



“Talbro's Automotive Components Limited Q2 & H1 FY2023 Earnings Conference Call”

November 14, 2022

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Moderator: Ladies and gentlemen, good day and welcome to Talbro's Automotive Components Limited Q2 & H1 FY2023 Earnings Conference Call. This conference call may contain forward looking statements about the company which are based on the beliefs, opinions, and expectations of the company as on date of this call. These statements are not the guarantees of future performance and involve risks and uncertainties that are difficult to predict.

As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call please signal an operator by pressing "*" then "0" on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Anuj Talwar, Joint Managing Director of Talbro's Automotive Components Limited. Thank you and over to you Sir!

Anuj Talwar: Thank you so much. Very good afternoon everyone and a very warm welcome to our Q2 & H1 FY2023 earnings call. I hope you all are staying safe and healthy. On the call today, I am joined by Mr. Navin Juneja, our Director on the Board and our Group CFO, SGA, our IR Advisors.

The results and the presentation are uploaded on the stock exchange and the company website. Happy to announce that the company has delivered a highest ever quarterly sales of 162 Crores for the quarter, it is the highest ever that we have achieved in these uncertain times.

Let me begin with the industry and the economy overview. The auto and the auto component space is progressing well and is in a high-growth trajectory with demand coming in from all segments, although commercial vehicle is yet to pick up but what we hear from the industry leader and the pioneers this will start picking up November, December, January, February, March onwards. Passenger vehicles as you know is going through a boom of an all time.

The current festive season ended up being the best of business in the previous 4 years as the Federation of Automobile Dealers Association reported that October's retail sales of automobiles in India increased by 48% on a yearly basis. All vehicle categories including passenger vehicles, commercial vehicles, two-wheelers, tractors, three-wheelers outperformed the same time last year. As I mentioned to you, commercial vehicle is picking up. We are seeing a lot of spend by the government and private sector in Capex. A lot of highway has been built in the country, a lot of warehouses are being built. We have seen a lot of airports built in Tier 2, Tier 3 cities, small hotels are being built. So for this, this sector is very important and this will come through good very soon. The passenger vehicle



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segment recorded highest ever half yearly sales on the back of a robust demand and improvement in supply of semiconductors.

On the raw material front, now the prices of metals such as steel and aluminum softened, energy and crude cost continue to remain elevated. At Talbro's, we do import a lot of materials from the US, and Europe and have been hit and dented slightly by these raw material prices but we are working with our customers about the price increases, and this Navin Juneja can explain to you or I can in the Q&A section.

The company delivered its highest ever quarterly sales of 162 Crores for the quarter, a growth of 12% Y-o-Y. Our EBITDA increased by 8% to 22 Crores and PAT increased at 18% Y-o-Y to Rs.13 Crores. For H1 FY2023 our topline grew by 11%, EBITDA grew by 9% and our PAT grew by 18%. We are continuously looking to increase our share with existing customers and added new customers across geographies that will help us grow and gain market share in the coming years.

As you all may know, our export continue to be around 24% to 25% of our turnover and our endeavor is in the next 2 to 3 years, get this up to least 28%, and believe in me we are getting a lot of requirements and inquiries from markets such as USA, not only the existing customers, but we also added new customers such as off-highway, construction which is working in our favour. We had mentioned that during the first quarter, the company have received a multiyear order worth 400 Crores for domestic and overseas customers across all division and various segments.

In Q2 FY2023, the company has begun implementation of these orders. We have begun trials and our customer is very happy with the quality of the product. As mentioned earlier, the products such as Heat shield , which is a new technology and also product such as control arms through our Marelli joint venture, which is going into electric vehicles of Tata Motors and on the entire order book of about 400 Crores, about 18% will be directly into the EV space. We are also looking, as I mentioned to you earlier, looking at getting some more orders in the exports, sales in a different category, which is the lawn mower space, the marine application, some industrial applications, offload construction equipment as well as direct entry to domestic elective vehicle space, which we will notify you in the coming quarters once we have closed on.

