



**“Talbro's Automotive Components Limited Q4 FY-16  
Earnings Conference Call”**

**May 24, 2016**

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

**MR. NAVIN JUNEJA- DIRECTOR & GROUP CFO**

**Moderator:** Ladies and gentlemen good day and welcome to the Talbros Automotive Components Limited Q4 FY16 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 Talbros Automotive Components Limited. Thank you and over to you Mr. Talwar.

**Anuj Talwar:** Good afternoon everyone and very warm welcome to our Quarter 4, FY16 Earnings Call. On the call today I am joined by Mr. Navin Juneja – our Director and Group CFO of Talbros Automotive Components Limited, SGA-our Investor Relations Advisors. The result and the presentation are uploaded on the stock exchange and the company website. I hope you have had a chance to look at it.

Let me quickly give you a run up on our performance till date, post that Mr. Juneja will take you through the financial performance of the company. Just to lay out the Automotive scenario of last year, the auto-comp industry has been pretty much muted, the margins have been skewed have been under pressure and a lot of the peers that we have also monitored as Talbros have pretty much shown a flat or a single-digit growth. However we are very happy with the progress that we have made with our new orders and improving our product mix more towards passenger car segment through our two joint ventures Magneti Marelli and Marugo Rubber. The last financial quarter saw definitive improvement in our core revenue backed by healthy performance of our JV companies, especially Talbros Marugo and Magneti Marelli. These two companies have successfully won the orders of all the new platforms of Maruti Suzuki which have been heavily advertised over the last one-year. We have also got new orders from European market for our forging business. For the financial year 15-16, we saw slower than expected growth led by weak domestic sentiments and economic uncertainties in the European market. We strongly believe that FY17 will be a much better year for the auto industry as well as for us. There are several factors when I say this, oil is around \$50 barrel which will keep inflation under check, the good monsoons will help our agriculture business to take off that means selling off tractors, we saw a disastrous -9% growth last year. So FY17 definitely looks to be a very positive year, also the recent conferences that I have attended of certain customers are predicting a 12% to 15% growth in the automobile sector whereas in the auto component sector we are looking at about 10% to 12% growth should be a reality. We're already witnessing a recovery in the commercial vehicle segment and the two wheeler sales. The expectation of a good monsoon along with Seventh Pay Commission is likely to bring in better consumer sentiments in the near term. In the past year we have been able to build on strong order pipeline from OEM customers and we would see shipments of these orders to start commencing from the year onwards. Our endeavor to expand our global reach has seen new orders coming in from Mexico, USA, Turkey, Iran and also from the UK. In the past few years

we have made substantial progress with our initiatives, we are well diversified player across products and geographies. We believe we will see the fruits of our effort from FY17 onwards. The forecasted automotive territory opportunity is huge in the Indian market and we are in the right place to gain in the near term.

To sum up, for financial year 17 we at Talbro are expecting a revenue growth of 10% to 12% with EBITDA margin in the range of 11.75% to 12.25%. Also I would like to add that in the last quarter our two joint ventures also turned the corner and now are in the black.

I would now like to hand over the phone to Mr. Navin Juneja to take you through our financial performance for the year, post that we will open up for question and answers.

**Navin Juneja:**

Thank you Anuj. To give you a brief about the auto sector performance for financial year 16; overall auto segment grew by 3.5% led by better domestic performance. Passenger vehicle sales grew by 7%, overall CV segment grew by 12% with LCV segment witnessing a muted growth due to flat domestic sales while medium heavy commercial vehicles continued with 28% growth. Two-wheeler recovered to 3% growth led by good performance in Quarter 4 of financial year 16. Scooter segment saw a 13% growth while motorcycle/ moped continued a sluggish performance. Tractors showed de-growth of 9%.

Now coming to our segmental performance for the financial year 15-16; Our Gasket division including Nippon Leakless Talbro forms 73% of our revenue. In our standalone Gaskets we have made good progress in export front have received new orders from Volvo from US and Mexico, Basak Traktör – Turkey and Khodro of Iran.

