



“Talbro's Automotive Components Limited
Q2 and H1 FY2020 Earnings Conference Call”

November 18, 2019



MANAGEMENT:

**MR. ANUJ TALWAR – JOINT MANAGING DIRECTOR –
TALBROS AUTOMOTIVE COMPONENTS LIMITED
MR. NAVIN JUNEJA – DIRECTOR & GROUP CHIEF
FINANCIAL OFFICER – TALBROS AUTOMOTIVE
COMPONENTS LIMITED**



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Moderator: Ladies and gentlemen good day and welcome to Talbro's Automotive Components Limited Q2 and H1 FY2020 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 for an operator by pressing “*” then “0” on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Anuj Talwar, Joint Managing Director of Talbro's Automotive Components Limited. Thank you and over to you Sir!

Anuj Talwar: Thank a lot. Good afternoon everyone. A very warm welcome to our Q2 and H1 FY2020 earnings call. On the call today, I am joined by Mr. Navin Juneja, our Director & our Group CFO. Also, we have with the line SGA, our Investor Relations Advisor. The results and the presentation are uploaded on the Stock Exchange and the Company Website. I hope everyone has had a chance to look at it.

Let me begin with a few updates on the industry. The Indian automotive crisis is showing no signs of subsiding with the overall domestic sales plunging for sixth straight month of September as well. Talking about the second quarter, the sales decline was 12% in July, 24% in August and 22% in September. On a segmental basis, the sale of the PVs dropped by 24% between April and September of 2019. The CV witnessed a 23% decline in sales. The medium and heavy commercial vehicle declined by 36% over last quarter to last year and the two-wheelers also registered degrowth of 16% during the same period.

This clearly reflects the weak demand scenario prevalent in the industry during H1 FY2020; However, the festive period during the month of October brought in some cheer for the sector as it witnessed strong sales at a retail level with some OEMs announcing they have made a record dispatches during the month. Demand came in both from rural as well as urban areas with the PV, two-wheeler and luxury segment doing well; however, the commercial vehicles demand remained subdued.

The clearance of inventory at the dealer level is expected to aid in smooth transition to BS-VI. Also, the CV upswing will only happen once there is some true consumption of capexes by the government, which they are still waiting upon. Industry is hoping for a better performance during the second half on the back of good monsoons throughout India propelling rural demand, reducing interest rates and steep discounts to liquid the BS-IV inventory and to be ready to supply BS-VI.

The government announced various measures to help the ailing auto industry. The benefits of the same are expected to be witnessed in the times to come. The auto OEMs had resorted to



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production cuts due to high inventory. This has an adverse impact on the growth of the auto ancillary company like ours. Our biggest customers such as TATA Motors or TATA Cummins were almost down about 70% odd, which is one of our biggest suppliers.

As you are aware the Talbro's Automotive is a hedged auto company with a very diverse product portfolio and association with strong partners. Our focus in this market has always been to reduce our costs, we reduced our breakeven levels, we are keeping our head above the water, at the same time we have lost no market share whatsoever and in fact we will gain more market share once the BS-VI products come live. We are working with biggest customers today and we are BS-VI ready.

The minute the BS-VI product portfolio is rolled out we will see that our share per vehicle will actually go up in some of the customers in our gasket business. Not to mention that we are focusing constantly on exports, which Navin will also walk you through as to how much exports has increased over the last three years and we are working on some large businesses in the export market both in USA, Europe and now even looking at Japan.

Now, I will give you a brief about our company. Our business is broadly divided into standalone business gaskets and forgings and has three joint ventures with global auto comp leaders for gaskets, suspension, chassis and anti-vibration components and hoses. Of our domestic sales, 40% is contributed by two-wheeler and three wheelers, 28% is the passenger car segment, 20% is commercial vehicles and 7% in agri and the off loaders. This depicts our strategy to have diversified client base.

In our standalone gasket business, we continue to hold 40% of the market share domestically. As I mentioned earlier our focus on exports is helping us getting some orders from large conglomerate in the US as well as in the UK. Along with the JV, we hold a 50% market share in this segment. Our strategy here is to help OEMs adapt to BS-VI technology as I have also mentioned earlier and we are all set for these product lines and this in fact would help our company to get more export business to be BS-VI compliant.