Our subsidiaries, our joint ventures have done extremely well mainly due to the fact that we are associated with the PV space, and they have really been growing at double digits. During H1 FY2023 of our domestic sales 25% was contributed by two and three-wheelers, 33% was by the PV segment, 24% by commercial vehicles, 9% by agriculture and off loaders and the balance of 10% was by others. As mentioned to you earlier, exports



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contributed 25% of our income from operations. 17% of the gaskets revenue was in exports, which used to be 10% to 12% a few years back and in the forging business 51% came from the exports, although slightly down in the last couple of quarters because of the Europe, semiconductor issues, which will explain to you in the Q&A segment. We have determined to achieve higher operational excellence, enhanced product quality, increased customer base and have a wider geographical presence. With this, I request Mr. Juneja, our CFO, to update you on the financial performance. Thank you.

Navin Juneja:

Thank you, Anuj. Good afternoon, and a warm welcome to all the participants. Let me begin with the financial overview. Our total revenue for Q2 FY2023 stood at 162.2 Crores as against 145.7 Crores, a growth of 11% on Y-o-Y basis. For H1 FY2023, our revenue stood at 316.9 Crores as against 284.5 Crores, a growth of 11% on Y-o-Y basis.

EBITDA for Q2 FY2023 stood at 22.1 Crores as against 20.4 Crores, a growth of 8% on Y-o-Y basis, and for H1 of FY2023, EBITDA stood at 42.9 Crores, as against 39.5 Crores, a growth of 9% on Y-o-Y basis. EBITDA margin for Q1 of FY2023 stood at 13.6% and for H1 FY2023 stood at 13.5%. PAT for Q2 of FY2023 stood at 13.1 Crores as against 11.1 Crores, a growth of 17% on Y-o-Y basis, and for H1 of FY2023, PAT stood at 25 Crores as against 21.1 Crores, a growth of 18% on Y-o-Y basis.

ROCE and ROE for H1 of 2023 stood at 14.6% and 15.1%, respectively. In the gasket division including Nippon Leakless Talbro's for Q2 of FY2023, our standalone gasket sales was 107 Crores as against 91 Crores in Q2 FY2022, a growth of 18%. Total revenue of Nippon Leakless was 25 Crores in Q2 of FY2023 as compared to 23 Crores in Q2 of FY2022, a growth of 11%. For H1 of FY2023, our standalone gasket sale was 213 Crores as against 179 Crores in H1 of FY2022, a growth of 19%. Total revenue of Nippon Leakless was 47 Crores in H1 of 2023 as compared to 36 Crores in H1 FY2022, a growth of 32%. This segment saw a combined EBITDA of 20.3 Crores in Q2 of FY2023 versus 18 Crores in Q2 of FY2022, a growth of 13%, and for H1 of FY2023, this segment saw a combined EBITDA of 38.9 Crores as against 32.2 Crores, a growth of 21%.

Now coming to our forging division. Revenue of forging division in Q2 of FY2023 degrew by 1%. It is more or less flat at 54.7 Crores as against 55 Crores. In Q2 of FY2022, and H1 of FY2023, the revenue degrew by 3% to 102.9 Crores as against 106.2 Crores in H1 of FY2022. EBITDA for Q2 of FY2023, degrew by 5% to 7.5 Crores as against 7.9 Crores in Q2 of FY2022. In H1 of FY2023, EBITDA degrew by 9% to Rs.14.1 Crores as against 15.6 Crores in H1 of FY2022.

For Marelli Talbro's Chassis Systems Private Limited, revenue for Q2 of FY2023 stood at 55 Crores versus 40 Crores in Q2 of FY2022 registering a growth of 36% on Y-o-Y basis.



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For H1 of FY2023, revenue stood at 100 Crores versus 72 Crores, a growth of 38% on a Y-o-Y basis. For our last joint venture Talbro's Marugo Private Limited, revenues stood at 20 Crores in Q2 of FY2023 versus 12 Crores in Q2 of FY2022, registering a growth of 58% on Y-o-Y basis. For H1 of FY2023, revenue stood at 36 Crores as against 25 Crores, a growth of 47% on Y-o-Y basis. We are confident towards achieving growth throughout the year and we believe that margins are sustainable and there is a scope of improvement in that also. This is all from our side, and I will now like to open the floor to question and answers. Thank you.

Moderator: Thank you very much. We will now begin the question and answer session. The first question is from the line of Shikha Mehta from Equitree Capital. Please go ahead.

Shikha Mehta: Congratulations on a great set of numbers. I just have a few questions. Sir, could you shed some light on the kind of demand and order book we are seeing for the heat shields currently?