In the domestic OEM front we have new orders from Tata Cummins, Tata Motors, Hero MotoCorp, Volvo Eicher and Mahindra. We have successfully commenced production of our new dedicated Heat Shield facility at Faridabad. In our JV, Nippon Leakless Talbro, we received fresh orders for new models of Yamaha and Maruti Suzuki. We saw some competitive activity in our JV which led us to take some pricing actions in the second half of the financial year 16.

Coming to forging division; in forging division sales lacked in the current year led by slowdown in the European markets while we have started witnessing recovery from Quarter 4 onwards and expect good performance in FY17 which is backed by recovery in Europe and new orders from domestic OEMs.

Coming to Magneti Marelli Talbro; our joint venture signed with Magneti Marelli Talbro Chassis Systems is witnessing good traction with order wins from large OEMs in UK for exports and in India. We have already started supplying components to Bajaj for its quadricycle to be shipped to the export markets. We continue to have a strong order book in pipeline for FY17 and FY18 both exports and domestic front. Our last joint venture Talbro Marugo Rubber continues to progress well. We have new orders from Maruti Suzuki and

ISUZU Motors while the business will see a shorter impact effect on profitability due to recently commenced hose division of the company.

Now coming to the financial performance of the company; for Quarter 4 of FY16, our core revenue stood 103.3 crores with the growth of 6%, core EBITDA was at 9.4 crores with the growth of 16% led by recovery witnessed on the forging business. Our profit stood at 1.1 crores for the quarter post an exceptional loss of approximate 2 crores on account of sale of old machinery. For the year ended March '16 our core revenue stood at 392 crores as against 389 in FY15, led by slowdown in European markets and weak demand from two-wheeler and LCV segment. Due to change in the accounting method of our joint venture with MMT had an effect of approximately 15 crores from the revenues excluding which we witnessed a like-to-like growth of 5%. Core EBITDA of 38.3 crores against 40.1 crores in FY15 which has a net impact of Rs. 2 crores from the new minimum wages in Haryana where the wages of contract workers were enhanced by 26% from 1<sup>st</sup> of November, 2015 and the provision for the bonus as to renew provisions of the bonus act. A dividend which we received from our joint venture Nippon Leakless was lower in the third year at 2.40 crores against 4.48 crores in FY15. We have brought down the interest charges by 12% which now stands at 17.7 crores led by reduction in borrowings and refinancing of tax. Apart from exceptional loss of 1.9 crores we also had a Forex loss of 88 lakhs in FY16 against the gain of 2.81 crores in FY15 thereby impacting our profitability. We recorded a PAT of 9.7 crores for the year.

Now I request Mr. Anuj Talwar to give his closing comments.

**Anuj Talwar:** Thank you Navin. As Navin explained you that we have had a muted year last year yet we were able to maintain our EBITDA margins inline as or if not better than the auto-comp industry. However, we are very confident as management although the last couple of quarters have not resulted that we wanted but the feeling and the vibes, the sentiments that we are gathering from our in-house president and sales people is that the auto industry is looking at a positive swing for the next couple of years at least. With this I would like to open up the call for any question and answers.

**Moderator:** Thank you very much. Ladies and gentlemen we will now begin the question and answer session. We will take the first question is from the line of Jayasree Ram from Karvy Stock Broking. Please go ahead.

**Jayasree Rram:** My question is on the heat shield segment, you said you have already commenced production on that. So how much of top line can we expect at least for the next quarter from this segment?