We are also focusing to increase our utilization levels of our post-coating line, which will be used in BS-VI for some of the domestic customers, which will help reduce our imports and result in cost saving. As I said to you earlier, we are working with two or three key suppliers of ours from the US as well as Europe, to try and localize the the material sourcing and this finally will have some traction coming from next financial year because these components have been tested by the Indian OEMs in their labs.

Heat shields is a product, which is gaining lot traction. As you know that we won some larger orders from European carmaker and also, we are now in touch with a large truck manufacturer in the US as well and the orders should get approved just within the few more days. We have also received an order from another truck maker in the US on the heat shields. So, I think there we



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can achieve about \$3 million dollars plus of this product line from next year onwards, although the revenue will be spread across and will not happen in the whole year, but approximately \$3 million order acquisition is going to happen.

The forging business has had a tough time because of the export business. Countries like Italy is going through a downturn, going through a slowdown and our exports are predominantly to Italy and also to Germany, but Italy has given us some tough times, also I would like caution you although it is a preliminarily, but even in the US in some segments we are seeing some sort of a slowdown as well. In our forging business, we are continuously trying to increase our order book.

We are in constant touch with the European carmakers with agri and off loaders in Europe as well as domestic market to try and increase our share of business. Our 2500 tonne press is operating, which we installed and it should be operational in a fortnight and we are trying to get some orders for this particular press as well and 30% order book is already there for this press. Our forging business, we do forging and machining and this business had a veryvery good growth rate over the last quarters, but there is a slight slow down, but again we should be back to normal middle of next year.

Regarding the joint venture Marelli in fact this company performed better than the industry, even the industry done about 16%, this is actually a flat growth and this is the reason our export customers has started buying back from us. We have a large share with Maruti here as well and we have just received an order for the new Alto for which we have started supplies already.

Our smaller joint venture Talbro's Marugo is facing some headwinds because here we got two product lines anti-vibration and hoses. The hoses was all for Maruti vehicles, which were diesel in nature and the diesel is a bad word now for the carmakers because the costs go up by two times to convert to BS-VI, so here we lose about 15% to 18% of the projected turnover for this year, but here our strategy is we are working very closely with our partners in Japan, increasing our buyback, and again, this company should have a degrowth this year obviously, but from next year onwards it should be back on track because there is a lot of support by my partners for buyback as well.

The auto sector has been hit by multiple headwinds and few of our customers have undertaken prolonged production shutdown as I mentioned to you earlier, which is hampering our growth. Based on the above we have revised our guidance downwards for FY2020 and that is also the case with a lot of OEMs in the country. We continue to evaluate all options for growth and are closely working with our customers both in India and internationally. However, we are being more watchful and prudent in our approach for coming few quarters. Now, I request Mr. Navin Juneja to update you in the financial performance of the quarter.

Navin Juneja:

Thank you, Anuj. Good morning and a warm welcome to all our participants. Let me begin with the financial overview. In the gasket division including Nippon Leakless Talbro's for H1 FY2020



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our standalone gasket sales was Rs.138 Crores as against Rs.169 Crores in H1 FY2019. Decline in sales to OEM segment was about 16%, aftermarket was about 7.5%, has resulted in the decrease in the overall sales of the division.

The performance in this division had been adversely impacted due to the slowdown as Anuj told you at our major customers in this segment namely Tata Motors and Cummins. Tata Motors reported a declined a 45% decline in the sales in the month of September alone in addition to degrowth in the previous months. Cummins also reported disappointing numbers. Our share of Revenue of NLK was Rs.23 Crores in H1 FY2020 versus Rs.27 Crores in H1 of FY2019. Honda Cars registered a 37% decline in sales in September alone, this has impacted performance at NLK.. This segment saw a combined EBITDA of almost Rs.21 Crores for H1 FY2020.

Now coming to the forging division, the revenue in this division in H1 FY2020 was 67 Crores as against 88 Crores in H1 of FY2019. EBITDA for H1 2020 was at 7 Crores versus Rs.6 Crores in H1 FY2019.

