrs. Seema Narang

Company Secretary

She has over 22 years of experience in the secretarial department and has worked with Whirlpool of India and Aksh Optifibre Ltd

Mr. Suryanaryan T. Hebbar

President – Gaskets Division

He has over 20 years of experience in the Auto Components sector with JBM Auto, Rangsons Electronics, TVS motors, TACO, Visteon and DELPHI

Mr. Sarvesh Kumar Vijay

President – Forging Division

He is a graduate in Mechanical Engineering, Post Graduate in Management Science and CFA from ICFAI and has worked with Kalyani Forge, Bajaj Motors, Amtek Auto, Kinetic Engineering

Mr. Koji Homma

Managing Director – Nippon Leakless Talbros Pvt. Ltd

He holds a Bachelors of Engineering degree from Tokyo and has spent over 30 years with Nippon Leakless holding various posts

Mr. Ashish Gupta

CEO – Magneti Marelli Talbros Pvt. Ltd

He holds a BE degree and has over 24 years of experience with manufacturing companies in India, Europe & CIS

Mr. Yoshiaki Yunoki

Managing Director – Talbros Marugo Rubber Pvt. Ltd

He is a science graduate from University of Tokyo and has spent 32 years with Marugo Rubber holding various posts

Business Overview

Consolidated Revenue Contribution FY15

Products

Gaskets



62%

Multi Layer Steel, Rubber Molded, Exhaust Manifold, Edge Molded, Cylinder head, Heat Shield

Forging



18%

Housing & Yoke Shafts, King Pins, Gear Blanks

Nippon Leakless Talbros



10%*

Automotive Gaskets for Honda and other Japanese OEMs

Magneti Marelli Talbros Chassis Systems



8%*

Suspension Systems: Control Arms, Knuckles, Front Axle and Rear Axle

Talbros Marugo Rubber



2%*

Anti – Vibration parts such as : Bushes, Exhaust Hanger, Dust Cover, Hoses

Standalone

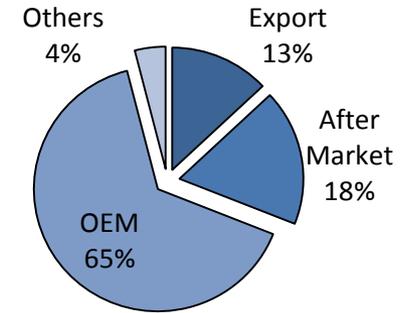
* Talbros share in JV

Above data excludes other non operating income

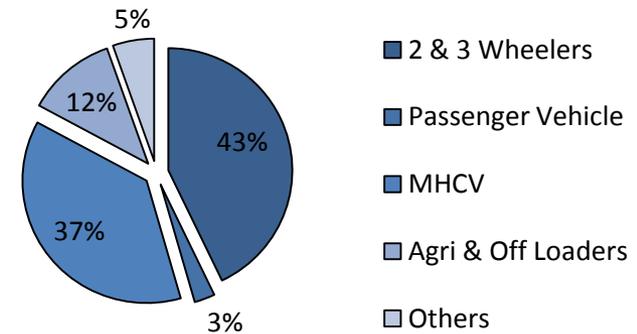
Gaskets

- In – House tool design and manufacturing
- **38%** Market share in Gaskets **3x** the nearest competitor
- **Market Leader** in – Two Wheeler, Agri & Off Loaders, HCV & LCV segment
- **Tier I OE supplier** for **12** of our customers
- **Single Source Supplier** for **5** of our customers
- **100% Asbestos Free player**
- Export orders from Cummins, Daimler, Volvo and Harley Davidson
- Introduced dedicated **Heat Shield line**: critical for heat, sound and vibration insulation
- Q1FY16 Revenues at Rs 58.8 Crores

FY15 Revenue Rs 244 Crores



FY15 OEM Breakup



Multi Layer Steel



Rubber Molded



Heat Shield



Exhaust Manifold



Edge Molded



Cylinder Head



Forging

- One stop solution for **Hot Forging** (750 to 1,600 Ton Press)
- In-House tool design and manufacturing
- Strong presence in **Overseas Market** & Supplier to **top Tier I** companies
- Capability to handle raw material grade across Carbon Steel, Alloy Steel, Stainless Steel
- **One Stop Solution** for Die Design, Machine parts and Heat treatment (Normalizing and Carbohydriding)
- Introduced Crown Wheels
- Added new customers Ognibene and American Axle to diversify its geographic risk.
- Q1FY16 Revenues at Rs 17.6 Crores

