



“Talbro's Automotive Components Limited
Q4 & FY2019 Earnings Conference Call”

May 30, 2019



MANAGEMENT:

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Moderator: Good day ladies and gentlemen and welcome to the Talbro's Automotive Components Limited Q4 & FY2019 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 "*" and then "0" on your touchtone telephone. Please note that this conference is being recorded. I now hand the conference over to Mr. Anuj Talwar, Joint Managing Director of Talbro's Automotive Components Limited. Thank you and over to you Sir!

Anuj Talwar: Thank you. Good morning everyone. A very warm welcome to our Q4 FY2019 earnings call. On the call today, I am joined by Mr. Navin Juneja, our Director & Group CFO, SGA, our Investor Relations Advisors.

The results and the presentation are uploaded on the Stock Exchange and the Company Website. I hope everybody has had a chance to look at it. Let me quickly give you a run up on our performance for Q4 & FY2019 post, which Mr. Juneja will take you through the financial performance of the company.

FY2019 was an eventful year with the first half being good for the sector and the second half being very challenging. Industry faced very headwinds resulting into sublime performance by various OEMs. Various factors such as higher fuel prices increase in insurance cost, new safety measures, sudden drop in demand lead into overcapacity with OEMs and production cuts. We believe FY2020 would again be a challenging year especially the first half of FY2020. We expect pre-buying to kick in from H2, which will give us some respite to the industry, having said that at Talbro's our hedged product portfolio will ensure faster recovery going ahead.

Given the challenging backdrop where the automotive industry grew at single digit last year our revenues grew by 23% year-on-year. This is again linked to our mantra of being a hedged autocom player where not one customer is more than 10% of the portfolio and we are supplying across segments, across two-wheelers, three-wheelers, HCVs, LCV and the export market. We continue to gain market share within India as well as globally. Of our domestic sales 32% was contributed by two-wheeler and three-wheelers, 35% by CVs, 23% by the PV segment and 7% by the agri and off-loaders.

I will just give you a little few points on each division on strategic initiatives what we look to do going forward. As you know, our business is broadly divided into our standalone business, gaskets and forgings and our three joint ventures with global auto component leaders for gaskets, suspension and chassis components and Anti-Vibration components.



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Let me talk to you about the gasket business first. In our gasket business along with a JV partner, our market share in India is about 50% today. We are focusing on getting ready for the BS-VI, as you know that we gained market share when we moved from BS-III to BS-IV and now we expect the same with BS-VI as we are technology ready. We are working towards with all our OEMS especially in the heavy truck segment to be ready with this component. Once we go into BS-VI our vehicle content of our gasket business goes up significantly because of newer products and newer technology. We are also working very hard on pushing exports for our gasket business because being market leader of 50% in the country we can probably gain another 5% to 7%, but exports is a huge opportunity.

Heat shields as I have repeatedly told you, is a very interesting segment for us. It is still in the take off stage, we have won some good orders from European carmakers on the heat shield and working with the big US truck maker for the same. Given the fact that Café norms part 2 are around the corner, which basically mean lesser carbon dioxide to be released for every milligram of diesel, gas or petrol in the car. This product will be a big hit in the future. The global demand by the automotive industry for this particular product in the next four to five years will be about \$25 billion, in India, the party just started.

Coming to our forging business, forging business, as you know exports are almost 49%, the domestic market share is again 55%. Here also we are only catering to the heavy duty and the Agri market in India, but in exports we also cater to a very prominent German carmaker. In our forging business our growth trajectory now is to go into higher tonnage products now that we have established a certain size, we are in the process of installing our 2500 tonne press, which will be completed by the end of Q1 FY2020. We already have the orders ready for this new press.

Talking about the two JVs, Marelli and Marugo. With Magneti Marelli, which is a very large European car company. We have a 50:50 joint venture with Marelli with a complete scope to design and develop a complete chassis for the OEMs. Today these products are roughly about Rs.1000 per car, but as I have said earlier with the Bajaj RE60, which is being launched now with the Indian government, the car content goes up to almost Rs.6000 per vehicle. We have already seen the demand picking up for this particular vehicle in India. Just like to add something for you, for the Magneti Marelli cargos we are going ahead with the fresh capex and a new plant in Pune, which should be ready by September-October of this year. This new plant will give us access to export opportunity and also to cater to the OEMs, which are in the western part of the country such as Tata Motors, Fiat, Mahindra, Bajaj.

