



**“Talbro's Automotive Components Limited Q3 FY17  
Earnings Conference Call”**

**February 15, 2017**



**MANAGEMENT: MR. ANUJ TALWAR – JOINT MANAGING DIRECTOR**

**MR. NAVIN JUNEJA – DIRECTOR (BOARD) & GROUP  
CFO**

**Moderator:** Ladies and gentlemen, good day and welcome to Talbro Automotive Components Limited Q3 FY17 Earnings Conference Call. This conference may contain forward-looking statements about the company which are based on the beliefs, opinions and expectations of the company as on the 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 Automotive Components Limited. Thank you and over to you, sir.

**Anuj Talwar:**

Good afternoon, everyone. A very warm welcome to our quarter three financial year 2017 earnings call. On the call today, I am joined by Mr. Navin Juneja – Director on the board of Talbro and the Group CFO, also we have with us SGA, our Investor Relation advisory firm. The results and the presentation are uploaded on the stock exchange and the company website. I hope everyone had a chance to look at it.

Let me quickly give you a run up on our performance till date, post which Mr. Juneja will take you through the financial performance of the company. Due to the demonetization initiative of the government the auto sector witnessed a 2% de-growth in quarter 3. However, we at Talbro managed to grow 6% in the same quarter. For the same period the 2-wheeler segments saw the highest impact with the 3.6% decline in volumes for the quarter. This was mainly due to immense liquidity freeze in rural and urban areas. Even the leaders like Bajaj and Hero were not immune to this decline.

The passenger vehicle segment, however, grew 12% for the quarter. This is predominantly being led by Maruti Suzuki, for who we at Talbro are a pretty significant player now. Commercial vehicles managed to grow at about 1% only. We are seeing a slow recovery in the auto sector and looks like the month of February – March will be good growth months for the OEM manufactures in India. Two wheelers will continue struggle, but we are very pretty bullish that there will be some growth coming towards end of February beginning March. The growth in the gasket business saw a small impact from the sales decline from the 2-wheeler business. We are single source to Hero Moto Corp, Honda Motor Scooters India and Bajaj. However, we are confident at this will steadily turn around with the shift towards normalcy in the economy.

This quarter we continued to achieve very strong performance in our joint ventures as they are basically sub-lined to the passenger vehicles industry and the same time very much dependent on Maruti Suzuki, whose volumes have been at an all-time high. Our business is broadly divided into five product lines, one is gasket and forgings, which are our standalone businesses and then we have 3 joint ventures which I will come to later. In the gasket division, we have received new orders from Ashok Leyland, we have also received orders from Maruti Suzuki and export orders

from Kubota Japan, Kubota Thailand, Caterpillar USA and Ducati. We are continuously focusing to move our product mix to more export oriented than what is today. The heat shield product which we have been making for some time now is gaining a lot of traction because of the Bharat-VI norms that are being implemented in the country in 2020. This is the product which will be mandatory for the vehicles for noise and vibration. The forging division underwent a major revival in quarter 2 and has continued to build on that momentum this quarter. Strong numbers were the result of improvement in volumes and the simultaneous improvement in our margins as well. We have gained new orders from BMW Germany, Koyo bearings as well as increased our business for GKN Europe.

Our joint venture Magneti Marelli has witnessed its best ever performance this quarter. MMT continues to bring momentum and work towards expanding its portfolio to OEMs with the leading client being Maruti. Our new joint venture Marugo Rubber Industries also had shown a very good growth of about 50 odd percent with its OEM customers, although there has been a little bit of sluggishness in our Hose division but that also will be absolutely fine the next financial year. And as I mentioned to you earlier, we continue to focus on gaining exposure in export markets and increasing our ability to reach more distributors in the aftermarket and look at higher margin products like heavy weight forging and looking at some front traders in the Magneti Marelli joint venture. In January 2017, the auto sector as a whole has seen a turnaround after brief period of decline 2 months' post demonetization. There is a positive sign since improvement in performance by our customers will further increase our volumes.