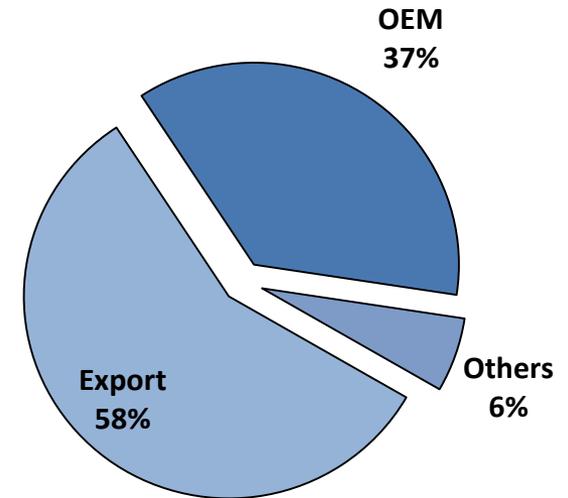
King Pins



Gear Blanks



FY15 Revenue Rs 70 Crores



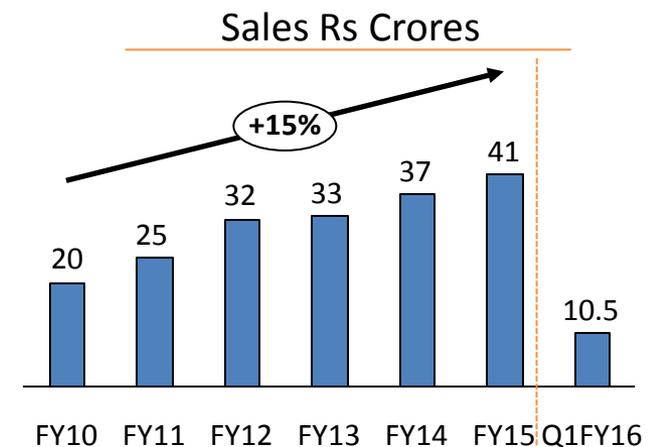
Housing and Yoke Shafts



Nippon Leakless Talbros Pvt. Ltd

- **Nippon Leakless Corporation, Japan**
 - With annual sales of **\$200+** million Nippon Leakless is one of the largest global manufacturers of gaskets for automotive, motorcycle, power equipment, industrial and a major **Honda** supplier
 - Established in 2005 with 40% Talbros Share
- Non- asbestos Automotive Gaskets for **Honda** and other Japan OEMs
- 100% Sales to OEMs:
 - Hero Motor Corp, HMSI, India Yamaha, Honda Car India, Maruti Suzuki, Honda Siel Power Products

日本リークレス工業株式会社
NIPPON LEAKLESS CORPORATION



* Talbros share in JV

Magneti Marelli Talbros Chassis Systems Pvt. Ltd

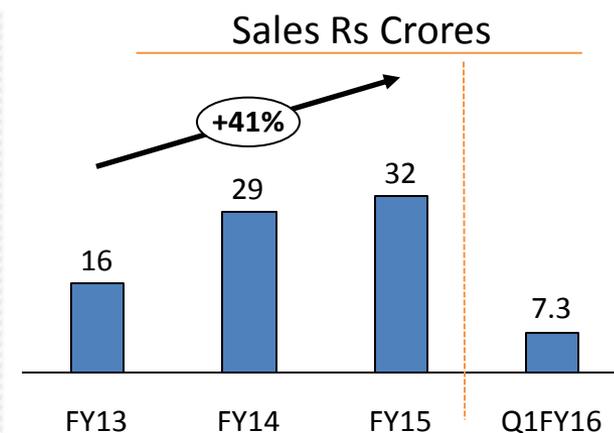
➤ Magneti Marelli S.P.A, Milano

- A Fiat Group company, **Magneti Marelli** has a annual revenue of € 6 Billion. Suspension business line generate over € 470 Million revenue worldwide with advanced light weight technologies having diverse customer base
- 50:50 partnership began in 2011, production commenced in April 2012
- The JV has the capability for design and development for complete chassis for OEM

➤ **Suspension Systems** for Passenger Vehicles and Pick ups: Control Arms, Knuckles, Front Axle and Rear Axle

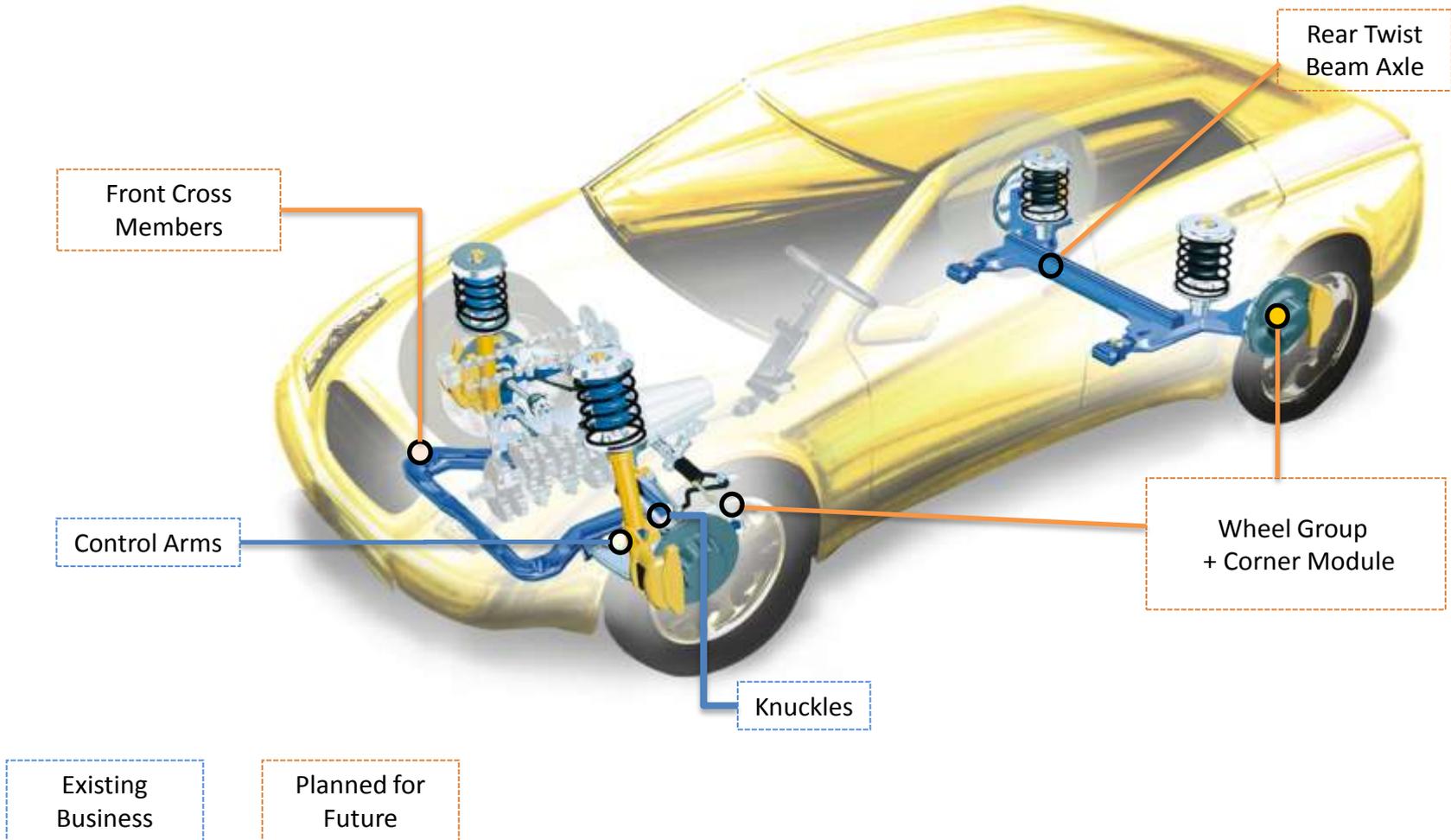
➤ 100% Sales to OEMs:

- Bajaj Auto, Mahindra & Mahindra, Maruti Suzuki India, Tata Motors
- Significant share of Control Arms business from Maruti



* Talbros share in JV

Scope of Chassis Systems



Talbros Marugo Rubber Pvt. Ltd.

