"Talbros Automotive Components Limited

Q1 FY24 Earnings Conference Call"

August 09, 2023

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MANAGEMENT: **MR. ANUJ TALWAR – JOINT MANAGING DIRECTOR – TALBROS AUTOMOTIVE COMPONENTS LIMITED**
MR. NAVIN JUNEJA – DIRECTOR AND GROUP CHIEF FINANCIAL OFFICER – TALBROS AUTOMOTIVE COMPONENTS LIMITED
SGA – INVESTOR RELATIONS FIRM – TALBROS AUTOMOTIVE COMPONENTS LIMITED

Moderator: Ladies and gentlemen, good day and welcome to Talbros Automotive Components Limited Q1 FY '24 Earnings Conference Call.

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I now hand the conference over to Mr. Anuj Talwar, Joint Managing Director of Talbros Automotive Components Limited. Thank you and over to you, Mr. Talwar.

Anuj Talwar: Thank you so much. A very good afternoon everybody, and a very warm welcome to our quarter one earnings for FY'24. On the call today, I'm joined by Mr. Navin Juneja, our Director and our Group CFO and SGA, our Investor Relations Advisors from Mumbai. The results and the presentations are uploaded on the Stock Exchange and the company website. I hope everybody has had a chance to look at it and actually see the strong performance that we have given in the quarter 1 of this year.

I'll give you a small overview of the industry and the economy, followed by the company's performance. The domestic automotive component industry is expecting a double-digit sales growth in FY'24, following its high-record turnover last year. The demand is projected to remain very, very strong. According to ACMA, the sector achieved a turnover of INR5.6 lakh crores last year, marking a remarkable growth of 33%.

Now with the supply issues like semiconductor availability, RM cost, logistics being resolved, the industry is all set to maintain its robust performance in the year FY'24, which is a very positive sign for the auto sector as a whole. The sector's positive outlook is also driven by strong exports and growth in the domestic aftermarket. In addition, being an election year, there will be a lot of spend happening by the government on infrastructure, whether it's highways, roads, railways, which would result in more-and-more cars being sold, which is the case that we're seeing today, and coupled with the entire shift of the Indian mindset of the young and the youth to be a consumption economy.

So, we see a lot of buoyancy in the entire auto sector. Even the two-wheel industry, which is lagging behind has shown some promising recovery. As the industry moves forward, there is a focus on enhancing exports and reducing imports which accounts for about 30% of the total imports.

Coming to our company's performance, Talbros Automotive has really begun FY '24 in a very strong footing. As you can see from our results, we've achieved the highest ever income at INR185 crores for the quarter, a growth of about 20% Y-o-Y. Our EBITDA grew by 34% to INR28 crores, with EBITDA margins touching 15% for the first time. And our PAT stood at INR17 crores for the quarter. Net profit also grew by about 46%.

As we mentioned in the order updates, we have secured orders worth INR1,000 crores received over last year. These orders are split across various companies, various divisions, and also various automobile OEMs. These orders are from export market as well as domestic market. These orders will be executed over the next five to seven years.

Out of this order book, about INR215 crores comes from a leading established export OEM for electric vehicles. So almost about 21% of the orders is going to EV and that into export as well. Let me talk a little bit about divisions. Our gasket division has shifted focus towards heat shields while constantly diversifying the segment portfolio and including exports. Revenue from heat shields in quarter 1 stood at INR10.6 crores and the sales to EV a mere INR31 lakhs but it's a start. We're also now getting direct products from EV vehicle manufacturers for two- of our gasket division. It's something like plastic and rubber mix, which is very, very small at the moment, but it's a step in the right direction.

We have a very strong order book in the heat shield division from clients like Maruti, Kia, and Hyundai, and this realization, you will start seeing over quarter 3 and quarter 4 of this financial year. The forging business is an outlier. It's performed extremely well with a growth of 32% for the quarter, and you're seeing a lot of traction from the overseas market. A lot of business is coming to us from a big construction and off-road highway OEM in the UK, also with Carmaker in the UK as well. And from this particular division, the EV segment contributed about INR4.8 crores.

We are at intersection points of our joint ventures. Our joint ventures have done very well this quarter in terms of revenue growth as well as EBITDA growth. During quarter 1 FY '24, maintaining our hedged portfolio, our sales to two-wheelers and three-wheelers account about 20% of the contribution. PVs made up 31% with Maruti and Tata leading the way. Heavy commercial and light commercial vehicles made up about 25% of our sales revenue. And agri and tractor made up about 10% of our revenue.