Coming to the Magneti Marelli Talbro's Chassis Systems Private Limited, our share of total income for H1 FY2020 stood at Rs.33 Crores versus Rs.34 in H1 FY2019 on a Y-on-Y basis. EBITDA stood at Rs.4 Crores in H1 FY2020 versus Rs.3 Crores in highlight FY2019.

Maruti, Jaguar and Suzuki Motors are among the top customers in this joint venture. The degrowth in Maruti is offset by the growth in the sale to Jaguar and Suzuki Motors during H1 FY2020 thus resulting into a flattish performance for FY2020.

Coming to our third venture Talbro's Marugo Private Limited, our share of total income for H1 FY2020 stands at Rs.12 Crores vis-à-vis Rs.13 Crores in H1 FY2019. EBITDA during H1 FY2020 stood at Rs.0.8 Crores against Rs.1.1 Crores in H1 FY2019.

Now coming to the consolidated performance of the company; total income including other income stood at 201.2 Crores in H1 FY2020 and 92.1 Crores in Q2 FY2020. EBITDA including other income stood at Rs.23 Crores for H1 FY2020 and 10 Crores for Q2 FY2020. EBITDA margin of H1 FY2020 stands at 11.2% and for Q2 FY2020 at 11.1%. Our margins have not been impacted adversely despite the tough industry environment. This is an outcome of our relentless efforts on improving efficiencies and keeping tight control on our cost. PAT stood at Rs.9 Crores in H1 FY2020 and Rs.3 Crores in Q2 FY2020.

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

Moderator:

Thank you very much. We will now begin the question and answer session. Ladies and gentlemen, we will wait for a moment while the question queue assembles. The first question is from the line of Arun Agarwal from Kotak Securities. Please go ahead.



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- Arun Agarwal:** Good afternoon Sir. My first question is on, if you could just help us out with the revenue and EBITDA segment wise for this quarter, you gave in for the first half, so could you help us with the second quarter details?
- Anuj Talwar:** For the quarter?
- Arun Agarwal:** Yes.
- Anuj Talwar:** You want division wise, Arun?
- Arun Agarwal:** Yes, division wise.
- Anuj Talwar:** In the gasket, my total income for this quarter is 63.5 Crores and EBITDA percentage is 13.65%. In the forging division, my sale is 30.7 Crores and my EBITDA is 9.90% and if we add both the standalone sale is around 94.37 Crores and EBITDA is 12.40%.
- Arun Agarwal:** Sir, gasket and forging, how much is down on a year-on-year in the revenue side?
- Anuj Talwar:** Year-on-year basis, last year gasket EBITDA, you are talking about sales or EBITDA?
- Arun Agarwal:** Revenue.
- Anuj Talwar:** Last year gasket revenue was around 85 Crores same period, now it has come down to 63.5.
- Arun Agarwal:** Forging?
- Anuj Talwar:** Forging was 45.82. It has come down to 30.87. For consolidated, it was 131 Crores and this year it is 94.37.
- Navin Juneja:** See, you have to understand one thing about here why we were so negative, is that our biggest customers in CV that is Tata Motors and Cummins, they have come down drastically for this quarter, that is probably the only reason and they were not pulling any material at all and if you remember, in fact in this quarter there was a double whammy. What we see first, my customers like Tata and Cummins are not producing, secondly they are reducing their inventory at their end because of BS-VI.
- Arun Agarwal:** How is the situation now October and November, we have already half past November?
- Anuj Talwar:** October is same as September, November is a little better and forging also I think for last quarter and now it will be 8% to 10% better this quarter, minimum.
- Arun Agarwal:** On a sequential basis we expected to 10% better revenue there?