- **Marugo Rubber Industries, Japan**
 - Marugo Rubber a **\$300 Million** company, global leader in supply of anti-vibration product and hoses to OEMs.
 - 50:50 partnership began 2012, production commenced in February 2013
 - The JV has the capability to provide technical know-how for Design, Development & Validation for OEM

- **Anti Vibration Products & Hoses:** Engine Mounts, Strut Mounts, Mufflers & Hangers, Suspension Bushes, Rubber Bushes, Hoses

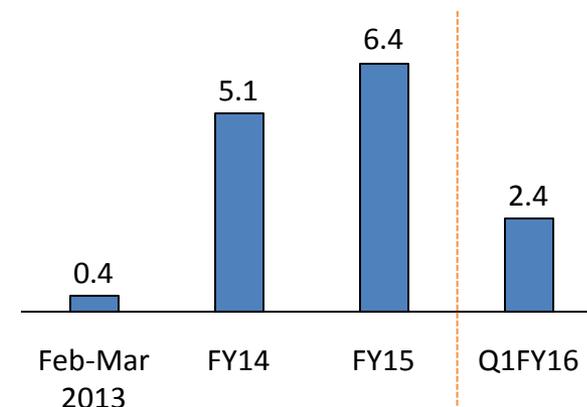
- Commissioned Hose Plant in FY15

- 100% Sales to OEMs:
 - Maruti Suzuki, QH Talbros, Endurance Technologies, Rane (Madras) Ltd, Escort India, TATA

⑤ Marugo Rubber Industries, Ltd.

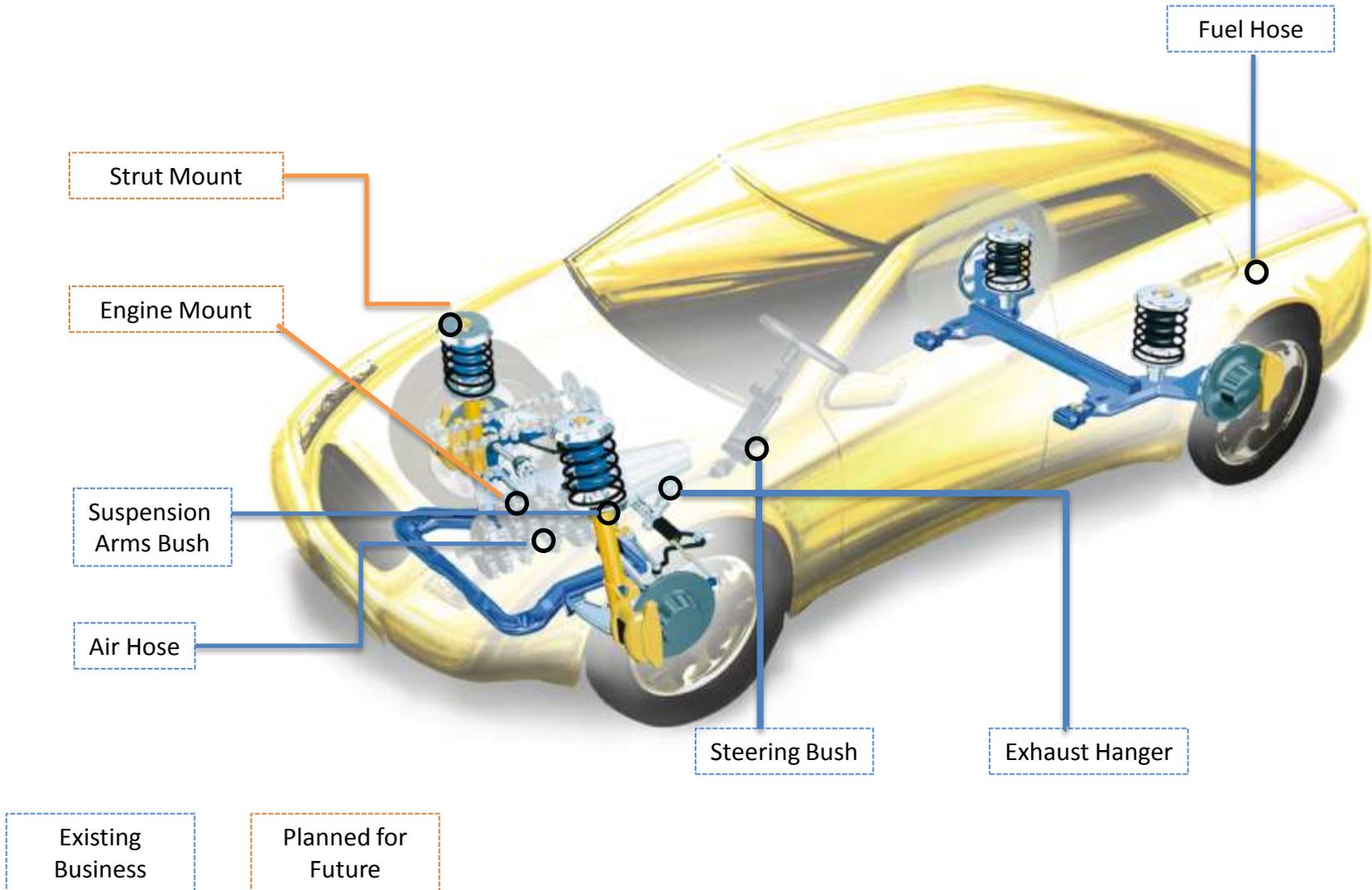


Sales Rs Crores



* Talbros share in JV

Scope of Anti-Vibration & Hoses



Technical Licensing Agreements

SANWA Packaging Co. Ltd, Japan

- Year 2009 : Technical Collaboration for Heat Shields used in automotive applications
- Year 2011 : Technical Collaboration for Post coating technology for Multi Layer Steel Gaskets