Our revenues from the PV segment, because the JVs are performing well and supplying directly to PVs like Tata and Maruti, now send about 31%, with a growth of about 26% over last year. Even our joint venture Maurgo Rubber, which supplies the E20 hoses to Maruti, has set up a new facility in Bawal, which will take us capacity up to almost about INR300-odd crores.

For quarter one, FY '24, exports contributed 14% of our gasket revenue, 54% of our revenue of forging came from exports, 19% of exports came from Mareli and 4% from Talbros Maurgo Rubber. We are dedicated to achieving our long-term goal of establishing ourselves as a prominent global leader in the automotive components manufacturing industry. Throughout the course of our endeavors, we're determined to maintain our progress and development while simultaneously looking towards the future by ensuring continued persistence of our performance.

The company has put a lot of emphasis on R&D and is putting a lot of thrust in getting more-and-more market share within India. There are a few LCD manufacturers in the country which still we have not penetrated into. We will do so in the near future. By FY '27, we intend to have a group turnover of INR2,200 crores with an export contribution of about 35%.

With this, I request Mr. Navin Juneja our Group CFO to update you on the financial performance. Thank you.

Navin Juneja: Thank you Anuj. And a very good afternoon and a warm welcome to all the participants. Let me begin with the financial overview. Our total revenue for Q1 of FY '24 stood at INR185 crores as against INR155 crores, a growth of 20% on a Y-o-Y basis. EBITDA for Q1 of FY '24 stood at INR28 crores as against INR21 crores, a growth of 34% on Y-o-Y basis. EBITDA margin for the quarter has improved to 15%. PAT for Q1 FY '24 stood at INR17 crores as against INR12 crores, a growth of 46% on Y-o-Y basis. PAT margins have also improved to 9.4% for this quarter.

In the Gaskets business, including Nippon Leakless Talbros For Q1 FY '24, our stand-alone Gaskets sales was INR122 crores as against INR106 crores in Q1 of FY '23, a growth of 15%. Total revenue of Nippon Leakless was INR23 crores in Q1 of FY '24, as compared to INR22 crores in Q1 of FY '23, a growth of 5% because this is directly linked to the growth of Hero and Honda. This segment saw a combined EBITDA of INR22 crores in Q1 of FY '24 versus INR18 crores in Q1 of FY '23 a growth of 22%.

Now coming to our Forgings division, a revenue in Q1 of FY '24, importing division grew by 33%, INR264 crores as against INR48 crores in Q1 of FY '23. EBITDA in Q1 of FY '24 grew by 71% to INR11 crores as against INR7 crores in Q1 of FY '23.

Now coming to our joint venture Magneti Marelli Chassis Systems Private Limited, the revenue for Q1 of FY '24 stood at INR57 crores versus INR45 crores in Q1 of FY '23, listing a growth of 27% on Y-o-Y basis. For Q1 of FY '24, EBITDA of this division stood at INR6 crores as against INR4 crores in Q1 of FY '23, a growth of 44% on Y-o-Y basis.

Coming to my last joint venture of Talbros Marugo Rubber Private Limited, revenue stood at INR30 crores in Q1 of FY '24 versus INR17 crores in Q1 of FY '23, reaching a growth of 76% on a Y-o-Y basis. For Q1 of FY '24, EBITDA stood at INR3 crores as against INR1 crores in Q1 of FY '23, reaching a growth of 238%.

As we look into the future, we are optimistic about the sustained growth prospects in the automotive industry. Talbros has taken a significant step to catalyze on these opportunities. We are well positioned to achieve our targets and we believe that our margins are sustainable. That's all from our side, and I will like now to open the floor to the question and answers. Thank you.

Moderator: We take the first question from the line of Kumar Saurabh from Scientific Investing, please go ahead sir.

Kumar Saurabh: Hello sir, first, congrats for the great set of resultsand providing clarity on each of the businesses. The investor presentation is very useful. Two questions I have. One, if we look at the EBITDA to cash flow conversion trend over last 8 years versus 5 years versus 3 years, it looks like the rate of conversion of EBITDA to cash flow is falling a little bit. So, is there more focus on growth versus cash flows? I would like to know your views and second, how are we looking at the export market, given things are not great in U.S. and Europe. So how do you see our aspiration for 2027 with respect to current global slowdown?