Now, I request Mr. Navin Juneja, to update you on the operational and financial performance of the quarter.

**Navin Juneja:**

Thank you Anuj. Let me first give you a brief about the auto sector performance as compared to last year. In the gasket division including Nippon Leakless Talbros, our gasket sales grew ahead of the industry lead by an increase in export sales. However, the domestic two-wheeler segment sales are in line with the industry on the back of de-growth due to demonetization that gasket division were also impacted by a substantial depreciation in the Rupee and an increase in the manpower cost because our plants are in Haryana. The combined revenue from gasket and NLK was about 72 crores in this quarter and this segment saw a combined EBITDA of almost Rs. 10 crores. Coming to forging division there was a 46% growth in revenue in quarter 3 of FY17 on a year-on-year basis from 12.9 crores in quarter 3 of financial year 2016 to Rs. 19 crores in quarter 3 of financial year 2017. Further we have gained from favorable raw material costs and lower fuel charges.

Coming to Magneti Marelli Talbros Chassis Systems Private Limited, MMT saw a 33% revenue growth this quarter because of higher volumes primarily of Maruti. Total portion of revenue to TCL was around 10.6 crores. We also achieved our highest margins yet in this quarter in this division. Coming to Talbros Marugo Rubber Private Limited, TMR saw 51% revenue growth this quarter as compared to quarter 3 of FY16. Total revenue share attributable to TCL was around 3.7 crores. Now coming to the consolidated financial performance of the company for Q3 financial

year 2017, total income for the quarter was Rs. 104.6 crores as against 98.5 crores in quarter 3 of FY16.

Consolidated EBITDA was at 12.4 crores this quarter with a margin of 11.84%. PAT was at 4.5 crores against 3.9 crores in quarter 3 of FY16 a growth of 15%. The PAT margins improved from 3.9% in quarter 3 of 2016 to 4.3% in quarter 3 of FY17. Now for a 9-months of FY17, total income for 9 months FY17 was 321.4 crores as against 292.6 crores in 9 months of financial year 2016. EBITDA was at 38.4 crores, showing a growth of 6% from 36.3 crores in 9 months of FY16. EBITDA margin was at 11.94% in 9 months of FY17. PAT was at 11.7 crores against 8.6 crores in 9 months of FY16 with the growth of 36%. The PAT margins improved from 2.9% in 9 months of financial year 2016 to 3.6% in 9 months of financial year 2017.

This is all from our side and now would like to open the floor to question and answers.

**Moderator:** Thank you very much. We will now begin with the question and answer session. We take our first question from the line of Jayshree Ram from Karvy Stock Broking. Please go ahead.

**Jayshree Ram:** Sir, my first question is based on the gasket division. We have been having a market share of about 38% for quite some time now. So, do you see any increase in this and how is it going to increase by value and if you could give me any order book numbers for now that we create?

**Anuj Talwar:** Like I mentioned you earlier that we are looking at, you are absolutely correct the 30% market share is there. We are looking at attacking new customers such as Ashok Leyland in the South which is missing in our portfolio and we also looking at attacking Maruti Suzuki with heat shields. So, that will increase definitely our exposure in the Indian market. We also acquired new customers such as Caterpillar in the US, John Deere in the US, Ducati and also Kubota Thailand and Japan.

**Navin Juneja:** And for this financial year we are looking at a growth of about 10% to 12% in this gasket business in this financial year. Last year we crossed 238 I think so, our gasket division sale. This year we are looking at 270 plus in this division. And going next financial year with the new BS-IV norms coming in and the projection driven by our customers commence because it is being implemented, they are going forward I think they will also give us a growth of 10% to 12% in the next financial year.

**Jayshree Ram:** Sir, this includes both your gasket and the Nippon, right?

**Navin Juneja:** Yeah.

**Jayshree Ram:** So, 10% to 12% and ...

**Navin Juneja:** Yeah, because we lost 2-3 months in two wheeler industry due to demonetization, I think it has started moving up and by this financial year end everything will fall in line .