Diversified Customer - OEM

2 Wheeler

Passenger

HCV/LCV

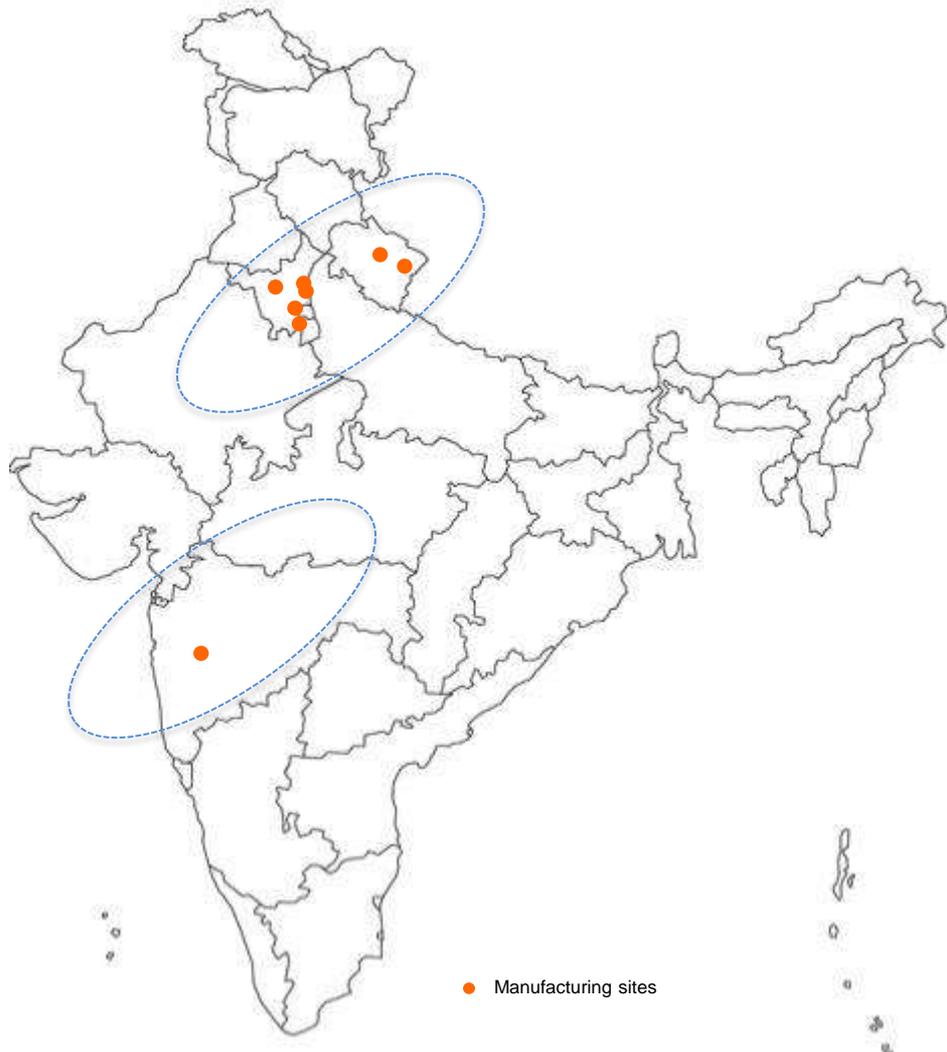
Agri & Off
Loader

Exports



Hedged customer base, 40 % revenue from top 5 customers

Strategic Manufacturing Locations

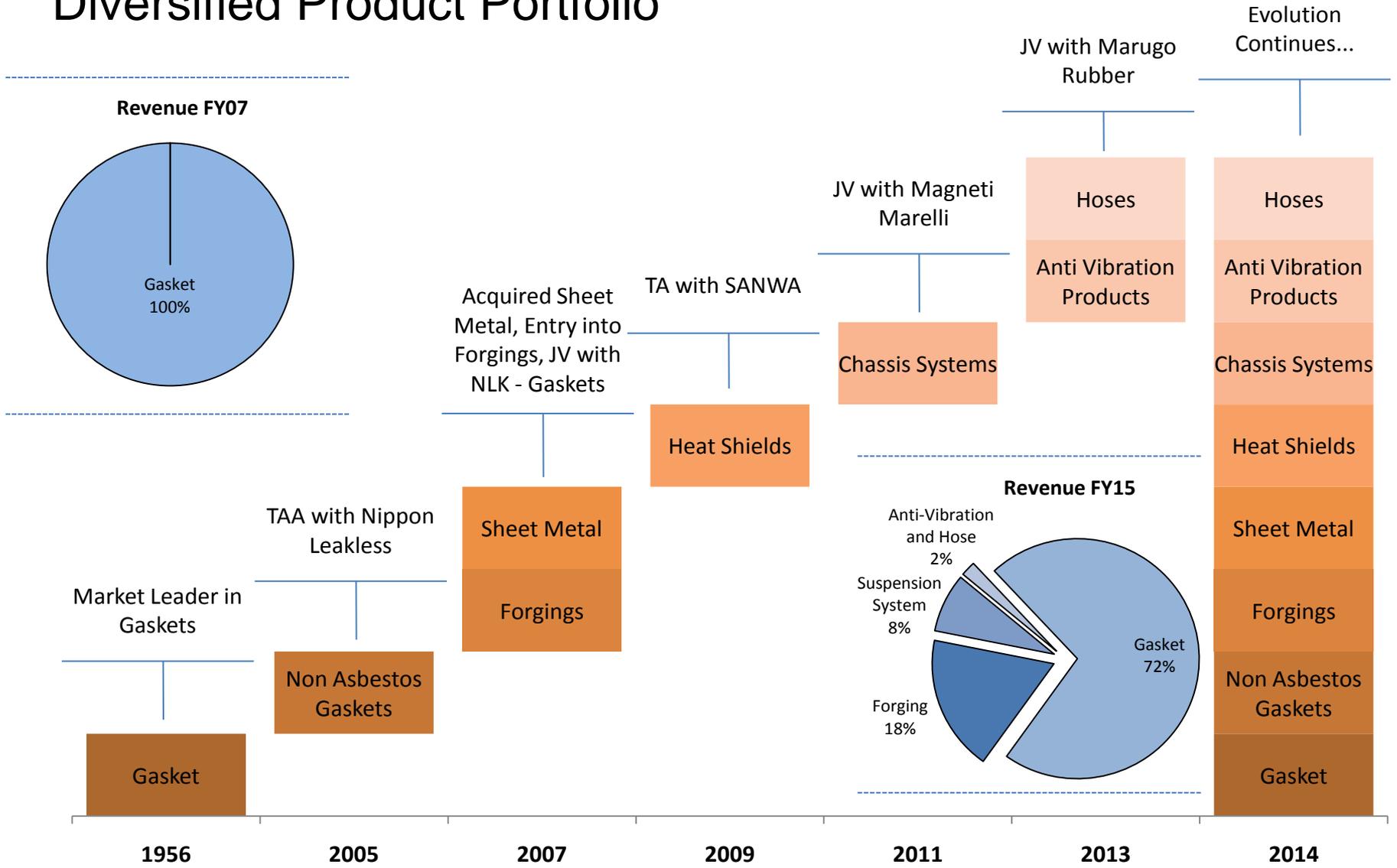


Plant	Location
Gasket	Faridabad – Haryana (2 plants) Pune – Maharashtra Sitarganj – Uttarakhand
Forging	Bawal – Haryana
Nippon Leakless Talbro	Bawal – Haryana Haridwar – Uttarakhand
Talbro Marugo Rubber	Manesar – Gurgaon
Magneti Marelli Talbro	Faridabad - Haryana
Material Division	Sohna – Gurgaon
R&D Centres	Faridabad – Haryana

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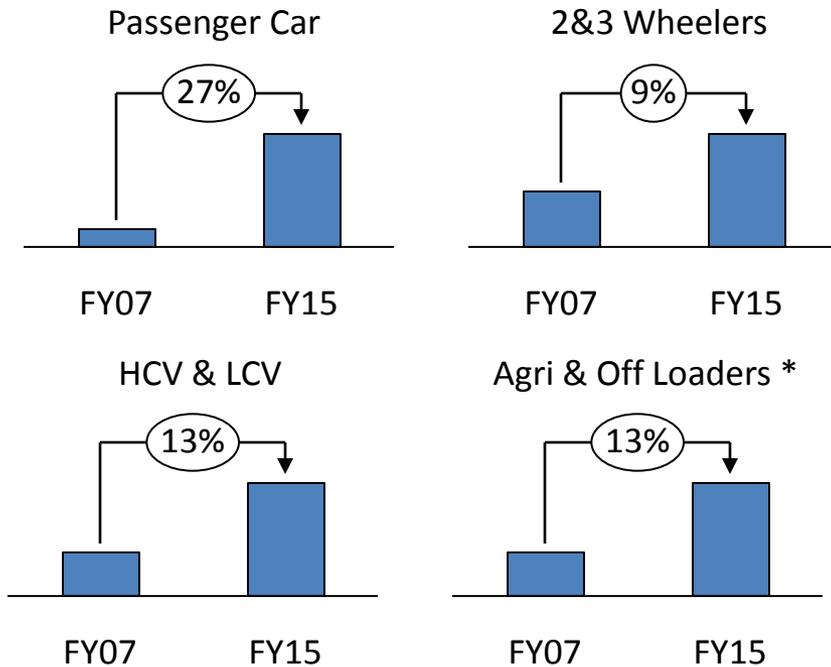
- Corporate Overview
- Diversification – Products , Customers & Markets for Creating Value