Navin Juneja: So first, to answer your question of conversion of EBITDA to cash. Our focus here is to reduce my debt, number one. Number two, utilize cash accruals for maximal extent in capex. I don't want to borrow for the capex. That is one of the reasons I think that you can see this whatever you said, is that our focus is to reduce debt, increase my debt equity ratio, it incurred my capexe's, maximum utilization from the internal accruals, not from the borrowings.

Second question is about our focus on export. We are not, I think, not really any slowdown in Europe and US, as you said, in our businesses as we are growing in businesses of agri and offloader majorly and the new EV platforms, which is being launched by vehicle manufactures in Europe.

So, we are having a very, very good traction, and we are replacing some vendors. We were earlier there, using the new technologies, converting my in the case of off-loader my structure in U.K., we are converting our parts from our castings into Forgings from -- reducing the price of the component included in the strength of the component and reducing the weight.

So broadly speaking, we are not facing any problem in that. In fact, we are getting more production from our new OEMs based in US and Germany, who has recently visited our facility and approved our Ultra facility, we expect it to grow much faster than we anticipated. And we are quite hopeful about achieving our target what we have projected.

Anuj Talwar: I'd like to add to Navin's point. You see today Talbros has embarked upon a journey of exports over the last decade when the exports used to be nearly 8% to 12%, and now it is about 25%, 27%. So, the current customers are giving us newer products, current customer in as heavy weighted products and some new customers are moving from old technologies to new technologies to adopt light weighting.

So, we are in the right zone. We did see a slight slowdown with some of the customers like Jaguar, Land Rover, etcetera, and BMW. But we are increasing our portfolio per vehicle and new customers. So, we see no hindrance in the short term. Thank you.

Kumar Saurabh: That's a lot, so that is very heartening to hear. Just on the first question, so just let me repeat. So, my question was more around the EBITDA to cash flow from operations. And if I can take the numbers, the 8-year average FICs almost, we were converting 65% of EBITDA into cash flow from operations. But if I look at the last 3 years of data, it's around 55%. So is it a temporary phase.

Navin Juneja: In some cases, my money is getting blocked in that the more export, the more the conversion cycle is a little late because all the export customers are payments are coming from 140 to 150 days. The more the exports, the more the money is blocked in my records and stocks. That is what it is. And we have opened warehouses now before 4 years were not there. Now, we have 2 warehouses in Italy, got 2 warehouses in U.K., one warehouse in US. So, my so my inventory is locked there itself, but everything is factored in the pricing. So that is one of the reasons for that.

Kumar Saurabh: Got it, sir. Got it. And thanks for all the answers and wish you all the best for coming quarters.

Moderator: We take the next question from the line of Riddhesh Gandhi from Discovery Capital, please go ahead sir.

Riddhesh Gandhi: Hi sir, and congratulations on your numbers. Just had a question we are kind of guiding towards almost over 8x growth over the next few years compared to FY23. Just want to know the key drivers of this growth? Is it predominantly export? And is it on the Forgings side? And is it because of like new clients? Because I'm assuming the obviously industry isn't growing as quickly. So, is this one of market share gain, which we are getting? Just wanted to understand that.

Anuj Talwar: Navin want to take that? Or I take the first part.

Navin Juneja: Sir, the growth is coming first, primarily, all the businesses are growing. The major growth is coming from Forgings which was lately, we are targeting last year we were around 220/230. We are targeting a target of INR500 crores plus business in the next 4 years in this verticals plus Magneti Marelli, which were around 200 last year, that we have targeted to be around 700 over next 4 years in this business

And my gasket and heat shield which was around 423 something last year, expected to touch around INR700 crores again in the next 4 years and Margo from INR84 crores last year is slated to be INR200 crores plus in the next 4 years.

So, all the businesses are growing is because of various reasons, every business has different reasons. So, and we are, we are working, the direction is very clear, and we are getting orders for that. Last year, we got the order of INR1,000 crores and in the first quarter itself, we have got another order of INR400 crores. This is a combination of export orders, the primary EV segment plus new customers, we are adding, new products we are adding. These are combinations of all these factors.

Anuj Talwar: Yes. So, I'd like to add to Naveen's point. To be honest with you, what you said, one is gaining market share in the country by spending money in R&D, number one. Number two is export customer. I told you from the same customer, we are now deploying it horizontally across the group.