**Anuj Talwar:** Next quarter I can't say for the financial year we expect approximately 7 to 8 crores.

**Jayasree Rram:** So this Heat Shield revenue is not included in this financial year?

**Navin Juneja:** In this last financial year it was not there, it will be in FY17.

- Jayasree Rram:** And we were talking about the exports you have bagged for the forging business, so what is the traction from that, how much are you expecting from that segment?
- Navin Juneja:** For the current year we are expecting approximately 2 to 3 crores. But going forward it can go up to 10 to 12 crores, new business.
- Jayasree Rram:** Regarding your gasket, I see that you have a spread across two and three wheelers in HCV and the growth if you look at the commercial vehicle segment and the passenger vehicle, they have shown-- commercial vehicle has shown double-digit whereas the passenger shown single-digit growth. So again your growth is kind of muted, how are you able to manage the segment mix?
- Anuj Talwar:** Last year we lost out because of the two-wheeler and also LCVs were a big downfall. However you must know that we are single source to Cummins which is a very large customer to us, almost about 42-43 crores
- Jayasree Rram:** Which company?
- Anuj Talwar:** Cummins India which makes engines for Tata Motors for the truck, we are single source there. We will probably look at growth opportunities 15% to 18% of Cummins alone, also there is a revival in the two-wheeler market where our main customers are Bajaj and Hero which was little sluggish last year. So we are very confident that our gasket business should at least get some 12% growth next financial year.
- Jayasree Rram:** Regarding Magneti Marelli, you said you completely supply to Maruti Suzuki and Tata so what could be your share of business in those two companies?
- Anuj Talwar:** Magneti Marelli's business to Maruti Suzuki is over 80%-85% and the balance is Tata Motors
- Jayasree Rram:** Share of business as in you supply 85% to Maruti Suzuki through Magenti Marelli?
- Anuj Talwar:** Right and 15% to Tata motors. From next year it's going to change, from next year we will supply to Bajaj quadricycle which we have been talking a lot in our previous calls also. I had a meeting with the CEO of Bajaj last week in Pune and they've committed to us that they will buy about 7500 which is about 5 crores worth from this year and if the Supreme Court gives the clearance for the Indian market that will ride another 2000-3000. So Magneti Marelli market is on the upswing, we have also secured a very large order from a European carmaker. I cannot give you the name but yes this company is going to grow about 27%-30% year-on-year for next three years.
- Jayasree Rram:** So when will the order book is going to materialize as in when is the revenue going to be accounted, which quarter to quarter which year?

- Anuj Talwar:** If you're talking about only Magneti Marelli, Bajaj has been already started from the first month itself. Regarding the bigger ticket items that will probably Quarter 4 this year but for Magneti Marelli also we are looking at about Growth of approximately 22% for this year.
- Moderator:** Thank you. The next question is from the line of Abhishek Jain from India Nivesh. Please go ahead.
- Abhishek Jain:** Despite adding new products in the various JVs, the top-line grew only 1% in FY16 and you are targeting growth the 10% to 11% growth in FY 17. So how the company will achieve it, what kind of the plan and strategy the company is having?
- Navin Juneja:** As Anuj explained earlier, we are looking in the gasket business a growth of approximately on an average of about 11% to 12% which is led by a growth of approximately 11% in exports, 12% in after market and 10% in OE segment. On the forging front we are looking for a growth of again 20% this year which is led by 9% on domestic front and 10% export segment.
- Abhishek Jain:** And Magneti Marelli?
- Navin Juneja:** In Magneti Marelli , we are expecting a growth of approximately 22%-23%, in Marugo we are expecting a growth of approximately 60% .
- Abhishek Jain:** How much revenue can we expect from the Bajaj in the MMT?
- Anuj Talwar:** From Bajaj we should be looking at almost 6 crores minimum from this year.
- Abhishek Jain:** In FY17?
- Anuj Talwar:** It is 10 crores.
- Abhishek Jain:** Our forging business which made a loss in FY15 and I think that the company made a profit in FY16, so what kind of the plan do you have to turn around of the forging business?
- Navin Juneja:** we will have a positive EBITDA of approximately 5% in the current year which we are planning to increase to 10% in the next year.
- Abhishek Jain:** What's your plan, to just reduce the cost or....
- Navin Juneja:** Already good news is that we have got the power from HSCB and also our HFO power plant, the power cost has come down due to the reduction in the HFO fuel price. Now it is hovering about Rs.8 that used to be Rs.12 a year back.
- Abhishek Jain:** What kind of the savings from the power?
- Navin Juneja:** From power we are expecting a saving of approximately 2 crores per annum.