Coming to Talbro's Marugo, which is the joint venture for rubber products. Here also we are working on expanding our product portfolio. We are looking at higher, heavier weighted parts, heavier revenues parts and this is also a growth driver for our company.



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On a group level, we expect to clock Rs.850 Crores to Rs.900 Crores in topline while on Indian accounting standard numbers we expect revenue of about Rs.520 to Rs.550 Crores because here the revenue of the joint ventures does not show up in the new accounting standards.

Our PAT targets for FY2020 stand revised from Rs.32 Crores to Rs.35 Crores to Rs.30 Crores to Rs.32 Crores. We continue to target an ROCE again on accounting standard numbers of about 15% plus for FY2020, but if you look at in the old accounting standards of GAAP our ROCE is already in excess of about 18%, which a few years back was around 10% to 12%.

I would like to again reiterate the fact that at Talbro's we have hedged product portfolio, no one customer is more than 10% of our revenue. We are focusing a lot on the export market, new technologies and I would like to just give you a number, which we can again further take you through the question and answer session. We have secured order book of roughly Rs.85 to Rs.100 Crores for next year, which will come into our revenue stream starting of next financial year. We are very excited to be a part of the BS-VI journey as we are developing very interesting products for the Indian heavy vehicle industry. Now I request Mr. Juneja to update you on the operational performance and the financial performance of the quarter.

Navin Juneja:

Thank you Anuj. Good morning and warm welcome to all the participants.

Let me begin with the financial review. In the gasket division, which includes our joint venture Nippon Leakless Talbro's. For FY2019 our standalone gasket sales were Rs.333 Crores as against Rs.292 Crores in FY2018, recording a growth of about 14%. This is on the back of growth in the commercial vehicle segment also from the standalone business we supply to Bajaj Auto and their growth remained very strong during the last year also.

Revenue of our joint venture NLK was Rs.49 Crores, this is our share of 40% in FY2019 vis-à-vis Rs.47 Crores in FY2018, thereby a growth of only 3%. This segment saw a combined EBITDA of about Rs.51.5 Crores.

Gasket business, this is for the joint venture in totality the revenue from the standalone gasket business was Rs.74 Crores in Q4 FY2019 versus Rs.78 Crores in Q4 of FY2018. Revenue of joint venture NLK was around Rs. 11.1 Crores for Q4 FY2019 as against Rs.11.8 Crores in Q4 of FY2018. Sales from NLK were lower during the quarter due to poor sales from HMSI in the domestic market. This has resulted in a subdued quarterly performance. This segment saw a combined EBITDA of about Rs.12.6 Crores.

Now coming to our forging division. There was a 44% growth in the revenue in FY2019 on a YOY basis from Rs.115 Crores in FY2018 to Rs.166 Crores in FY2019. On a quarterly basis the revenue in Q4 of FY2019 was at Rs.37 Crores as against Rs.38 Crores in Q4 of FY2018.



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Coming to Magneti Marelli Talbro's Chassis Systems Private Limited. MMT saw a 19% revenue growth in FY2019. Total portion of revenue to TACL FY2019 was around Rs.65 Crores. On a quarterly basis the revenue degrew by 12% from Rs.16.4 Crores in Q4 of FY2018 to Rs.16.5 Crores in Q4 of FY2019. EBITDA margin has improved from 7.9% in FY2018 to 10.4% in FY2019 on account of increased volumes.

Now coming to Talbro's Marugo Private Limited. TMR saw a 27% revenue growth in FY2019 over FY2018. Total revenue share attributable to TACL was Rs.26 Crores in FY2019. On a quarterly basis the revenue have grown by 10% from Rs.5.7 Crores in Q4 of FY2018 to Rs.6.3 Crores in Q4 of FY2019.

Now coming to our consolidated financial performance of the company for FY2019, total income including other income stood at Rs.490 Crores in FY2019 versus Rs.399 Crores in FY2018, thereby showing a growth of 23% over FY2018. EBITDA including other income stood at Rs.58 Crores in FY2019 versus Rs.47 Crores in FY2018 posting a growth of 23% on YOY basis. The margin stood at 11.9%, which saw an expansion of 6-basis point on a YOY basis, which is primarily due to increased volume and successfully negotiation with OEMS for passing on the increase in RM cost. PAT stood at Rs.26 Crores in FY2019 in comparison to Rs.21 Crores in FY2018. FY2018 PAT is being adjusted for onetime gain of sale of assets in Q2 of FY2018, which is around Rs.2 Crores.