Navin Juneja: Yes, I would like to do that. We are seeing a good demand in heat shields, in fact we are getting very good inquiries. But the offtake has yet to start. Maruti will start this month. Hyundai was delayed and it will start from December. Hyundai offtake and third always are gaining our Maruti, it was supposed to start from December, but they are now launching the vehicle in first week of April 2023, and plus we have closed some good orders from Volvo, export order from Volvo, and we are still in negotiating some other orders from overseas customers and domestic customers. So we are seeing a good offtake. But more clarity will come in next couple of quarters.

Shikha Mehta: Could you help me understand our growth better. So if you could break it up how much has come from new products, how much has come from new customers and how much has come from gaining market share from the same customers?

Navin Juneja: We will show you that by the end of the year we are in the process of preparing that, and we are in the process of rolling some more orders in these coming quarters. So I request you to please wait for till the end of the year we will show you everything there.

Shikha Mehta: Sir, there is a slowdown happening currently in Europe. So are we looking at entering into other geographies. Could you shed some light on that as well?

Navin Juneja: Yes. I think on the slowdown, it was there, it has not been seem to be hit us, and we are getting my customers I can talk about my customer in forging, we are primarily in GK and GLR and they are showing some good offtakes now, even GK has increase their schedules. Because the new customers which we had closed in UK, it is nothing to do with chips, etc.,



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and this is off loader and in fact, we are getting very good demand from them, and there I think we have just been told last week that they have vendors in Europe has closed down. So they are now started lifting the material here. So I can see a good offtake from Europe in the coming quarters.

Shikha Mehta: So to put it bluntly we are not expecting to be impacted very severely.

Navin Juneja: No. In fact, our pie will increase in the coming quarters.

Anuj Talwar: Because you are adding new customers in the same territory.

Navin Juneja: Our new customer is showing very good.

Anuj Talwar: Yes.

Shikha Mehta: And are we adding new countries as well?

Navin Juneja: Not now. Already we are in Europe, US, so exports happen in those countries, I think majorly for us.

Shikha Mehta: And could you also shed some light on the JVs and how they are expected to grow?

Navin Juneja: Yes. Nippon Leakless as you are aware, it will grow the way the two-wheeler industry of Hero and Honda grow, Honda is showing good traction in the first 2 quarters of this year, and Hero have also performed well in the last quarter. Let us see how they do. It will go up in the same way. Marelli is growing at a very phenomenal pace. As you can see, in the 6 months, they have touched a turnover of 100 Crores, and I think the way that they are moving, the way their market share in Tata Motors, the vehicles are growing, the way Maruti is growing. They will grow very fast, but they have closed some orders this year also plus they are on the verge of rolling some major orders, and hopefully, this company will grow at a pace of approximately 40% to 50% per annum for a couple of years, and the last JV of Marugo Rubber if can see now it is growing in a big way and their major customers is Maruti. If it is I think growing in a major plus. They have now added some more hoses business in the Maruti plus antivibration products that we added. So we can see a growth of around 30% to 40% in the JV also going forward.

Shikha Mehta: And sir, lastly, could you help me understand our non-auto space better? Or is it too nascent to discuss that?

Navin Juneja: Anuj will talk about that.