- Abhishek Jain:** The change in accounting matter on Magneti Marelli, so can you throw some light on that?
- Navin Juneja:** Till financial year 14-15, they used to sell a particular metal sheet to our company which we used to further value addition which they bought it back and again sell it to Maruti. From 1<sup>st</sup> April last year we have started doing that activity on job work basis, so earlier there used to be double sales accounting; they used to add twice the sale on same component.
- Abhishek Jain:** One question is related with the interest cost which is a significant portion of your PBT, so do you have any plan to take...
- Navin Juneja:** That will reduce my total borrowing by 10 to 12 crores in this financial year.
- Abhishek Jain:** But if you take the short-term and a long-term debt so it is not reduced significantly.
- Navin Juneja:** Our top-line growth will be 10% to 12% on one hand and on the other hand we see reduction of approximately 10% in my overall borrowing, so we will see a double effect on this front.
- Moderator:** Thank you. Next question is from the line of Ayyappan, individual investor. Please go ahead.
- Ayyappan:** Last call you have mentioned about the sale of Chennai plant, is there any idea now or there any proceedings?
- Anuj Talwar:** Chennai plant in the short-term I don't see it coming in the balance sheet at the moment. We are still about to settle the workers at a low cost, the land is as it is right now as you know the whole of India is really down, so we will wait on that for some time.
- Ayyappan:** May I know that what is the size of that land?
- Anuj Talwar:** 1.8 acre.
- Ayyappan:** The other expenses cost around 20% to 25% of sales revenue. So may I know that whether it will be possible to reduce further, you have any plans to bring it like 15% kind of thing?
- Navin Juneja:** Other expenses include all other expenses except raw material price which include power, job work charges, all administration, my freight, my packing, everything is included here.
- Anuj Talwar:** So these are more or less 80%, these are the fixed expenses.
- Navin Juneja:** It has gone high this year because of minimum wages in Haryana, government has announced by 26% from 1<sup>st</sup> November, 2015 and the provision of new bonus act. We had to provide an extra 2 crores in this financial year. Had it not been there it should have been flat. It's because of these extraordinary items we have to provide as per the law. Going forward if we grow the top line this will stay flat and the percentage will come down. Of course we are also working on restructuring exercise of our manpower and try to reduce on manpower going forward.

**Anuj Talwar:** Manpower aspiration is the major initiative in Talbros where we realized that our manpower cost as a percentage of sales is on a higher side as compared to global companies. We have already started working on that very aggressively.

**Moderator:** Thank you. The next question is from the line of Vikas Rajpal from East India Securities. Please go ahead.

**Vikas Rajpal:** I just need an explanation regarding the company's various segmental performances during the quarter. How was the segmental performance like which new orders, any new developments on each and every segment?

**Anuj Talwar:** If you look at segmental, if I take you through two-wheeler, three-wheeler, commercial vehicles that's what you want?

**Vikas Rajpal:** Gasket, Forging and these three JVs, any updates on them during the quarter?

**Anuj Talwar:** So for Gasket we are working on twofold strategy; one is that we could enjoy the success of the OEM schedules that we received for this financial year, number one. Number two, we are working very aggressively on exports, we have won an order from Iran called Iran Khodro which is a very large car marker in Iran. We have won order from Basak Traktör in Turkey, we won order from Volvo Mexico, we have won order from Ducati Motorcycles. So the initiative in Gasket is OE exports and aftermarket we're restructuring our team and we've also made our independent plant in Sitarganj. After market our growth is about 11% to 12% this financial year as compared to last year so those are the main highlights in Gasket. Regarding Forging, we have added some domestic customers; we are in talks with Volvo Eicher to win a large contract. In forging will also have a very healthy growth this year about 20% with all secure orders. NLK will grow with the growth of the two-wheelers such as Hero and Honda and Yamaha we've entered into. Magneti Marelli has won orders for the Suzuki Baleno, the Brezza, the S-Cross, quadricycle these all happened in the last year so that is growing about 20%. We have also very large order has been won by us by a European carmaker by Magneti Marelli which will start next year, not this year but next year. Marugo Rubber has also been winning orders from Maruti like Brezza and Baleno and also we've secured order for ISUZU and working with Honda Thailand.