Now coming to the credit rating of the company. Our credit rating have constantly improved recently CARE rating have upgraded our ratings from CARE A Minus to CARE A for Long term Bank Facilities and CARE A2 Plus to CARE A1 for Short term Bank Facilities and CARE A Minus to CARE A for Medium Term Instrument (Fixed Deposit) . Board of Directors have recommended a dividend of Rs.1.80 paise per share of face value of Rs.10 that is 18% of face value subject to approval of shareholders.

Now coming to Q4 of FY2019. Total income including other income stood at Rs.109 Crores versus Rs.112 Crores in Q4 of FY2018 showing a degrowth of 3%. EBITDA including other income stood at Rs.13 Crores as against Rs.15 Crores in Q4 FY2018 a degrowth of 12.5% on YOY basis. The margin stood at 12% versus 13.3% in Q4 of FY2018. PAT stood at Rs.6.1 Crores in comparison to Rs.7.6 Crores in Q4 of FY2018 that is from my side. Now I would like to open the floor for the question and answers.

Moderator:

Thank you very much Sir. Ladies and gentlemen, we will now begin the question and answer session. Ladies and gentlemen, we will wait for a moment while the question queue assembles. We have the first question from the line of Ankit Merchant of SMC Global Securities. Please go ahead.



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- Ankit Merchant:** Good morning. Sir my first question is related to this Q4 number, we have seen the raw material prices, although it has slightly come down for you, but your other expenses and the employee cost have gone up slightly, can you elaborate on those?
- Navin Juneja:** Other expenses what happened I think has gone up a little bit because of the two reasons basically reason one is in the initial years when the BMW business started with forging plant, the freight was borne by BMW, they used to send their logistic agent. Now recently they revised that methodology, they have revised our pricing, they say we are responsible for the freight, etc., of the whole component and the increase of my sale price and give me responsibility of that, so my freight and cost, which is approximately Rs.1 Crores per quarter for BMW is being part of other expenses. It was not there earlier.
- Ankit Merchant:** Okay, so then going forward Sir this cost will pertain to?
- Navin Juneja:** Yes, it will be Rs.4 Crores per annum approximately and my selling price is also increased by Rs.4 Crores, it is contra entry.
- Ankit Merchant:** Okay, so next quarter we will see the realization improving there?
- Navin Juneja:** Yes, Rs. 1crore gets added to my Revenues as well as costs. . Hence, it does not affect my profit and loss account.
- Ankit Merchant:** On the employee cost, quarter-on-quarter we have seen some decline, but year-on-year it has increased?
- Navin Juneja:** Just a minute, let me see the quarter-to-quarter employee cost. There was a decline in YOY basis. If you see the percentage wise there is a decline in employee cost. On annualized basis Q4 or you are talking about?
- Ankit Merchant:** Yes just for the Q4 not for the year?
- Navin Juneja:** If you see for the annualized basis in the consolidated profit and loss account from the annualized basis my employee cost is 11.44% versus 12.2% in FY2018 versus 14.1% FY2017, so it is coming down, may be quarter wise you will not get a proper understanding.
- Ankit Merchant:** I understand Sir, but in this particular quarter it went to 13.1, so I just was little worried?
- Navin Juneja:** It is a temporary phenomenon.
- Ankit Merchant:** Sure, Sir and just one more question was related to the working capital. How many days of inventory do we have and how is the inventory looking?