- Financials Q1 FY16

Diversified Product Portfolio

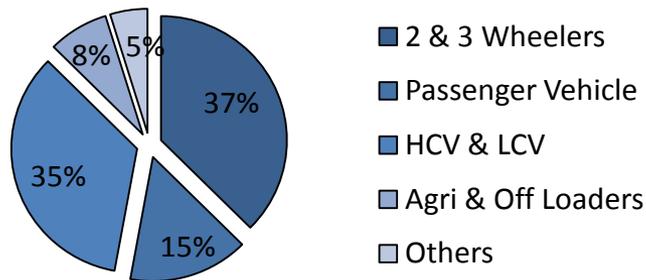


Diversified End Users

Domestic Sales CAGR



Domestic Sales Break up FY15



- JV with **Nippon Leakless**
 - Captured the emerging demand in Two – Wheelers in India
 - 90%+ Two Wheeler market covered (Together with TACL and JV)
- JV with **Magneti Marelli**
 - From being “Build to Print” Stamping company to “Design & manufacture” all chassis components for passenger car segment
- JV with **Marugo Rubber**
 - Helped **Maruti** to localise production and gained business in passenger vehicles
- Technical agreements
 - **SANWA**: Heat Shield technology for automotive applications

* Category reclassified

Diversified Markets

➤ Gaskets :

▪ Going Asbestos Free...