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- Anuj Talwar:** Sorry.
- Arun Agarwal:** On a sequential comparing second quarter, third quarter we are looking 8% to 10% better revenues in forging?
- Anuj Talwar:** Yes, it should be.
- Navin Juneja:** It should be because for us about two months are over, we can just tell you all that.
- Arun Agarwal:** Sir, even in Italy we are seeing tremendous 40% to 50% sort of degrowth?
- Anuj Talwar:** Italy is also slow. One customer has gone slow, and now there is a good traction coming in because we have now started supplying for the next financial year for them because January is the New Year start for them. So, my one or two customers who had new customers has come online and there is a good traction, we can see in the first six months we achieved a sale in the forging division of approximately 7 Crores, I think there should be 8% to 10% to 12% increase in the second quarter as compared to the next six months.
- Arun Agarwal:** In forging exports, this 8% to 10% when you talk about growth going ahead in the third quarter, do we see the traction coming in from the exports or from the domestic you are factoring only?
- Anuj Talwar:** Primarily more from export.
- Navin Juneja:** See, the domestic has been driven by, how the demand comes up with the Tata's of the world, but export, yes, we are seeing some traction.
- Arun Agarwal:** The supply of BS-VI integrated gaskets wiring harness integrated gasket is starting?
- Anuj Talwar:** It is all on track. In fact we had a review with them in The US last week, things are all on track, samples commissions are happening, so I think we are pretty confident that we will be live as soon as, what you asked is gasket from January, February, March, so they have ordered for that. I think India testing is on for that product. I think it is on stages but it is going to be approved in the next fortnight itself.
- Arun Agarwal:** How much additional revenue you are expecting from this particular segment in FY2021?
- Anuj Talwar:** It all depends on the numbers that the Tata Motors and Cummins give us, you see earlier when they were talking about 180000 engines as a peak, at about 2000 gasket, about 34 Crores to 40 Crores, 50% market share to start with that is about 18 Crores to 19 Crores, but it all depends on the numbers that we project, right now there are so much of uncertainties at the OEMs, it is difficult, but I will be in the better position do give you the feedback in the near future as I have a review in Pune with the client to get some idea what is happening on their numbers, so it all



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depends, but, yes, the good part is that this product and, gaskets even in the US they have been asking us to just focus on these three products and then you also have global opportunities.

Arun Agarwal: Sir, in 2H and next year FY2021, which are the new business orders that will be starting with independent business segments?

Anuj Talwar: Number one is Heat shields up to \$1 million minimum, \$2 to \$3 million, if we take the full, of course everything cannot be decided from April 1, so it will average of \$2 million of heat shields, secondly this wire harness business if we take a conservative figure of 18 Crores 20 Crores, for the full financial year and also some export business let us say about another 10 Crores to 12 Crores, but I think out of 7 Crores to 8 Crores will be converted again, so we see a new business of approximately 40 Crores to 50 Crores.

Arun Agarwal: Whatever growth we get next year primarily one would come from the volume growth if that happens in the industry and apart from that we are looking at additional business?

Anuj Talwar: Yes, new business that we have told and also some good export business also.

Arun Agarwal: So, even if the volumes remain flat on a year-on-year basis next year we still would grow?

Anuj Talwar: Yes, we will grow definitely. This is a critical time for our company, in this transition of BS-IV to BS-VI, we are working aggressively on export customers, this will definitely pay dividend, and you will see it happening.

Arun Agarwal: Last question is on the tax rate, the tax rate was on the higher side, did we go ahead with the lower tax rate region?

Anuj Talwar: No, on the standalone basis there is no change in the tax rate because of MAT still being there, next year MAT will be there, after that we are going for lower tax from 2021-2022 and it is only Nippon Leakless we have gone for a lower tax rate and in this quarter the effect of last quarter is there also.

Arun Agarwal: So, full year basis, what tax rate we would then should assume?

Anuj Talwar: If you take six month tax rate it should be effective tax rate.

Arun Agarwal: Alright, that is it from my side. Thank you.

Moderator: Thank you. The next question is from the line of Ankit Merchant from SMC Global Securities. Please go ahead.



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Ankit Merchant: My question is related to the short-term debt in this particular quarter, the short-term debt has gone up and the payables have actually gone down?