**Jayshree Ram:** And in the gasket division, Federal Mogul is a competitor for you, right?



**Anuj Talwar:** Federal Mogul is a competitor for us but it is actually more in the aftermarket in India.

**Jayshree Ram:** So you are more into the OEMs.

**Anuj Talwar:** Yeah, we are 63% in OEM. Just to share with you, I want to share with you that our growth in our gasket business in the first quarter was about was 15% and we started off with a bang and then the OEM went down a bit but again we are seeing this trend come out again in quarter 4.

**Jayshree Ram:** And when you say you are the single supplier to Hero and Honda what would your value of supplies be?

**Anuj Talwar:** Hero, Honda and Bajaj.

**Navin Juneja:** Let's come to Bajaj. Bajaj will be approximately 55 crores to 65 crores.

**Jayshree Ram:** 55 crores to 65 crores in Bajaj, Hero?

**Navin Juneja:** And Hero is with our Joint Venture 70 crores to 75 crores.

**Anuj Talwar:** Honda has got 25 crores – 30 crores.

**Jayshree Ram:** Honda would be?

**Navin Juneja:** 40 approximately.

**Jayshree Ram:** Okay Honda?

**Navin Juneja:** Honda.

**Jayshree Ram:** Sir, this is only for the gasket division, right?

**Navin Juneja:** Of course, it's a joint venture.

**Anuj Talwar:** Gasket and NLK, joint venture.

**Navin Juneja:** Both.

**Jayshree Ram:** This 55 to 60 those includes gaskets from your standalone as well as Nippon.

**Navin Juneja:** Absolutory right.

**Jayshree Ram:** Sir, can you give me any insight on Magneti Marelli and how it is going to frame up going ahead?

**Anuj Talwar:** Magneti Marelli is enjoying a very good growth of about 33% CAGR over the last 5 quarters. I In fact I was in Italy on Friday for our board meeting to look at the next 3-year plan for Magneti

Marelli. In Magneti Marelli we have right now enjoying the success with the Baleno and the Brezza, not so much of the S-Cross and little bit with TATA Motors. The company should in the next couple of years reach close to about 140 crores. This year will close at about 78 crores. Next year's growth is a little bit muted for the first half because we had to getting a large order for a European car maker that would hit by about 6 months. But over the next 2 to 3 years, I see 140 crores ...

- Jayshree Ram:** But you will be continuing the supply to these vendors anyway right?
- Anuj Talwar:** Yeah, we do. We have with them, we have are supplying to Maruti, Mahindra, TATA. But Maruti is the biggest customer for us.
- Jayshree Ram:** So, I mean in FY16 we had about 30.6 crores for Talbros and Magneti Marelli. So, for FY17 will it be crossing 40?
- Navin Juneja:** Yeah it will cross 40, definitely. It should be there for 45, our share.
- Anuj Talwar:** Next year, right?
- Navin Juneja:** Yeah, next year.
- Jayshree Ram:** And after that any, what would be the growth prospectus like at least ...
- Navin Juneja:** Full.
- Anuj Talwar:** We are looking to launch a new product called the front axle and this is a much larger component that what we are supplying today. Today we supply commodity roughly about only about 3 kilos. This about 14 kilos, it is a very large component, so we are in the process of getting some orders with that, so we will update you. But just to give you the ballpark figure, we see 150 crores in this company in the next 2 to 3 years, if not earlier.
- Jayshree Ram:** Front axle is part of which joint venture?
- Anuj Talwar:** Magneti Marelli.
- Jayshree Ram:** So, 14 kilos will give you how much of revenue?
- Anuj Talwar:** It should be Rs 4000 this component.
- Jayshree Ram:** 4000?
- Anuj Talwar:** But it still work in progress. I am not received the business order from OEM, its work in progress. But we had won a very large order from my European car maker, that business is almost about

25cr and that supposed to start in June next year that is one delay to may be January 2018 because of certain foreseen approvals are required.