So, let's say, we had a customer who's only forging focus. Now he's moving towards our chassis division. He's moving towards our heat shield division. So that's also playing out very well. The China Plus One strategy is helping India and India's cause as well.

Riddhesh Gandhi: Got it, understood. All right, thank you. That's all from me and all the best. Yes. Thanks.

Moderator: Thank you. We take the next question from the line of Deepen Shah, an HNI. Please go ahead, sir.

Deepen Shah: Yes. Good afternoon, Anuj and Mr. Juneja. Congrats on a very, very good set of numbers.

Anuj Talwar: Thank you. Just had one question. Most of the explanations are given in the PPT, so no major questions. Just one thing on the margins. Our two subsidiaries, Marugo and Marelli, they are currently operating at about maybe between 9% to 11% margins. How do you see the trajectory of these companies over the next two years to three years in the overall sense that you are expecting margins to remain flat over the next two year to three years? That's what you say in the guidance. But how about the margins in these two subsidiaries, whether they can scale up to 15% or they will remain around the current levels?

Navin Juneja: Sir, first coming to Magneti Marelli, their target is to increase the EBITDA margin to touch 14% approximately between 13% to 14% by 2027 and my Marugo will be able to touch a EBITDA of around again 14% to 15% by that time, 13% by that time. So, their margin will also improve, definitely they will improve.

Deepen Shah: So then is it fair to assume that by 2026- '27, most of the businesses will be in the 14%-15% band?

Anuj Talwar: So approximately we said on the, it should be if we see gasket should be around, Standalone should be around 15% plus that's definite and Marelli should be around 14% and Marugo should be around 13% to 14% on an average you can take 14% plus all the businesses, 14% to 15% all the businesses.

Deepen Shah: Okay and just another question on a longer term, any idea or any intention of launching any new products or should this INR2,700 crores come from the existing products only? That's it. Thank you so much.

Navin Juneja: Whatever the plan, we have given for INR2,200 crores of production sales in FY '27 is from the existing companies. But different products will be added in that company. But within the scope of JV, we want to add one or two stuff like we added here in gasket division, heat shield, plastic parts to be added here. All this does not include any other inorganic growth like acquisition or adding new joint mergers is not being added here.

Deepen Shah: Okay. Thank you so much. Sorry, it was INR2,200 crores, I said 27. But thank you so much and all the best.

Anuj Talwar: I hope you are right.

Deepen Shah: We also hope that, Anuj. Thank you.

Navin Juneja: We will do that number also. Don't worry. We will do that.

Moderator: Thank you. We take the next question from the line of Ashish Garur from Ambit Capital. Please go ahead, sir.

Ashish Garur Sir, I was just checking in the last few years, our growth trajectory for the last three years to five years have been around 15% to 19% kind of a top line growth. And now you're guiding for, almost tripling the top line in the coming four years to five years. So, you mentioned on the view of this aspect how we would want to achieve, but just wanted a more elaborate answer on why exactly what is happening. Are we gaining significant market share because the ultimate market is actually not growing at that kind of pace and are we gaining significant market share from our clients. If you can be more elaborative from each division perspective.

Navin Juneja: Varun, Anuj, shall I start?

Anuj Talwar: Yes, sure, go ahead…

Navin Juneja: Let's come into my first division of gasket and heat shield. We are, as you know, we have got new orders of INR1,000 crores last year. Now the order are being converted into commercial sales. In the first quarter itself, we got, you can see, my heat shield sales in this division is around INR11 crores.

Last year it was about INR2 crores INR3 crores. So that is number one. Plus, my new export, whatever the new conversions are happening, it is being added in this year, of those orders, it will be added over a period of one years or two years more. This is one of the reasons. Plus, I think we are getting good market because our economy is also growing, domestically I am talking about here, they are also growing, so we are getting more market share.

And we have developed all the BS6 products and whatever that are there, we have developed over the last one and a half years, it is now starting to show the numbers, are starting to move in this direction. This is one form of gasket-and heat shield. On the forging front, we have got one that huge order last year.

There was no sale of that. In the first quarter, we did a sale of INR8 crores of that particular customer. Plus, we have added more customers, which will add it to the growth is coming from that particular order, which we have acquired. Merrilli, the growth is coming from the growth of Maruti and Tata Motors as you are aware, the numbers are growing as compared to last year.