- Achieved 100% Asbestos free gasket production in FY14

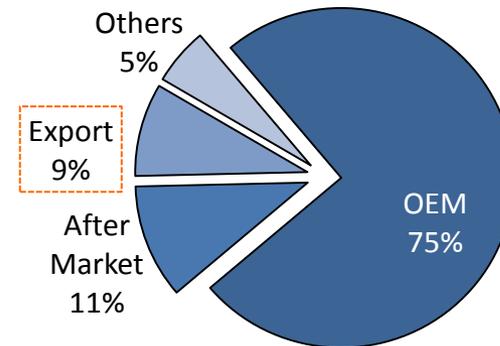
▪ International Contracts

- Export contracts with major international OEMs in the pipeline
- Gasket exports growing at a 10% CAGR since FY07

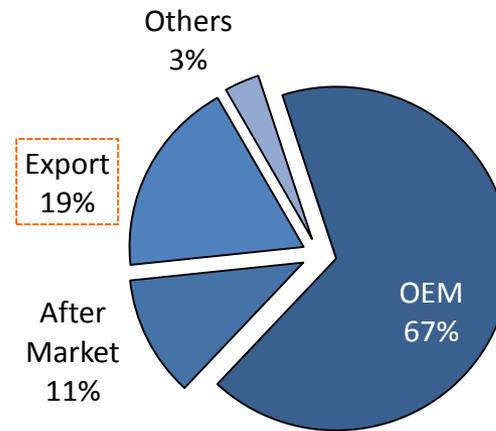
➤ Forging :

- Direct Export to Agri-major Tier-1 companies DANA Corp and Carraro increasing, end users being John Deere and Caterpillar
- Forging exports grew by 36% CAGR since FY10
- Next leg of Exports from Gulf region over the next 2-3 years

FY07



FY15



Evolving Product Portfolio

Tie-Ups	Products	To be launched by
Talbros Automotive Components	Post Coating MLS Gaskets	FY16-17
	Industrial Gaskets	FY16-17
Magneti Marelli Talbros Chassis Systems	Semi-Corner Axle Assembly	FY 16-17
Talbros Marugo Rubber	Engine Mounts	FY 16-17

Optimising Diversified Portfolio

Group Company QH Talbros has TA (Technical Assistance) with **MUSASHI, JAPAN** for Ball Joint Assly.

Talbros Marugo Rubber (50:50 JV) has design and manufacturing capability for Suspension Bushing

MUSASHI

Marugo Rubber Industries, Ltd.

Magneti Marelli Talbros has design and manufacturing capability for Chassis Systems

Unique combination for single point sourcing of Suspension Arm Assembly

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- Talbros – Corporate Overview
- Diversification – Products , Customers & Markets for Creating Value
- **Financials – Q1 FY16**

Automotive Market Scenario Q1 FY16

- Overall the Auto Sector grew only by 2.42 % in Q1 FY 2015-16
- Commercial Vehicle
 - The LCV segment de-grew by 3.22% inspite of robust Export growth of 28.42%
 - The CV segment as a whole grew by 6.19%
- Passenger Vehicles Sales increased by 5.16%
 - Passenger Cars grew by 6.89% while MUV & Van segment sales were stagnant
- Two-wheeler segment sales increased by a modest 1.36% largely on account Export growth of 6.15%
 - Two-wheeler growth is largely driven by Scooters Sales growth of 9.4% whereas Motor Cycles Sales declined by 1.3%
- Tractor sales plunged by 16% in Q1 FY 16

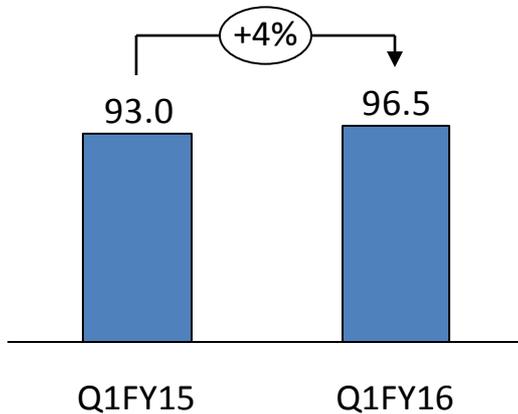
Source: SIAM

Talbros grew ahead of market

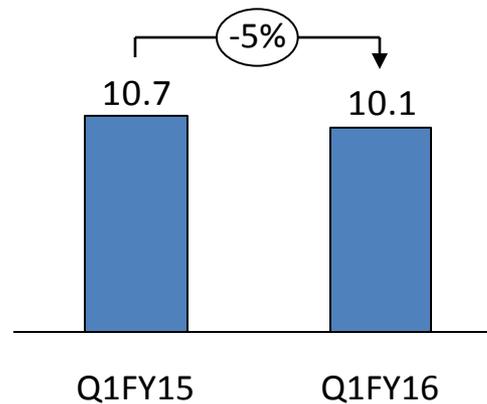
Financial Highlights – Excluding Dividend Income from JV

Rs Crores

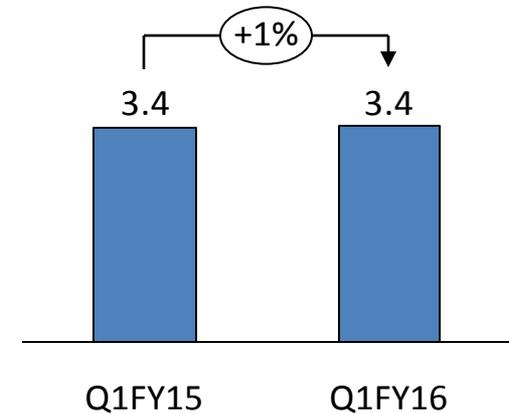
Revenue *
(Like to Like)



EBIDTA
(Like to Like)



PBT
(Like to Like)



- Dividend Received from Nippon Leakless Talbros Joint Venture of Rs 72 lacs in Q1 FY15; delayed in the current quarter

* Revenue includes other Income

Q1 FY16 Highlights

- Dividend Received from Nippon Leakless Talbros Joint Venture of Rs 72 lacs in Q1 FY15; delayed in the current quarter
- Revenue of Rs 96.5 Crores; Growth of 3% led by
 - Slowdown in 2 wheeler and LCV segments
 - Change in product mix towards OEM
 - Excluding the dividend impact; Revenue grew by 4%
- EBIDTA of Rs 10.1 Crores; de-grew by 11%
 - Excluding the dividend impact; EBIDTA de-grew by 5%
- EBIDTA Margin was at 10.5% against 12.2% in Q1 FY15 due to
 - Higher OEM sales in Gaskets and higher share of domestic sales in Forging
- PBT of Rs 3.4 Crores against Rs 4.1 Crores in Q1 FY15
 - Excluding the dividend impact; PBT grew by 1%
- PAT of Rs 2.2 Crores against Rs 2.9 Crores in Q1 FY15