Anuj Talwar: This is because as you are aware the government has stopped buyers credit, we are importing lot of stuff in the gasket division and the banks have stopped the buyer credit, so we took short-term borrowing and pay our creditors off, if you see the total borrowing buyer credit was shown as creditor earlier. Now it has come as a short-term borrowing. There is no increase in the overall borrowing. It was earlier buyer credit was shown as creditors, not there is no buyer credit, now we have paid everybody because I am not getting buyer credit facility available from the market, so we are just paying on time from our working capital limits. The second reason is also my stocks have not gone down the way it should have gone down as compared to the businesses, because being single source we need to have some inventories and there are lot of uncertainty in the market and we need to keep inventory, I hope so it will be revised over a period in the next six months plus there were some pressure of collection.

Ankit Merchant: Sure, another question is related to the BS-VI gaskets, how is the supply timeline, which has been given to you from the OEMs both on gasket as well as on the CV front?

Anuj Talwar: In the two-wheeler, there is no change. CV front, January, February, March, they have given some schedules and we also supplied some samples to Volvo & Eicher already and Tata Motors, every sample are going, January, February, March, major supply, otherwise this month Volvo asked for some 500 pieces, Cummins asked for 200 pieces, Tata Motor asked for 300 pieces.

Ankit Merchant: Sure, but nothing in quarter three will be?

Anuj Talwar: No, nothing major.

Ankit Merchant: So, then everything will start from quarter four onwards?

Anuj Talwar: Yes.

Ankit Merchant: On the forging front, can you give us what is the utilization levels in the forging?

Anuj Talwar: Utilization level is about 60% in forging right now.

Ankit Merchant: And due to the recent fall in the steel price?

Anuj Talwar: No, the primary supplies are to Europe and to CVs and two-wheeler space and with the Indian customers there was huge drop in the Indian CV customers and one customer in Italy the volume has come down. I think within the next four to five months things should resolve it. I think, it should back to normal, back to 70% to 80% level and it will not come in one quarter, it will take minimum two quarters.



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- Ankit Merchant:** Sure, and JLR orders as well as the BMW, whatever is basically?
- Anuj Talwar:** It is all on track.
- Ankit Merchant:** Thank you. I will come back in the queue for more questions.
- Moderator:** Thank you. The next question is from the line of Shikha Mehta from Equitree Capital. Please go ahead.
- Shikha Mehta:** Sir, I just had a couple of questions. First, could you just give me the utilization levels in gaskets and then the joint ventures?
- Anuj Talwar:** Capacity utilisation if we come to gasket all together it is 68% in H1 FY2020, in the forging division it is about 55% to 60%, in machining capacity it is about 75% and Magneti Marelli, it is about 90%, Nippon Leakless, my JV is 74% and if you come to Talbro's Marugo, we have two product line, anti-vibration it is 75% and in hoses is about 33%.
- Shikha Mehta:** Sir, in the presentation we have given a target for 16% to 20% for the year, PAT, that is really wide range, so what are we leaning towards?
- Anuj Talwar:** Wide range is depending on how the things are in the market. We are not able to get the confirmed schedule from our Indian OE customers, so I get good export business going forward of course we will be on the higher side of this bracket.
- Navin Juneja:** It also depends whether prebuy will happen, not happen, how we are going to discount the inventory, suppose if the scrappage policy which comes about, hence we have given a range because we ourselves are not clear, the OEM is not clear, so how will we be clear.
- Shikha Mehta:** Right, what is our order book as of now?
- Anuj Talwar:** We have got contracts. We get every month schedule for the batch. It is not EPC contract, I get the contract, for this road or this highway, it is not that, we are only supplier, whatever we manufacture we will deliver, we get rollingforecast from there and it keeps on changing also every month, if I get a rolling forecast for three months, then months starts, by tenth of the month we will revise it upward or downward.
- Shikha Mehta:** On our new press in forging of 2500 tonsne, I think in the presentation it says it is complete and you have mentioned previously also and in this call also that 30% to 35% of our capacity is already booked, so when we will see that revenue coming in?
- Anuj Talwar:** We can see this quarter some revenue coming in.