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- Anuj Talwar:** Non-auto is not that large. We do supply to a few customers in Europe ex GE it is called In union that industrial component, and also through our customer called Cummins in the US, we are supplying to few marine applications. We have just right now won an order book with a lawnmower maker in the US as well. But like Navin mentioned you, give us time till the end of the year that is December 31st, we will have a better picture for you in terms of new segments increased market share, new products. So give us time but auto is still a major our major sales comes from auto.
- Shikha Mehta:** Okay great sir that is from my end I will come back in the queue.
- Moderator:** Thank you. The next question is from the line of Faisal Hawa from H.G. Hawa & Co. Please go ahead.
- Faisal Hawa:** Sir, what has been the ROE and ROCE in the recent quarter, September ended, and what is the kind of raw material cost decrease that you are seeing in this quarter steel prices, etc., have been pretty much tepid, and sir, can you give some idea on what revenue as well as profit projections we have for FY2024 given that now Maruti and a lot of OEMs in India are really reviving business and they are having order books of almost 6 to 7 months. So what is the kind of order book that we foresee, and do we foresee any kind of business increase from them?
- Navin Juneja:** Yes, and first question is regard the ratios, ROCE for the first 6 months is 14.6% and ROE is 15.1%, number one. Regarding your second question was, please can you repeat that?
- Faisal Hawa:** My second question was with regards to a lot of OEMs now having like almost 6 to 7 months orders and waiting list also. So how we can predict our revenues for FY2024 and some profit projection if you could give.
- Navin Juneja:** Revenue projection, I just mentioned earlier because my 2 JVs are based on the passenger vehicles. Now passenger vehicles are growing any big way at present, be it Maruti and be it Tata Motors, which are our customers, and 2 JVs are predominantly working on that, basically our Marelli and Marugo Rubber, both are expected to grow at about 30%, 40% next year that I can say. Accordingly, the formula it will also grow.
- Faisal Hawa:** So good assumption that our sales will almost grow 30% for FY2024?
- Navin Juneja:** No, these two JV we are talking about the joint venture?
- Faisal Hawa:** Overall Talbro's auto, how much we will grow for FY2024?



- Navin Juneja:** Yes, I think it should be 15% plus.
- Anuj Talwar:** You do not get to see the growth of the joint venture on the top line.
- Navin Juneja:** No, we do not get that. But if we consider those numbers also, it will grow by 15% plus. But as per Ind AS you are aware because we cannot show that but in the presentation it's there. In the investors presentation you can see all the topline.
- Faisal Hawa:** Actually, sir, there is a lot of disturbance in your line. I am just barely able to hear. So you are saying that we will grow 15% to 20% in FY2024 revenues.
- Navin Juneja:** Yes. 15% minimum.
- Faisal Hawa:** But is not that being too conservative because you are seeing the entire auto cycle actually reviving.
- Navin Juneja:** Yes. Auto segment is reviving but the commercial is still not up to the mark for us. We are majorly in gasket we are in commercial sector and which is major 34%, which is growing on 2%, 3%, 4%, 5%, not 10% plus now, but we expect it will grow by that base of 8% to 10% from January onwards as told by our customers.
- Faisal Hawa:** If you could give some light on our raw material steel and all, how much has it decreased in this quarter?
- Navin Juneja:** It has cooled down in the sense the prices are cooled down, it has not come down heavily. The steel prices has gone up by gone by 8500 but from July 1 it has come down by 4000 only. So net increase is there but the gasket business in the Europe it was coming from Europe and US. There in US import alone, we have suffered a lot because the dollar has gone anywhere, but now start cooling up, and that has affected my raw material cost a little bit, but we are in the process of recovering the price increases. It will take a couple of quarters to cover that. So that is the situation.
- Faisal Hawa:** Thanks a lot sir.
- Moderator:** Thank you. The next question is from the line of Jyoti Singh from Arihant Capital markets. Please go ahead.
- Jyoti Singh:** Thank you for the opportunity sir. My question is on the export side. Currently, we have contribution of 25%. So are we targeting to increase it going forward, and second question is on the Capex trend, how much Capex we are planning to do for FY2023.



- Navin Juneja:** Yes. As your question regarding export definitely, in the next 6 months, you will see a better percentage of export as compared to 25%. Going forward, from next year onwards next 2 years to 3 years, we are targeting to touch it 30%, and we are quite confident of doing that with the way my export business. We have anticipated to close some good export businesses. We are quite anticipating that we will close that to 30% we will take it to 30%, and regarding, second question of Capex in gasket, it will start from 1st October till next March we are expected to do a Capex of around 16 Crores to 17 Crores. On the forging side, we will do a Capex of 25 Crores because we have been getting some very good orders from our European customers and new orders we have got from U.K. So are trying to do a capex of 20 Crores in that forging business.
- Jyoti Singh:** Okay, and sir, currently, how much inventory we are maintaining?
- Navin Juneja:** No, inventory is a little bit high on my raw material side because there was a shortage of critical raw materials we imported being a single source to a lot of customers. We are importing material, but the consumption will take some time, and by March, it will come down to normal levels of whatever days is there, little bit high at present as on 30 September, but it will come down by March. Because of the delay in some products, some schedule changes are there, so it will be recovered. It will come down.
- Jyoti Singh:** And sir, earlier we were targeting CV growth around 12%, 14% CAGR between 2023 to 2025. So what is your comment on that?
- Navin Juneja:** Of course, I think what we are saying, it will be like that. But at present, we are not seeing this on ground. We had talks with Cummins. We had, I think, Anuj attended the conference call of Cummins a couple of days back, and we had a talk with Tata Motors also, but they are saying that things will improve from January onwards. They are giving good projections from January onwards.
- Jyoti Singh:** Okay thank you sir.
- Moderator:** Thank you. The next question is from Niyati Shah from NM Securities. Please go ahead.
- Niyati Shah:** I have 2 questions. Firstly, we have achieved the highest ever quarterly revenues. So was it on account of volumes or realizations, can you throw some light there.
- Anuj Talwar:** Sales revenue and a bit of innovation, but also sales is going up. Our schedules are going up. Our new product development is going up, and obviously, there is some price increases as well, both.