**Vikas Rajpal:** Again you are saying that you are planning to increase your presence for Gaskets in the big way in the PV segment as well. So what is the strategy that you have been using throughout the year and what is the strategy going forward for that?

**Anuj Talwar:** We never said that we are going to increase our presence in the PV segment in a big way. That is the company as a whole, the Gasket business is not in passenger cars business. But the other two joint ventures the Magneti Marelli and Marugo are 100% passenger car oriented and we are working with our **technical** partner called Sanwa Packing in Japan try and do something with Daihatsu when they launch in India.



- Vikas Rajpal:** On the post coating gasket segment, what is the update on that?
- Navin Juneja:** The process has been already started; I think the line should be installed by Quarter 4 of this financial year.
- Anuj Talwar:** We have just secured a very large order from Tata Motors and we were using this technology of post coating. And we actually sidelined even companies like Erling Klinger. and the bigger sales for the post coating will happen when we start increasing our aftermarket Gasket sales which are pre coated.
- Vikas Rajpal:** So the revenue from this segment will come from FY18 only?
- Anuj Talwar:** Post the next year, we should not count in thing this year.
- Vikas Rajpal:** Lastly my question is on the tax front, do you have any MAT left to utilize further?
- Navin Juneja:** Yes MAT is there to the extent of 9 crores.
- Moderator:** Thank you. The next question is from the line of Nudul Patange, individual investor. Please go ahead.
- Nudul Patange:** Sir just wanted to get some guidance like you've actually given a formal guidance this time wherein you have stated that you expect the income to grow in the range of 10% to 12% in the coming year that is FY17 and also given a range bound expectation for the EBITDA margin as well. So can you give us some light as in how are we going to achieving this?
- Anuj Talwar:** One is the auto-sector upswing, top-line growth that is the auto sector which is been pretty much muted last couple of years and is looking on the positive, good monsoons, good GDP, lower oil price that's one part. Second is our energy that we have stressed upon getting new orders, increasing our share of business with customers and doing a lot of product development. So we spend a lot of time last year to get orders into newer platform like the Baleno, S-crosse, Brezza and a lot of in-house improvements, a lot of waste cleaning has been done. So we are very confident that we will achieve this, this year provided that the auto sector grows and there is no problem. We are already seeing it in our Quarter 1 like April has been a good month for us. May is looking even better; June is even looking better which actually is a slow month. So we are pretty confident this will happen.
- Nudul Patange:** Can you just give me a sense of what our revenue breakup is in segment wise if I have to break it up two-wheeler, passenger car and CV space, this current year?
- Navin Juneja:** I can give you for the last year.
- Nudul Patange:** Yes FY16. Sir ballpark number will do.

- Navin Juneja:** FY16, my 39% revenue came from two-wheeler and three-wheeler segment. 31% came from medium and heavy commercial vehicles, light and medium and heavy commercial vehicles and 17% came from passenger vehicles, 9% came from Agri and Off-loaders and balance 3% is miscellaneous.
- Nudul Patange:** Of these which segment will give me the highest delta as in coming year? Where do I see the highest number of orders value wise and volume wise?
- Anuj Talwar:** In HCVs, Volvo Eicher, Tata Cummins, Cummins, Tata Motors, Ashok Leyland and also that will be the growth driver for the company this year. One more major is going to be the Agri in the off-loader segment which we had a de-growth last year. With the monsoons looking good that will be a pretty large growth driver. Passenger vehicles we are now at 17%, about 4 to 5 years back we were not even at 8%. It shows you that we've run initiatives to definitely be in this segment. Apart from this don't forget there is also aftermarket, there is also exports.
- Nudul Patange:** Basically if I have to put it in the pecking order, so the highest delta will come from the MHCV space and then the passenger car space.
- Anuj Talwar:** HCV, two-wheelers and then passenger car business.
- Nudul Patange:** This comes in the volume growth, so how about in value terms because we also see a lot of correction in the commodity prices and most of the auto-ancs do have pass-through. So have you taken that into consideration already because I make supply 10% more in volume but my value may not be as high as earlier because of the pass-through nature?
- Navin Juneja:** No, in Gasket business there is hardly any impact because of commodity prices. In forging of course there was impact but 50% of that benefit we have kept up to ourselves because of various reasons. Otherwise the sheet metal we have to pass-through OE customers. But with the volume going up and with the same fixed cost we are able to manage the bottom line, we are hopeful for that. We need not pass on the whole benefit to the customer. And the aftermarket we don't pass any benefit, there is a price increase every year.
- Nudul Patange:** Aftermarket the pass through may not happen but I was just wondering with the OEM even in Gasket.
- Navin Juneja:** Within Gasket there is hardly any commodity, there is specific material like paper material, some rubberized coating steel, sometimes different material, so it's not pure steel or any commodity, also copper is not pure, its mix of lot of materials. So we don't pass through anybody.
- Nudul Patange:** On the same slide where we have mentioned the performance of FY17, you have mentioned that we have started operation for sales from recently commenced hoses operation. Can you just elaborate on that?