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- Shikha Mehta:** How much it would be?
- Anuj Talwar:** Some parts of this capacity I will supply to one of the export customers and to a local CV, I used to manufacture from outside, now I will manufacture them inside in my own press plus we are coating, we are discussing, some big orders from American customers, let us hope, we are still awaiting for the final outcome of that, of course within this quarter something will happen on this front, definitely, I am hopeful basis in the next six month my capacity utilization will go up above 50% minimum in this press.
- Shikha Mehta:** Sir, about the RE60, how much revenue are we seeing from that?
- Anuj Talwar:** RE60, this product they are buying about 500 to 700 pieces per month, but they had to go to about 2000 pieces per month, but there is some issue happening between the Indian government in testing, we are only looking at very small, we have not really budged much, we have taken about 6000 pieces, nothing more than 3 Crores to 4 Crores, we have not taken more than that, but the potential is much more.
- Shikha Mehta:** Sir, again major part of RE60 will also come in next year?
- Anuj Talwar:** By the first quarter it will get launched. Whenever it comes it will come to us only.
- Shikha Mehta:** Fine. Thank you.
- Moderator:** Thank you. The next question is from the line of Sunil Kothari from Unique Investment. Please go ahead.
- Sunil Kothari:** Thank you for the opportunity. Sir, regarding exports specifically of forging and non-forging both, if you can just give overview what happened in first half, second quarter and how you see onward is my first question?
- Navin Juneja:** First of all, I will give you a brief of how the export in the group is moving. If you take Tata for last two year and six months of this year, keeping our proportionate share in JV, my total turnover in 2017-2018 was 520 Crores as a group, total including my proportionate share of JV, my turnover was 84 Crores in that year i.e. 16% of revenues, then we came to 2018-2019, my turnover was 627 Crores in a year, my export was 110 Crores i.e. 18% of revenues, 84 Crores to 110 Crores, this year six months, my turnover is 266 Crores, my export is 55 Crores i.e. 20% of revenues, so this gives a little trust that the effort we are putting I hope sothat by next year this figure should be around 22% to 23% of our total turnover.
- Anuj Talwar:** There are exceptional things that are happening in export, we won some good orders from whether it is gaskets or whether it is forging or whether it is Magnetti Marelli, Talbro's Marugo is going to start to supply to Japan, so we are working on that, and that is something that we have



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been saying constantly to you that long-term goal should be 30%, but short-term 20% to 23% is achievable as Navin mentioned to you and we are working on some large projects, which I can share some light later, which if they get materialized then that is a larger number.

Sunil Kothari: What about the forgings business, the major setback seems to be forging part of the business, it is continuously falling quarter-on-quarter, so how you see now onwards and what happen in first half?

Anuj Talwar: In the third and fourth quarter, whatever we achieved in the first six months it should be much 10% to 12% more for six months. First quarter you will see it is minimum 12% more than the second quarter.

Sunil Kothari: What happened in first half and first an second quarter, what I understand is it part of your exports?

Anuj Talwar: My domestic sales is down drastically first number one, , secondly one of the customers in Italy, its position came down very drastically plus in the same period last year Europe was hovering around Rs.83 to Rs.84, if you see April to September last year, if you take an average Europe price, it was Rs.83 to Rs.84, now it is Rs.77 to Rs.78 in first six months, that is also a one of the reasons. Our exports to Europe are 90%plus, plus two-wheeler sale, two-wheeler to Musashi, etc., there is a huge drop of 25% from there also that was there plus BMW export we reduced a little bit because of the high inventory at their end. Now it is all over, now all the inventory correction has been done. Now we have ramped up and order has come back.

Moderator: We seemed to have lost the line. We will move to the next question. The next question is from the line of Ankit Agarwal from Arc Capital. Please go ahead.

Ankit Agarwal: Thanks for the opportunity. I had two questions, first question is obviously H1 does not seem to be that great, so how do you see H2 for your company as well as for the industry?

Anuj Talwar: H2 should be better than H1. We are expecting H2 to be better by minimum 10% to 12% as compared to H1.

Ankit Agarwal: Sir, can you provide some insights in the performance of the JVs?