- Jayshree Ram:** And any CAPEX guidance you would like to give me for FY18 and for this ...
- Anuj Talwar:** Maintenance CAPEX really, we do not have much CAPEX to be done in FY18 as well.
- Jayshree Ram:** How much with that the maintenance CAPEX?
- Navin Juneja:** It depends on, in gasket it will be about 6 to 7 crores and Magneti Marelli 1 to 2 crores and forging will be there and we will be doing about 4 to 5 crores minimum because we are looking at a next year if everything goes well, I guess we are looking of a 30% to 40% growth in forging topline next year.
- Jayshree Ram:** So, I mean in forging we have made about 62 crores in FY16. So, now this year how much would it go up to ...
- Navin Juneja:** We have done about 58 and I think around about 65 crores to 70 crores. Now, we are looking at 40% jump in the topline, 30% to 40% next financial year.
- Moderator:** Thank you. We take the next question from the line of Manan Mehta, an individual investor. Please go ahead.
- Manan Mehta:** My question was more towards the outlook for scaling up the JV business as and how are we targeting higher revenues?
- Anuj Talwar:** First of all, we have been scaling up pretty well for last 3 years with Marugo going at about 50%, Magneti growing at about 30%, Nippon Leakless Talbros having single source to Honda Scooters India and Hero Moto Corp, growing pretty much in the same level of 2 wheelers. So, Nippon Leakless will continue to cater to Honda and Hero, that is their forte. The other 2 joint ventures Magneti Marelli and Marugo, Marelli as I mentioned we looking at a new product line called front axle, a much larger product line which is gets fit in the front suspension of a car, we are talking to various OEMs to launch this product because Marelli our partners in Italy have this as a part of our Indian joint ventures as well. We enjoying the success with Maruti at the moment and also have won some substantial large export order for a European car marker, almost for 25 crores. So, Marelli JV I do not see an issue both in terms of capacity and in terms of the order book that is in hand which will go up to about 150 odd crores over the next 2.5 to 3 years. In Marugo Rubber we have got 2 business clients one is anti-vibration, one is hose. Anti-vibration business is pretty much full today with order from Maruti, Daimler and TATA Motors, Isuzu and Honda. The hose division is a huge opportunity, when we setup the hose plant about some 2 years back, there is a big diesel ban in the country as you all know about and we were not able to get new orders because this particular hose is for the diesel vehicles. We just secured a very large order from Maruti and from next year onwards even the hose division would be at breakeven level with anti-vibration making most of the profit for next year. Marugo will continue grow, Magneti Marelli have a slight fall of

about 10%-12% next year because of delay in some validation but again after that we expect about 20% onwards.

**Manan Mehta:** Sir, just another question, will there be any expansion on the product portfolio in the coming year?

**Anuj Talwar:** I just mentioned for Marelli we are looking at something called the front axle.

**Manan Mehta:** No, apart from that anything else?

**Anuj Talwar:** Apart from that we are looking at a new technology called post coating gaskets but we are looking to do more of localization for our global procurement for gaskets. So that is our next strategic initiative that we are taking as the management right now. And reduce the import content.

**Navin Juneja:** And reduce our inventory and working capital also. That is the next strategic move of the group.

**Moderator:** Thank you. We take the next question from the line of Kalpesh Parekh from Prabhudas Lilladher. Please go ahead.

**Kalpesh Parekh:** Couple of questions, we mentioned on this front axle beam thing for Marelli, I mean this is for the passenger car segment or we are also looking at CV space?

**Anuj Talwar:** For passenger car.

**Kalpesh Parekh:** And this is for specific any specific OE or this is like open for all?

**Navin Juneja:** No, this product is open for all, but being a very critical component, we try and go with one of the India's largest players to start off with and once we demonstrate the ability, then we can go all over the country. Because we have to be, because you see the plant is located right in the North, so it makes sense to go to the North customer because of weight related issues.