Thirdly, the JLR, which was we acquired last year, are now being converted into commercial sales. The growth is coming from there. Marugo, the growth is coming from the EV vehicles. Last year it was Benz. Now the whole growth is coming from that segment plus the number of Maruti vehicles also going up. These are the broad broad numbers. Thank you. And this growth will continue.

Ashish Garur: Sir, what is the capacity we have currently and what are the capex plans? What is the utilization level?

Navin Juneja: Utilization level is different for different division. In gasket, we have 90%, in forging 82%, in chassis around 85%, in Marugo, it's again 90% approximately. And regarding the capex's, we have already given you an indication that's four years, we are looking at a total capex of INR200 crores plus in all the divisions.

Ashish Garur: So, in this case, we are already operating at a fairly high utilization level. So, do you think this kind of a...

Navin Juneja: Yes, this year I am doing capex of around INR15 crores to INR18 crores in gasket and heat shield division, around INR20 crores in forging division and Magneti Marelli, we will again do a capex of INR30 crores this year and Marugo will do a capex of about INR5 crores this year. So as and when we are adding machines, we are adding, now we know the order is coming, there is a time for conversion. We had the capacity before that.

Ashish Garur: So, we just want to understand if this growth will be more back-ended since we will be doing the capex and maybe FY '25 would be a higher growth kind of year, much faster than FY '24 because once this new capacity comes in only then the higher growth percentage from a top line perspective will play out. Would that be a fair assumption?

Navin Juneja: Yes, that is a fair assumption because of course, we need to go up to 4200 target. Last year we were around INR1,000 crores, I am talking about the growth level. This year first quarter we did 300. So, we have capacity, if I multiply that into 4, we have capacity for INR1,200 crores. Of course, we are adding more capacity and more growth is expected in the last quarter. So, it is a, it is more or less, if we divide equally, it will be more or less, it is fair to say that.

Ashish Garur: Okay. Thanks, sir. If I have any more questions I will come back.

Navin Juneja: Definitely.

Moderator: Thank you. We take the next question from the line of Naysar Parikh from Native Capital. Please go ahead, sir.

Naysar Parikh: Hi, thanks for the opportunity. I just want to understand on the heat shield business, what has been the kind of order flow, in this quarter and how do you see that?

Anuj Talwar: We can't hear you very well, sorry.

Navin Juneja: Sorry, D.M. sir, we can't hear you very well,

Naysar Parikh: I was asking on the heat shield business, can you just give an update on the kind of orders you've received this quarter and how do you see that business going forward?

Navin Juneja: As on today, we have an order, if I take the total, first of all, the order if I take is about INR50 crores order book is available with me, but something will be already converted to commercial production, something will be converted for the next third quarter or the fourth quarter and the way, we have inquiries are coming or we are engaged with our customers, I expect this business to be double in next two years, to be around INR100 crores by 2026- 27 easily.

So, this year I am expecting to touch a turnover of about INR44 crores- 45 crores in this business. So, I am quite... The way we are getting inquiries and we are planning to... for this only, we are trying to expand our Pune facility very shortly. By year-end, we will expand the facility because a lot of traction is coming from the local OEM base in that belt. So, plus the export orders we are expecting from this business, by 2027 we should be around INR100 crores in this business easily.

Naysar Parikh: Understood, got it. And second can you...

Anuj Talwar: I'd like to just add to what Navin said, with our partners Sanwa and Japan, with the Indian customers such as Maruti, Tata, Mahindra, Hyundai, Kia, I will be very sure that, our penetration will be about 80% share of business. So, this is a very, very, it may be not a very large turnover business-like forging, but it's a very niche business to get into. It's aluminum in the day. It's for the light weighting, it's for the new emission norm, it's for the new thing on EV rakers. So, it's a massive potential.

The global potential of heat shields is about $27 billion is globally, the potential. Now we'll take this technology to outside as well. We're trying to take it to companies, we're already supplying to JLR, but very small heat shields. But now even our partner in Japan, boss, Japan going down, India standing, let's tie our hands together, let's go to global area. So solid potential is there.

Naysar Parikh: Got it. And I wanted to talk a bit about margins. If you look at on the gasket side, right? Our margins are, a flat around 13%, 13.5%, so I just want to understand, over there, do we see individually within the gasket side margins going up, especially this year or the next year, given everything around raw materials and everything?