Anuj Talwar: I will come to JV performance. Now JV is Nippon Leakless JV in the quarter the turnover was 23 Crores, EBITDA was 17.5%, Magnetti Marelli the turnover was 32.37 Crores, EBITDA achieved highest EBITDA of 11.1%. My third JV Marugo Rubber, the turnover was 12 Crores and EBITDA was 7%, it was again up by from 6.2% in the same period last year.

Ankit Agarwal: That is it from me. Thank you.



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- Moderator:** Thank you. The next question is from the line of Pankaj Jain from Mahavir Investment. Please go ahead.
- Pankaj Jain:** Good afternoon. Thank you for the opportunity. Sir, my question would be on the back of BS-VI norms coming in, which product segment do you think will grow faster or what sort of traction are we from the OEMs?
- Anuj Talwar:** The only product in our company which is going to be affected by BS-VI in a positive manner is the gaskets business, so that is something, which interesting to us because we have developed all the components so that is going to happening. The other segments like forgings and chassis do not see much of a BS-VI issue although in our rubber JV Talbros Marugo, we will do it about 15% of a turnover on the hose business line due to BS-VI in Maruti because they are launching all petrol vehicles right now.
- Pankaj Jain:** Sir, are we seeing any increased action from the OEMs on the gasket, which are OEMs, which are doing well for the current half and may be going forward H2 we are seeing increased traction?
- Anuj Talwar:** Bajaj has done well in the circumstances, Maruti is going to pick up again, and there is a slight growth in the month of October, CV will take some more time I think that is again as explained there are so much of CVs, the growth to come to the next level will take some more time.
- Pankaj Jain:** In the gasket business, due to the BS-VI norms do we see increased revenue per gasket or it could be same as previous?
- Anuj Talwar:** It will increase a little, in the CV segment with only one customer called Cummins that is almost two and half time increase, so again it depends on a number of engines. On an average let us say Rs.800 per engine now go up to about Rs.2500 per engine domestically plus exports and other opportunity.
- Pankaj Jain:** Sir, can you also give us some margin breakup between the product segments, what would be the margins across products?
- Navin Juneja:** It is really difficult to give the margins I can give a ballpark figure of margins. In the OE business the gross margin is around 19% to 20%, which goes up by 2% to 3% in the export and aftermarket that is what I can say.
- Pankaj Jain:** Thank you. If there will be any other questions I will get back in the queue.
- Moderator:** Thank you. The next question is from the line of Atul Kothari from Progwel Equity. Please go ahead.



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Atul Kothari: Sir, thank you for the opportunity. Sir, our total debt has increased by approximately 11 Crores, so what is the reason behind the same?

Anuj Talwar: First of all, I just explained on the call, my creditors have gone down if you have seen in September by 20 Crores approximately. The reason is against the import we are losing the buyer credit facility and the buyer credit was shown as sundry creditors, now the government has stopped buyers credit so we are not availing any buyer credit, we are making the payment directly to vendors on due dates, so whatever the fund we paid from buyer credit we utilize from working capital that is the only reason for increase. I hope you understand that.

Atul Kothari: Sir that is the reason why our capital work-in-progress has increased by 9 Crores?

Anuj Talwar: Capital work-in-progress is one basically for 1500 tonne press that was under installation, 37 Crores capex is under work-in-progress is basically for 2500 tonne press which was under installation, I think by end of next year it would be capitalized in the next quarter.

Atul Kothari: Thank you. That is all from my end.

Moderator: Thank you. As there are no further questions, I would like to hand the conference back to the management team for closing remarks.

Anuj Talwar: I would like to thank you all who had joined the call. I hope that we were able to answer all your questions. For any other queries you may get in touch with SGA and we will be happy to address your queries. At the same time, we are not worried as a company, we are still very positive, the worst is over, we are not losing any market share in India, we are going to gain, once BS-VI starts, we are working on exports, we are working on cost control and hopefully the minute the tide changes we will be back to the earlier performance levels. Thank you.

Moderator: Thank you very much. On behalf of Talbro's Automotive Components Limited that concludes this conference. Thank you for joining us ladies and gentlemen. You may now disconnect your lines.