**Kalpesh Parekh:** So, have we supplied them this prototype and all that thing, what is the status at this point of ...

**Anuj Talwar:** This is work in progress.

**Kalpesh Parekh:** So, what is the process in this like, we supply design prototypes and probably once they approve how much time does it take for us to ramp it up?

**Anuj Talwar:** No, we are already in the supplier bidder list for this particular product. We are competing with some big player in the country. I was in Italy for this particular reason on Friday our partners Marelli in Italy, where we have supplied these front frames and rear axle if you look at magnetimarelli.com, you see this particular component is supplied to all customers and we are trying to get an entry with them into India.

**Kalpesh Parekh:** So, this would be this forge component or a machine component?



- Anuj Talwar:** Sheet metal stamping is exactly what we are doing today with Marelli. Basically, today in Magneti Marelli that whole 80 crores turn over that we have is of component control arm assembly which is stamped, welded, assembled. So, now looking to enter into some more products ranges which we have in our portfolio with our joint venture.
- Kalpesh Parekh:** And do we need to have a press line established or how it will be, like once the OE gives you green signal what will be the next step?
- Anuj Talwar:** We have to actually invest in our higher tonnage press that will be the next investment for this. Welding is no problem, welding we already have because we had invested lot for this Bajaj, Quadricycle RE 60. We actually won orders, not the full front frame but the semi front frame but that vehicle never launched. That will be a big game changer for us with almost being Rs. 65000 per vehicle set was the component. So, basically we would add presses only.
- Kalpesh Parekh:** And there will be a waiting period in the press line or how it will be once you order immediately...?
- Navin Juneja:** We will place the order and within 6 months it will be in the line.
- Kalpesh Parekh:** So, even if like if you get order from OE or confirmation from OE it should be at least taking you, FY18 somewhere around first or second quarter type of scenario?
- Navin Juneja:** It will Yes.
- Moderator:** Thank you. We take the next question from the line of Prayesh Jain from IIFL Wealth. Please go ahead.
- Prayesh Jain:** Sir, just a query on EBITDA margins during the quarter if I look at the consolidated margins, the employee cost are substantially higher are there any one-off sitting there or it is the routine increase or the ...
- Navin Juneja:** Employee cost, as you are aware in the last budget, last year in Haryana the minimum wages were increased by 24%. Last year it was implemented from I think November of '16 onwards and this year the impact is for the full 9 months. Last year the impact was only for 2 months and all my plants of Magneti Marelli, my gasket, my forging and my joint venture of Talbros Marugo, everybody is in Haryana belt so it has impacted me drastically plus the normal increase is there, 8% to 10% , but we are trying to rationalize the cost. If you see the quarter 3, the quarter is come down but next financial year we will not increase the same level it is we are rationalizing our manpower cost internally.
- Anuj Talwar:** And another thing also we also have the after-market portfolio in our gasket business we wanted to go for a slight price increase but then after the demonetization effect we cannot do anything of that sort also. Normally with manpower cost the easiest is like, a car maker increases prices, when he increases the prices in the aftermarket not the OEM space. So, we were not able to do that as well, so that was another issue of the quarter that what you see but from next year onwards it

probably be like Juneja mentioned capped at this level because we looking at some other ways of rationalizing manpower.

**Prayesh Jain:** And also on the other expenditure, the other expenditures are higher by 100 basis points Y-o-Y, so why is that so?

**Navin Juneja:** Other expenses comprises of processing charges, my power and fuel is there in the other expenses and I think what we have done in some places is outsourced some operations. So, the process charges have gone up on that account one of the major reasons plus there is an increase also in the turnover to the extent of 7-8 Cr if we total 8%-10% growth is in the topline, so impact of that is also there, be it packing, be it freight, be it other things also.