- Anuj Talwar:** You are talking about recently commenced heat shield line?
- Nudul Patange:** The slide where we have mentioned about the guidance that we have given on that, there is a pointer which says sales from recently commenced hoses operation.
- Anuj Talwar:** Improving scale of operation in joint-venture, the capacity utilization of the joint-venture is now coming up to about 80%-85% in the Magneti Marelli and about 65% in Marugo Rubber so with enhanced capacity utilization with the overheads being the same as they were, we are in the black which was negative. These JVs are losing money now they are in the black so this is what I mean.
- Nudul Patange:** No, sir I was referring to Slide #11.
- Anuj Talwar:** So that's what I told you.
- Nudul Patange:** I actually wanted to know more about the product, what product is it?
- Anuj Talwar:** Sheet metal products, the control arm assemblies, with Magneti Marelli we have control arm assemblies which we are supplying to about 45% of Maruti Suzuki and with Marugo Rubber we've got anti-vibration and hoses which is also to Suzuki.
- Moderator:** Thank you. The next question is from the line of Pallav Shah from I-Square Investment. Please go ahead.
- Pallav Shah:** What sort of growth is we projecting for the heat shield division that we've recently commenced production for?
- Navin Juneja:** As earlier discussed in the call that we are expecting the sale of approximately 8 crores during Financial Year '17 plus we have just started marketing our Heat Shield line, we are developing some samples for various customers and we are showcasing the facilities. The clear picture will be available to me by the end of the second quarter.
- Pallav Shah:** You said once that we have won tractor order from Iran, can you elaborate on that like what amount, how big is the order?
- Anuj Talwar:** Order from Iran, it's a company called Iran Khodro and it's the same company which you must have read yesterday in the media, Tata Motors is looking to a JV with them to make petrol cars in Iran. The order signed is almost to the tune of \$2.5 million. But how much I'm going to get, what will be my share of business; it's too early to say. I have already taken about 2 to 3 crores this year in my top-line and next year about 5 crores because the main thing with Iran, you have to be very careful with your payments and that's very important so although the order is very large, \$2.5 million which is roughly about 15 crores. I already took a smaller number this year.