- Niyati Shah:** Have you added any new customers, and what are our plans on increasing our market share?
- Anuj Talwar:** We have made a statement in quarter 1 that we received orders of about 400 Crores across various segments. So those are new customers for you. These are across passenger vehicles, these are across off loader export customer these are across EV space. We did make the announcement for you we will also as we said earlier in the call give us time till December 31st, the 2 of the orders that are on the pipeline, let them get closed. But all we can say to you is that we are trying to gain market share in India, domestically as well as in the export segment, and throughout every aspect, whether it is commercial vehicles, whether it is passenger vehicles, whether it is electrical vehicles. Whether it is a different segment altogether, like off loaders, construction, mining, industrial, we are working on that. We are pretty bullish on our order acquisition. We are also working on this new government's directive on the bio fuel, which is to reduce the oil imports. So with our joint venture Talbro's Marugo, we are also working on a product which will be launched very, very soon, which will enable the use of bio fuel.
- Niyati Shah:** Alright, thank you sir.
- Moderator:** Thank you. The next question is from the line of Shikha Mehta from Equitree Capital Advisors.
- Shikha Mehta:** I just had a follow-up, could you help us understand the forging division a little better. We saw flat growth this quarter, which is normally a high growth segment for us. So can you help us with the outlook and what happened there.
- Navin Juneja:** Yes, I can do that. Forging the degrowth that you can see is not on numbers it is because of the currency. We are exporting in euro in a big way, 90% of export in Europe. Last year, same period, the euro rate was 86 and last quarter, it was hovering around 79. So in value terms, it has come down export realization. But of course, on the other hand, there was a slowdown from the European side also. But in the coming 2 quarters, we can see a good offtake in forging division. Very good offtake and going forward, it will have a growth of around 20% per annum minimum.
- Shikha Mehta:** Sir, could you help quantify how much was the currency effect in forging.
- Navin Juneja:** Pardon me. What we have said? Currently...
- Shikha Mehta:** The currency impact of forging, could you help with that.



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- Navin Juneja:** Yes. Currency impact, will be around, but it is currency impact plus these statements, we have to do every quarter at the end every quarter. This quarter, we have a loss of 80 lakh on the consolidated statement But I think it will be set off in the next coming quarter. Now the euro is now gone up is 82, 83 at present. So this effect will go off. Plus the currency impact, if we compare these 2 quarters, last year, this year, it was around 2 Crores plus.
- Shikha Mehta:** Okay thank you sir.
- Moderator:** Thank you. The next question is from the line of Aditya Sen from RoboCapital. Please go ahead.
- Aditya Sen:** This is with regard to the forgings division itself. Given that we have increased our capacity from 750 to 2500 metric tons, what would be the optimum capacity utilization going forward, and until when can we achieve that optimum capacity utilization?
- Navin Juneja:** There are 2 things. One is forging, second is machining. We do 90% plus is machining also. At present, like in rupee terms if I do that, my capacity is around 19 Crores to 20 Crores per annum in forging. If we had 100% machining side, which we quantified at present we do 30% machining on OSP basis, and going forward, we are planning to add some more of capex here of around 1000 tonnes, and with this, we are anticipating, that by the middle of next year, we will be having capacity of around 22 Crores, 23 Crores minimum per month and at present my utilization is around 75% in the forging division.
- Aditya Sen:** Thank you sir that was my question.
- Moderator:** Thank you. The next question is from the line of Kunal Patel from Equilligence Capital Advisors. Please go ahead.
- Kunal Patel:** Thanks for the opportunity. Sir, my question is regarding our gasket business. Now gasket is our major contributor, but the growth rate is also pretty slow there. So what is our game plan with regard to gasket, where do we see gasket division say 2, 3 years down the line? What steps you are taking to mitigate this slowness in growth because of the gasket division, and how do we see other divisions taking over the majority of revenue and minimizing the impact of gasket basket?
- Anuj Talwar:** First Navin you can answer, and then I will answer after that.
- Navin Juneja:** I will start with that. You can add to that. First of all, I must say that gasket division is not a slow growing division. In Q2, the gasket division grown by 18%. It is not a small growth. Plus your question is gasket is a saving component. Now we have added heat shield to that.