**Prayesh Jain:** But there is nothing one-off?

**Navin Juneja:** Nothing extraordinary, I think so.

**Prayesh Jain:** So, this kind of run rate is expected to continue?

**Navin Juneja:** Because of the demonetization the turnover, I have the infrastructure, these fixed cost are there. So, because of the demonization I could not do anything in 2 months. This quarter the percentage will come down it will not increase the way it has increased, as a topline has gone up by 8 crores-10 crores.

**Prayesh Jain:** And sir, if I look at your presentation on the slide you mentioning about new products or the scope of joint ventures doing quite a few new products that being spoken about for both the JVs. So, apart from the front axle beam anything else in truck mount or the, so all those products are at what stage or is it just a scope of joint venture and we are not talking about these products at all right now?

**Anuj Talwar:** So, if we look it at for the plan for the future, we are already working on the engine mount, we had actually gone ahead and had a proto developed for them. It is also working on the truck mount, we are also working on the suspension bushes for Marugo, we have also changed our focus. We are no longer supplying only diesel hoses but we also looking at fuel hoses and air hoses. We won some businesses from there as well and MMT because it is still much longer for validation. The next project is going to be the front cross member. And what I mentioned you right now we are working on it immediately.

**Prayesh Jain:** And what about the debt reduction plan, how is that going?

**Navin Juneja:** Of course, when you see my turnover is going up, so my debt has not gone up the way the turnover has gone up. So, term loans are coming down day by day and working capital I am trying to manage, Anuj just mentioned earlier that my major problem is I have importing approximately Rs. 75 crores to Rs. 80 crores of imported raw material from US, Germany and Japan. For that we have to order minimum quantity with lead time of 2 months plus payment term is 60 to 75 days.

So, this blocks a lot of working capital. We have to try to indigenized 25% of this raw material. So, I think the plan is there, and we will be successful in next financial year. They will be resulting in reduction of my working capital.

**Prayesh Jain:** What will be the total borrowing at the end of December?

**Navin Juneja:** The total borrowing is below 100 crores, 80 crores is my working capital 17 crores-18 crores will be my term loan.

**Prayesh Jain:** And cash is around 14 crores or more?

**Navin Juneja:** Yeah.

**Moderator:** Thank you. We take the next question from the line of Jayshree Ram from Karvy Stock Broking. Please go ahead.

**Jayshree Ram:** I wanted to ask you about the heat shield, how much it is contributing for FY17?

**Anuj Talwar:** Heat shield, it is a product is basically more for the EURO VI which is in 2020. Right now, we are doing metallic heat shields with Daimler, with Volvo Eicher, with Cummins as well but it will be a very large contributor for financial year 2018 may be about 5 crores-7 crores not more than that but the true potential will be seen after EURO VI is implemented by the government in 2020. We estimate with the passenger car segment we have done a small analysis of this potential, we estimate the potential where heat shields post 2020 only in the passenger car segment to be of 100 crores and our target is to at least try and attack more of about 20% of that. But the Indian car makers are very slow right now in this process. It is not an immediate requirement for them. We are bit like how we were students, we study in the last minute so they will only wake up around 2018 end for sourcing.

**Moderator:** Thank you. We take the next question from the line of Manish Shah an Individual Investor. Please go ahead.

**Manish Shah:** So, my question is relating to our forging business, sir I want to understand do you have any new customers right now in our forging business? Have we added any one?

**Anuj Talwar:** We had added a bunch of new customers. One is GK Europe which is a very prestigious account and GK is a globally know Tier-1. We have also enhanced our domestic portfolio by acquiring Volvo, Eicher as our product line for the truck division, we are trying to enter into Royal Enfield, we are trying to work out there and we were also started with a company called Amol in Gujarat for connecting rod. So, not only are we adding customers we are also going up to the value chain in terms of weight. The product which is roughly about 2.5-3 kilo earlier on now it is looking about 5.5 to 6 kilos. And as we also mentioned to you earlier we are in advanced talks with BMW for exporting a product called the toe hooks.