Anuj Talwar: Sir, here I want to add, the margins are good in this business and the more in the first quarter, of course, because more OEM was there in the first quarter, the second quarter, third quarter, you can see more export and RE coming in, the margins will improve. But I think you should see that some expenses, we can't allocate proportionately between Gasket and forging, sorry for that.

But because we made different profit loss, some expenses on building in the gasket business, they are not exporting. So sometimes it becomes a little unfair to gasket for that. But for otherwise, the margins are 14% there. It is a two-way accounting. But because being a single company, we can't do that.

Naysar Parikh: Understood and the last question, what is the order book you book as of either June end or today?

Navin Juneja: Sir, July was good month for us again. And order book at present, we can't, we get three months' possession. They are looking healthy, quite healthy.

Naysar Parikh: Okay, thank you so much.

Moderator: Thank you, sir. We take the next question from the line of Akash Mehta from Capaz Investments. Please go ahead, sir.

Akash Mehta: Hi, sir. Good afternoon and thanks for the opportunity. I have three broad questions. Firstly, on the segmental side, can you just please discuss the Q1 FY '24 performance across all the segments in terms of the two-wheeler and passenger vehicles in the other segments?

Anuj Talwar: I laid out that in the opening remarks that how being a hedge portfolio, we have been audible from each and every segment. I'll just repeat it again, about 20% of our revenues came from the two-wheelers and three-wheelers in quarter one. PV is made up 31%, so that's a growth of about 26% over last year with getting more market share with Tata Motors and Mahindra and Maruti Suzuki. Commercial vehicles was about 25% and the tractor was about 10%. Tractor is 10% because of the fact that this has been a little bit of a muted year for the tractor industry.

Akash Mehta: We expect this to be on the same line going forward?

Anuj Talwar: Well, it will be similar. We can't really predict a couple of percent points up and down. PVs will probably continue to dominate and so will commercial vehicles also in India. That's what we feel. Maybe, next two years, three years, maybe two-wheelers come down to about 16%, 17% and PVs goes up at 2%, 3% and commercial by a couple of percent.

Akash Mehta: Okay. Second one is JV performance. The JVs have performed really well. So just if you could throw some more color on the update on the JVs, what's happening there?

Anuj Talwar: The two joint ventures, which is Marelli for chassis and Marugo for rubber, they both are basically, I would say, about 100% in the PV space, unlike our other companies like forgings and gaskets, which are into commercials and two-wheelers and off-road highway. And in chassis, what's happened is that we've actually got a very large share from Tata and Maruti in India, and a very large business orders coming from JLR in the UK for sheet metal slash welded components and chassis as well. So that's something solid.

So pretty much these three customers take the credit out there and only growing. And I'm very hopeful with Jaguar Land Rover margins improving. Now they're putting more money into capex. They're taking on more and more vehicles that sell more, like the Defender, the Range Rover Sport, where we are. So that will be sunrise for the Talbros group. Not only the chassis, but also forging, but I'm talking about JV only right now. Marugo rubber has benefited the most with this whole move by Mr. Modi and Gadkari for the E20 fuel, which is the biofuel where you mix ethanol into petrol, and you reduce the consumption of oil imports.

So, there we have a new product which will make hoses , and the revenue is about INR4 to INR5 Cr. and that's where we're gaining a lot of market share from Maruti as well. So, this is the answer for the two joint ventures that are growing, and this is further continuing to grow in the next 7 quarters to 8 quarters because of the order books that we have and we're acquiring more and more business.

Akash Mehta: Okay, that's really encouraging to hear.

Anuj Talwar: And also, just to add on to it, in the chassis JV, we are more and more with the model we are doing very well like Tata Nexon, Tata Punch, we are in those kind of vehicle platforms. So, that's also lucky that we are part of that.

Anuj Talwar: Yes, plus they also won the order of Maruti EV, which is going to be launched in 25, 26.

Akash Mehta: Okay, thanks for that elaborate answer, sir, and it's really encouraging to hear the developments. Just to close out, the third question on the demand scenario planning out, how are you seeing that planning out and since we're focusing on exports and increasing our contribution over the next four years to five years if you could just elaborate on that strategy?

Anuj Talwar: Demand is okay, demand is okay, I mean, our endeavor is to try and be ahead of the automotive industry and we've always been guiding for last many, many years that we are focused on exports also at about 25% now should go up to 30%, 32% next two years. We are working very aggressively with our customers in UK, Europe, the U.S to gain more and more traction.