- Pallav Shah:** On the forging business side we said that we have won big order from Vovlo Eicher and we were taking with other OEMs for getting the business in forging. So going forward you said the growth estimation of 20% so what amount of orders we have received in value terms from Volvo Eicher?
- Anuj Talwar:** We have said to you that in forging, we have secured orders from domestic OEMs and even from Musashi, Japan based company we've secured orders. Volvo Eicher is an order which is roughly about 2 to 3 crores. But that again has a potential to go up by much more. But my export customers with Dana, Carraro, and GKN are all intact, so we easily see about a 20% growth in forging next year.
- Pallav Shah:** With an increment of margin what would be the bottom line growth we would see?
- Anuj Talwar:** EBITDA as Mr. Juneja already pointed out.
- Navin Juneja:** From 4% last year we are targeting 10% this year because of the power cost...
- Anuj Talwar:** Now we are getting power from Haryana State Electricity Board and the unit cost of power out from there comes out to Rs. 8 which earlier was about Rs.11 a unit, so there is a 20% saving in power and as you know forging is a power-hungry business. It's got pressure, heat, turbine and furnaces, etc. So then we have the 20% saving power as well which will immediately trickle down to the bottom line.
- Pallav Shah:** Our Marugo Rubber JV is now profitable from this fiscal?
- Navin Juneja:** Marugo has two products – one is anti-vibration product. We have a separate plant for that which started two years back. Now that business is in black. We have a separate plant adjacent to that is hoses plant. Hoses plant has started commercial production from H2 for FY15 that is in red. But I think by the end of the year that hoses should also come in black because it's a new business also the capacity utilization is low.
- Anuj Talwar:** We are talking about our JV partners Marugo Japan, who do some buy-back for hose. But consolidated together it will be a breakeven company.
- Pallav Shah:** And what will be the margins in the MMT as well as Marugo Rubber like EBITDA margins would be around?
- Anuj Talwar:** MMT is 7% to 8% EBITDA.
- Navin Juneja:** Our anti-vibration is giving double-digit EBITDA but hose is giving single-digit because of the low capacity utilization.
- Pallav Shah:** I didn't get the MMT margin.
- Navin Juneja:** 7%.

- Moderator:** Thank you. The next question is from the line of Harsh Shah from Dimensional Securities. Please go ahead.
- Harsh Shah:** What was the capacity utilization for the gasket division throughout the year?
- Navin Juneja:** Capacity utilization for the gasket division for the whole year should be around 70%.
- Harsh Shah:** And for this forging division?
- Navin Juneja:** Forging division was approximately 50% to 60%.
- Harsh Shah:** And this year we are planning to do much higher revenue, around 20%?
- Navin Juneja:** Minimum 20% growth we are looking for that.
- Harsh Shah:** Another insight I would like to get from you is regarding the raw material prices which has started bouncing up from the bottom prices. So these two months of FY17, we have seen the prices have rallied by 10%-15% and if say the trajectory continues for the remaining fiscal, how do we see the margins behaving?
- Navin Juneja:** Till date we have not passed on any price increase, we are not buying any material for the higher price. We have not given any price increase to customers at present. If it continues in future, of course from the OE customers we will recover it.
- Harsh Shah:** The pass-through is immediate?
- Anuj Talwar:** Generally we have one month's stock with us.
- Harsh Shah:** For these two months neither we have purchased at higher cost nor we have sold...
- Navin Juneja:** Neither have we bought anything at higher price nor have we given any price reduction to anybody.
- Moderator:** Thank you. The next question is from the line of Vikas Rajpal from East India Securities. Please go ahead.
- Vikas Rajpal:** It's regarding the machinery that you sold off in the Magneti Marelli. So what was the machine primarily used for?
- Navin Juneja:** We got a Knuckle order from Maruti, order from Knuckles.
- Anuj Talwar:** Steering Knuckles.
- Vikas Rajpal:** Now there are no more orders for that so that is why you sold it off?

**Anuj Talwar:** By selling this machinery we've actually given new birth to this joint venture. This product line where we analysed as a management was that a knuckle to be successful you must have your own foundry because the main money is control of the foundry. We were buying the products from Bricks India, we were only machining it. What happens in Europe can we replicate in India but you don't get money for machining so in a way it's a blessing in disguise that we were able to convince and asked our JV Partner and they took it back and that's an exceptional loss this year.

**Navin Juneja:** But the company is now profitable. The company has achieved breakeven.

**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:** Thank you so much for your time. Thank you so much for hearing us. We ourselves were disappointed for the last couple of quarters as we were not able to meet our initially said guidelines which I told you. But we are very confident that this year we will grow at 10% to 12% on the top line and subsequently EBITDA margin should be in the range of 11.75% to about 12.25%.

**Moderator:** Ladies and gentleman, on behalf of Talbros Automotive Conference Limited, that concludes this conference. Thank you for joining us and you may now disconnect your lines.