- Navin Juneja:** We have already developed a sample for them and we have sent them the samples and we are in the advance stages of finalizing the order book.
- Anuj Talwar:** Forging will also be will be a game changer. We are pretty much of qualified suppliers in North and this will be a growth driver for Talbros over the course of next 3 years.
- Manish Shah:** Sir, what will be our power cost currently?
- Navin Juneja:** Power cost is approximately Rs. 8 per unit at present and we are further exploring the possibility of solar power. We are talking with various firms and if we go for that we can get power at Rs. 5.75 to Rs. 6 per unit and whatever the generation from there it will be directly fed in the main grid we can get the benefit of upto Rs. 2 per unit. We are working on that may be within three to four months we can start this.
- Manish Shah:** That would come up in the next quarter?
- Navin Juneja:** Next quarter is early because we are talking, it requires 6 months to setup a facility. You can assume from July onwards.
- Manish Shah:** So, that will help us directly in the bottom line?
- Navin Juneja:** Yeah, of course.
- Moderator:** Thank you. We take the next question from the line of Shrikant Sanghani, an Individual Investor. Please go ahead.
- Shrikant Sanghani:** I was just like to know, what is the situation post-demonetization? Are we seeing any turn around in our sales and whether it is in line with the auto companies or is there any lag in that?
- Navin Juneja:** Come to demonization, demonetization if you see has impacted majorly two wheelers. Now things are falling in line. We are seeing a little improvement in the month of February and commercial vehicle I think as per our scenario is back on track and passenger vehicle is also back on track. Only the two wheelers we have to see February or March it should be back on track. And we are hopeful that after March everything will be again back to normal.
- Anuj Talwar:** If you look at our performance for the quarter the industry had a de-growth of 2%. We still grew at 7%, the reason being is that we are very hedged auto component player with exposure to two-wheeler, three-wheeler, four-wheeler, agri, commercial vehicle space and also export in after-market. Even in the first 9 months of this year our growth has been 10% and industry only grew at 7% and we are really enjoying the success of Maruti at the moment and commercial vehicles with the Cummins which are only growing and not de-growing. So, as Navin pointed out only the two-wheeler industry is affected but two-wheeler for us as whole group is not more than about (+30%) of our total consolidated turnover.



- Moderator:** Thank you. We take the question from the line of Rajeev Ray from Bajaj Finance Ltd. Please go ahead.
- Rajeev Ray:** Sir, I just wanted to know what is your export projection for this year and the next year?
- Navin Juneja:** Because we are exporting in forging also that is why we are just 60 crores in this financial year which will grow by 20% next financial year.
- Rajeev Ray:** And what would be the contribution of forging in this?
- Anuj Talwar:** Forging is 30 crores out of this 60 crores and gasket is 30 crores. And they both will probably grow at about 20% minimum for next financial year.
- Navin Juneja:** I think forging will grow more.
- Anuj Talwar:** It gives you higher margins, you get more realizations that is why pushing for it to be much more in the next 2-3 years now.
- Rajeev Ray:** This is basically you are talking about the GKN Driveline which will be a part of this export in the next year?
- Anuj Talwar:** GKN Driveline is an export product we supplied to Carraro which in turns supplies to John Deere. Also our gasket OEM suppliers are starting now to Basak Tractor Turkey to Ducati to Caterpillar, so you will see a big surge in this number in the next 3 years. It should be 100 crores in the next three years.
- Moderator:** Thank you. As there are no further questions from the participants, I would now like to hand the conference over to the management for closing comments.
- Anuj Talwar:** I would like to thank you all for joining the call. I hope we have answered all the questions and for any further queries please get in touch with SGA, our Advisory firm, and we are looking forward to very positive quarter 4 and we will try and close the year on a good note a minimum 10% over last year. Thank you
- Moderator:** Thank you very much. On behalf of Talbro's Automotive Components Limited, that concludes this conference. Thank you for joining us and you may now disconnect your lines.