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We are entering into heavy commercial vehicles. We are not in passenger vehicle there number one. We are in heavy commercial vehicles off loaders and we are entering into other segments like Anuj mentioned of Cummins, like aviation, like lawn mover etc., marine Anuj, now you can continue with that.

Anuj Talwar:

So as Navin mentioned, gasket is our strongest division. We have a market share about 52% in our country. We have already aligned ourselves with global OEMs, which are in to heavy duty segments such as let us say Cummins or a John Deere or Kawasaki or GE or Volvo, and we are working very strongly with them. I was recently at the Cummins vendor meet in Puna last week. They are very, very bullish. They are still looking at making engines till 2040, 2050. We are aligned with them. I do not see any stress. Obviously, little EV impact will happen in the 2-wheeler segment. There is no doubt about it. But for that, you will see that how our share in the CV space or the construction space will go up in the Gasket division line. Heat shields which is an added on product in the gasket business line will grow immensely in the PV space, and obviously, Talbro's being a very hedged auto comp company. You will see forging growing at about 20%, 25%, Marelli growing at about 30%, Marugo growing about 25%. So they will now take off. They are the younger children. The gaskets as the cash cow for the business, will continue to do well and give you better margins going forward.

Kunal Patel:

So where do you see gaskets, say, 3 years down the line? Right now, it is roughly around 500 Crores of top line for us, or 450-500 odd Crores. So where do you see this division three years down?

Navin Juneja:

So it will grow by 15% per annum minimum.

Anuj Talwar:

Minimum 15% per annum not in three year, next five years, next seven years it is growing .

Kunal Patel:

So 15% CAGR is what we are expecting in gasket and other divisions would be roughly around 20%, 25% odd. Because they are still relatively lower in the revenue contribution for us?

Navin Juneja:

Absolutely right.

Kunal Patel:

Okay got it thank you so much sir.

Moderator:

Thank you. The next question is from the line of Alok Shah from CNR Securities. Please go ahead.



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- Alok Shah:** Sir can you discuss your performance across all segments of two-wheeler, passenger vehicles and others segments for Q2 and H1 FY2023?
- Navin Juneja:** You want the performance.
- Alok Shah:** Performance for two-wheeler, passenger vehicles and other segments.
- Navin Juneja:** Yes. For the H1 I can give you if you are okay with that.
- Alok Shah:** Yes, no problem, sir.
- Navin Juneja:** Yes. For H1 firstly 2, 3 wheeler business performance is 24%, and my passenger vehicle is 33%, HCV and LCV is around 24% and the offload is 9%, and others is 10%.
- Alok Shah:** Also if you can discuss about the joint venture performance during the quarter, and what should we expect in the next quarter and FY2023?
- Navin Juneja:** Yes. On the revenue side, I am talking about Q2 first. Nippon Leakless achieved in the second quarter a turnover of 25.5 Crores approximately with an EBITDA of 23.28%. Marelli achieved a turnover of 54.9 Crores with an EBITDA of 9.85%. Marugo Rubber achieved a top line of 19.61 Crores with EBITDA of 5.18%.
- Alok Shah:** Okay sir thank you.
- Moderator:** Thank you. The next question is from the line Ashay Jain from Jain Capital. Please go ahead.
- Ashay Jain:** A couple of questions from my side. Firstly, what is the capacity utilization as on H1 FY2023, and any capacity expansion plans for the next year, and if yes, then what kind of revenues can we achieve from that?
- Navin Juneja:** First, let me talk about the capacity utilization. Let me take out the numbers for me. If you come into gaskets, it is around 82%. Capacity utilization forging is 75%, Marelli is around 80%. Nippon Leakless is around 80%, in Marugo rubber there are two divisions anti-vibration is around 90%, hoses is around 40%. These are the capacity utilization. As regards the Capex's, balance of this year plus next year taking forward around 15 Crores to 16 Crores will be the Capex in the gasket business, primarily the Capex will be for the new wire harness set, which we are expecting to get increased volume of Tata Cummins. They are forcing us to put that because they are expecting a huge demand next year, plus my Capex for my welding machines imported machine, which is required for the gasket business of Volvo and my Cummins business going forward, major Capex's are in that, and