Segmental Performance

Gaskets Division:

- Revenue growth was in line with the industry growth
- Added new product Heat Shield to boost our product offerings and enrich portfolio of sealing products
- Installation of Heat-Shield line is under progress with the guidance of our TA partner SANWA Packaging
- Ongoing efforts to make Sitarganj plant independent by enhancing the capacity to provide thrust to Aftermarket supplies

Forgings Division:

- Sales/Margins impacted due to the slowdown in Europe and weakening Euro
- Steel price corrections to benefit from Aug'15

Joint Venture Performance

Nippon Leakless Talbros (LTL) :

- Consistent performance in line with Industry Growth

Magneti Marelli Talbros Chassis Systems (MMT) :

- Won Order from MSIL for its new Crossover SUV - S-Cross

Talbros Marugo Rubber (TMR):

- Started Supply to Maruti Suzuki India Ltd of
 - Intercooler Hoses – Celerio
 - Muffler Hanger – Swift Dzire, Celerio ,Ciaz ,Ritz
 - Suspension bush— Model – S-Cross
- Won Orders for supply of new components like Air Intake Hose & Stabilizer Bush for Isuzu
- Anti-vibration segment achieved profit in Q1 FY16
- Hoses project to start commercial production soon

Consolidated P & L Statement

Rs. Cr	Q1FY16	Q1FY15	YoY %	Q4FY15	QoQ %	FY15
Revenue	95.9	92.3	4%	97.6	-1%	388.8
Other Income	0.6	1.4**	-74%	5.5	-93%	9.6
Total Income from Operations	96.5	93.7	3%	103.1	-6%	398.4
Raw Material	54.5	50.2	9%	52.9	3%	215.5
Employee Cost	13.2	12.2	9%	13.6	-3%	49.5
Other Expenses	18.6	19.9	-7%	23.0	-19%	83.7
EBITDA	10.1	11.4	-11%	13.6	-25%	49.7
EBITDA Margin	10.51%	12.18%		13.19%		12.48%
Interest	4.5	4.6	-1%	5.1	-12%	18.7
Depreciation	2.2	2.7	-18%	1.9	16%	10.0
PBT (Before Exceptional Items)	3.4	4.1	-17%	6.6	-48%	21.1
Exceptional Item *	0.0	0.0		-1.9		-1.9
Tax	1.2	1.2	-3%	0.5	161%	5.1
PAT	2.2	2.9	-23%	4.3	-48%	14.1
PAT Excl Exceptions	2.2	2.9	-23%	5.5	-59%	15.4
PAT Excl Exceptions Margin %	2.31%	3.11%		5.34		3.86%

*Q4FY15 Expense towards payment of terminal benefit to the erstwhile employees of the closed Chennai Plant