And they're also preferring this whole China Plus One strategy. So, I think that it's favoring India also in a big way. So, with the same customer, new product portfolio, same customer, we are adding more divisions to it, and new customers, new technologies. That's what's working out and let's not forget, India is shining, and we're trying to gain more and more market share in India with every automobile vehicle manufacturer in the country as well.

Akash Mehta: Perfect, that's very helpful. Thank you.

Anuj Talwar: Yes, thanks.

Moderator: Thank you sir. The next question is from the line of Ketan Athavale from Robo Capital. Please go ahead.

Ketan Athavale: Hello, sir. Thank you for the opportunity. I just wanted to know revenue and margin guidance for FY'24 and 25?

Navin Juneja: FY'22 and…

Ketan Athavale: FY'24 and 25.

Navin Juneja: Margin Guidance we have given till 27. So, we expect on the standalone basis, for this year, we should grow about whatever 17% to 18% we should be able to grow and top line on a standalone basis and consolidated basis we should be able to grow by 20% plus in this year and thus my EBITDA margin should be around 15% for this year definitely for next year it should improve a little bit further and my top line should also be increased by about 15% to 20% basis of that. That's I can say as of today maybe after 3 months some better clarity will be there wanting to say.

Ketan Athavale: Okay, thank you.

Moderator: Thank you. We take the next question from the line of Mr. Ashish Garur from Ambit Capital. Please go ahead, sir.

Ashutosh Garur: Hello. Hi. So, this is Ashutosh Garur, just to correct name. So, just wanted to understand, we were speaking about 15%, 20% top-line growth. Won't we have to grow much faster to achieve the goal which we are setting as far as the top-line aim is concerned, a few years down the line and would that also mean, just to add, would there be some kind of inorganic approach to that as well?

Navin Juneja: So, whatever the position we are giving for 2200 is not inorganic growth, okay. And first of all, this is the first quarter, you can see the growth is 22% on consol basis. So, we are hopeful that we should be able to maintain this growth, maybe better in the last half year. And the more the clarity will come, the more the time will pass, the more clarity will come, we will be quite confident of achieving our target for 2,200, quite confident at this moment of time we are quite confidence. also maybe next quarter when we meet, you can see the better growth going forward.

Ashutosh Garur: And what is the current capacity able to do from a top line perspective from the current capacity, what is the maximum top line we can?

Navin Juneja: From the current capacity, I can easily do it on the consol basis, around the INR1,300 crores of business easily do.

Ashutosh Garur: INR1,300 crores?

Navin Juneja: Easily. But we have added capacity, which is more being added. I think by December, the capacity will be ready for 1500 plus.

Ashish Garur: **ok ok** Because what I understand, we already operate at 80%, 85% plus kind of utilizations in most of the divisions. So, just wanted to understand how is it that we can do a 1,200, 1,300?

Navin Juneja: The capacity are being added every quarter, some capacity will be added. Machines are being ordered every quarter, quarterly basis. We foresee the business requirement for third quarter, fourth quarter, we added the machines for that. So, it's on the, all the machines are available over a period of 3 months to 6 months' time. So, we are adding good capacity in both the division. At present, we are already invested INR5 crores, INR6 crores, another INR5 crores, INR6 crores will be added in this quarter. So, by the end of this year, we will be ready for INR1,500 crores plus capacity easily.

Ashish Garur: Thank you.

Navin Juneja: **Thaank you.**

Moderator: Thank you. We take the next question from the line of Shanti Patel from Shanti Patel Investment. Please go ahead.

Shanti Patel: Good afternoon, sir. My question is what will be the return on capital employed as of March 2025 and what will be the return on equity capital as on that date?

Navin Juneja: Okay. Sir, we are targeting a return of capital employed of around 20% over a period of next four years. Okay. And return on equity should be around just a minute, sir, just a minute. We have been targeted for that. Let me give you a figure. Just a minute. Return on capital employed it will be 40% plus easily and return on equity should be I think more than 25% by that time.

Shanti Patel: Thank you, sir. Thank you.

Navin Juneja: **Thank you**

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

Anuj Talwar: Thank you so much for being a part of the earnings call for quarter one. And thank you so much for being a part of this call and we see a very strong future in the automotive industry. And we continue to gain further from it. Thank you. Bye.

Navin Juneja: Thank you

Moderator: Thank you. On behalf of Talbros Automotive Components Limited, that concludes this conference. Thank you for joining us and you may now disconnect your lines.