in the forging, we are expecting to do a Capex of around 20 Crores, it will take my capacity around 24 Crores, 25 Crores per month and it will be a mix of all presses and by machining lines also in that plus multi-equipment required. On the Marelli side at present I cannot comment because we are expected to close some good orders. So my Capex will be finalized after that, and for Marugo, we are doing a Capex of around 6 to 7 Crores which will take my top line going up by 25% next year. These are the major Capex we are anticipating.

With this, we are expecting a growth of around a standalone business, around 15%, 20% growth in standalone business. In the Marugo we are expecting a growth of 30% in Marelli 40% growth, and Nippon will be 8%, 10% growth because 2-wheeler will grow by that, we expect to grow by 10%.

Ashay Jain: Understood. Second question. What are top customers in gasket and forging business, and how much do top 5 or top 10 contribute to the overall in the business.

Navin Juneja: Yes. I will just give you the numbers for that also.

Anuj Talwar: We give you the percentage but in gaskets Cummins, Bajaj, Hero, Volvo, Eicher, Cummins USA, Jaguar Land Rover are top customers. In forging it is Volvo, GTM, BMW.

Ashay Jain: BMW is the major customer also.

Anuj Talwar: BMW is a big customer there. We just recently added JCB in the UK that will be our large, large customer for the forging business line. But we can give you the percentages of the divisions.

Navin Juneja: So it will coming into the H1 of gasket to our customers, Bajaj #1, the Tata Cummins. Bajaj was 32 Crores, Tata Cummins 30 Crores, Tata Motors 15 Crores, Volvo Eicher 11 Crores, Hero MotoCorp 8 Cores. These are the gasket major customers. Forging customers is BMW 26 Crores, Dana 20 Crores, Jaguar Land Rover 15 Crores, Carraro is around 8 Crores, then other customers are there. Nippon Leakless Hero is number one 24 Crores, Honda 14 Crores. Marelli is Maruti 44 Crores, Tata Motors 19 Crores, Jaguar 16 Crores, Feat 14 Crores. Marugo Maruti, including Suzuki around 16 Crores. Then other customers are 6 Crores then going down that is it. These are my major customers.

Anuj Talwar: The best part about Talbros Automotive is that we remain that not one customer for the group should be more than 8% to 10% at the most, number one, and across all segments. So if we look at it today, where Tata is really doing very, very well and so as Maruti gaining market share. Our PVs have suddenly accelerating in a very strong manner. Because we



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have just captured a lot of market share from our customer competition through our joint venture and also through our standalone businesses. So we see good growth in next 3 to 5 years. I think to be honest we have been in India is in a great spot, and comment on the UK at the moment, but I am seeing a lot of slowdown out here a lot of inflation out here but I will just see that India is in a very, very sweet spot, and this is we were told by our customers also whom we meet in the overseas market also. This whole China Plus One strategy. This whole strong COVID policy in China. They are coming to us slowly, slowly coming to us. .

Ashay Jain: That is helpful sir. That is all from my side. Thank you.

Moderator: Thank you. Ladies and gentlemen, that was the last question. I would now like to hand the conference over to Mr. Anuj Talwar for closing comments.

Anuj Talwar: Thank you so much everybody who participated today in our earnings call. We remain committed and confident about our growth, and we are in good position, and I mentioned to you, India is in a good stable phase, and we are looking at some solid growth and good operational excellence will give us some good margins going forward. Thank you so much.

Navin Juneja: Thank you.

Moderator: Thank you. Ladies and gentlemen, on behalf of Talbro's Automotive Components Limited, that concludes this conference call. Thank you for joining us, and you may now disconnect your lines.