** Includes dividend received from Nippon Leakless Talbros JV of Rs 72 lacs

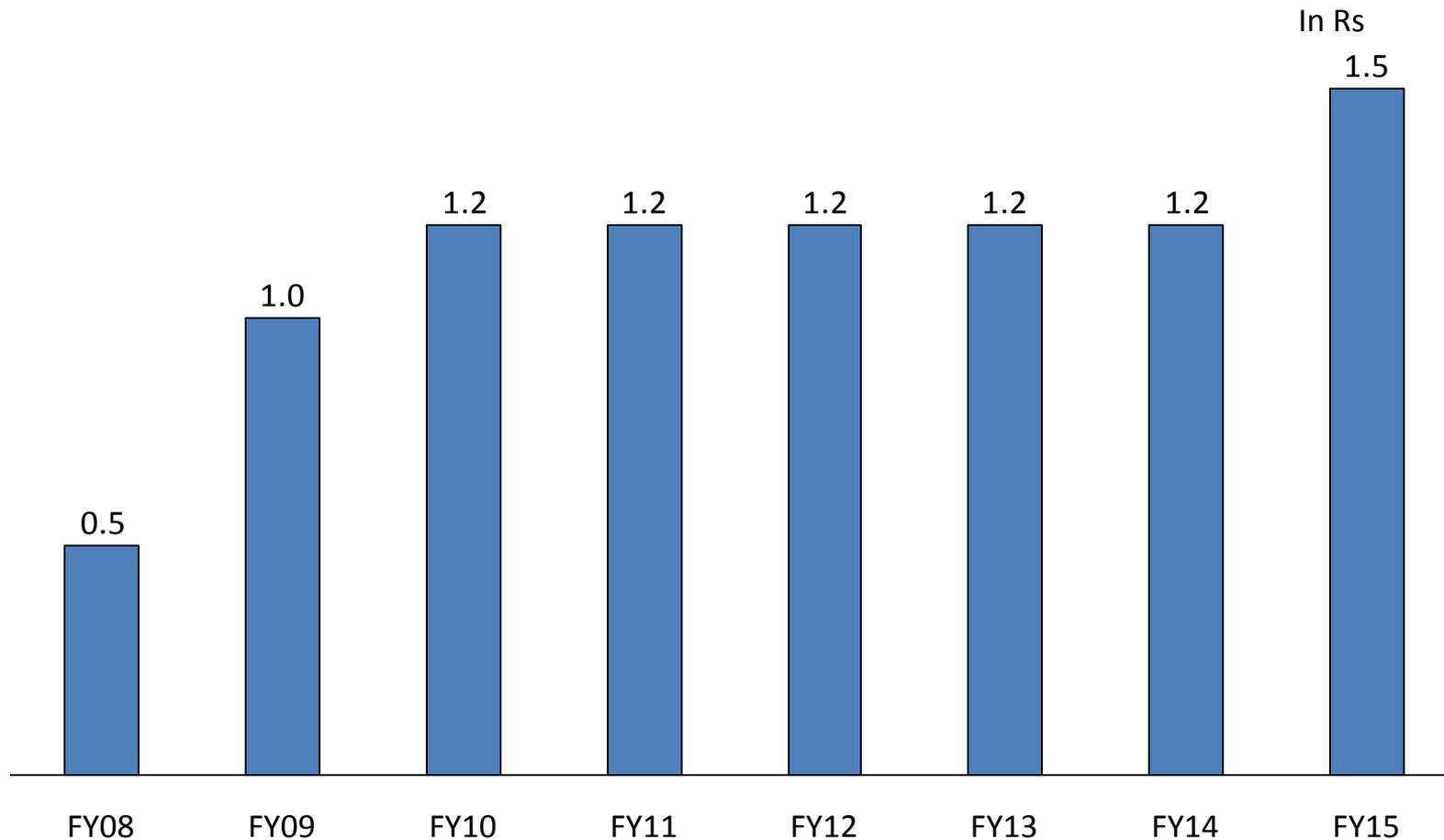
Consolidated Balance Sheet

Rs. Cr	Mar15	Mar14
Shareholders Fund	127.1	119.3
Share Capital	12.3	12.3
Reserves & Surplus	114.8	106.9
Total Non Current Liabilities	40.8	40.8
Long Term Borrowings	31.8	30.9
Other Long Term Liabilities	9.0	9.8
Total Current Liabilities	215.6	186.0
Short Term Borrowings	85.1	77.2
Trade Payables	92.4	74.9
Other Current Liabilities	38.2	33.8
TOTAL EQUITY & LIABILITIES	383.6	346.0

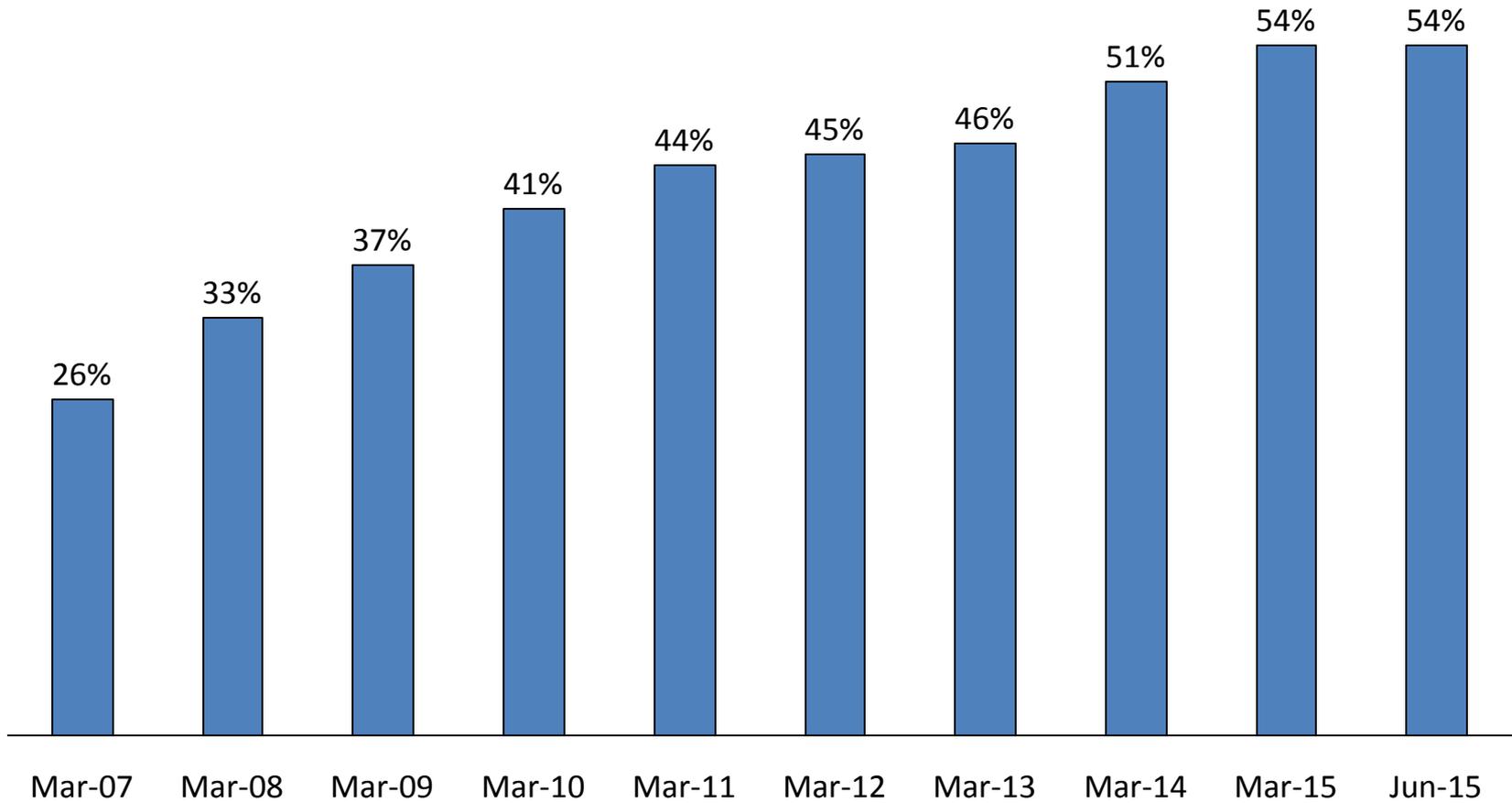
Rs. Cr	Mar15	Mar 14
Total Non Current Assets	142.4	134.1
Fixed Assets	123.4	118.2
Long Term loans & Advances	12.7	11.4
Other Non Current Assets	6.2	4.5
Total Current Assets	241.2	211.9
Inventories *	127.6	106.8
Trade Receivables	73.8	69.7
Cash & Cash Equivalents	10.2	8.0
Short Term loans & Advances	28.7	26.4
Other Current Assets	1.0	0.9
TOTAL ASSETS	383.6	346.0

* Inventories include: Goods in Transit of Rs 9 Crs in FY15 and Rs 7.3 Crs in FY14
Tools of Rs 16.2 Crs in FY15 and Rs 16.2 Crs in FY14

Consistently paying Dividend for the last 50 years



Promoter Shareholding



For further information, please contact:

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