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- Navin Juneja:** Yes, inventory days is 148 and debtor is 100 days, creditor 157 days, working capital days 90.
- Ankit Merchant:** What is the scenario you have been facing with the OEMs, how are they guiding you to manage your inventory as well as are the payments also on time?
- Navin Juneja:** Payments are in time and I think that things have started to improve. We are seeing the little positivity as compared to April-May little positive and June looks to be better for us.
- Ankit Merchant:** Sir for the BS-VI heat shield technology when will the orders start flowing for us, I mean when will they go into production?
- Anuj Talwar:** BS-VI in gasket a new technology, heat shield I mentioned to you is a work in progress for the Café part 2 in the year 2022. Heat shield we are exporting today in a small number and in a domestic market you will see a larger number next year, but for the BS-VI gaskets where the car content goes up per vehicle, it will start by January of next year with a large Indian truck engine maker.
- Ankit Merchant:** Okay and nothing with the two-wheeler manufacturer?
- Anuj Talwar:** Nothing changes. It is very similar because the products in engine it is not that much of a difference.
- Ankit Merchant:** Sure okay. Thank you so much. I will get back in the queue. Thank you.
- Moderator:** Thank you. We have the next question from the line of Arun Agarwal of Kotak Securities. Please go ahead.
- Arun Agarwal:** Good morning Sir. On the revenue growth target that we have given, it is a wide range of 7% to 17% growth that we are looking for next year under Ind-AS, could you highlight from where exactly we are looking for growth, if you can just classify under different segments from gaskets then the forging business and then may be you can touch upon the joint ventures as well. Where the additional revenues would be coming in from, just highlight those orders?
- Anuj Talwar:** You want segment wise?
- Arun Agarwal:** Yes, if you can give it like a standalone gasket and then the forging business and then you can touch upon the joint ventures?
- Navin Juneja:** Just a minute, I will give you.
- Anuj Talwar:** One growth driver will be BS-VI, export segment as well as some new models of Indian vehicle manufacturers.



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Navin Juneja: Coming to, in the next year we are looking growth of about 6% in the gasket business standalone I am talking about now, which is overall we are in the gasket standalone business, we are looking a growth of 8% in this year. This is primarily on account of normal growth plus new heat shield business, which is tweaking in, in this financial year plus BS-VI, which will come in the last quarter of this financial year and we are looking the aftermarket a growth of about 12%. In the export we are looking at growth of approximately 20% and overall we are a looking at growth of 8%. On the forging business, we are looking a growth of about 12% to 15% and we are quite hopeful that we can achieve that. If the industry does a little bit normal also we can achieve that because we are banking more on the export orders. Last year my export was Rs.70 Crores and I am expecting a 20% growth in this business based on the export orders.

Anuj Talwar: Both in gasket and forging we are looking at about 20% growth in export segment.

Navin Juneja: Coming to JV Magneti Marelli we are looking at growth of around 25%+. The primary reason is export to JLR and Bajaj RE60 plus currently the new Indian car manufactures, new models coming in and the supply will start from September in big number that is Maruti, that Maruti Alto which is being launched in September, we are a single source.

Anuj Talwar: This will be a big volume car Maruti.

Navin Juneja: 2.5 to 3 lakh volume per annum.

Arun Agarwal: But we are already supplying to the earlier Alto as well?

Navin Juneja: No, Wagon R, Brezza and Baleno.

Arun Agarwal: Okay we were not there in Alto earlier?

Navin Juneja: No this is new.

Anuj Talwar: We got Alto and this is a new generation of Alto. Even Alto is about almost 10 years old, so now we have got the new generation Alto, but Maruti is one of our largest billing competition, these are about 40% market share and balance to others, but we are the leading player in Maruti for the component we supply.

Navin Juneja: In Marugo Rubber we are looking at a growth of about 10% and in Nippon Leakless we are looking a flat growth because two-wheeler we are not aware of how they will behave.

Arun Agarwal: Alright, okay Sir, my question actually if you could just also add up because in CVs we have shown a lot of new order wins in the presentation, so could you just help us on when the production for these orders will start like gaskets we talked about an export order of Rs.5 Crores per annum from Europe in OEM, so when would this order?



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- Anuj Talwar:** So for example this year for Marelli it will start by about June, July for gaskets, the new orders are already trickling about the majority will start from January of next year. For the forging business it is ongoing as Mr. Juneja explained to you a 20% growth is easy achievable in exports for forging.
- Navin Juneja:** And for European car manufacture business it starts from July-August. It is like we have received the orders, now we will make tools. As and when it starts clearing commercial supply will start.
- Arun Agarwal:** Sir on the margins we are talking about some improvement in the range of close to 100 basis points next year, so which areas are we targeting there?
- Navin Juneja:** We are targeting gasket. We are targeting forging. We are targeting MMT.
- Arun Agarwal:** Okay and that would be more on the raw material?
- Navin Juneja:** I think all the price increases we have achieved. First of all we have recovered all the price increase, only one is left, which will be starting in a few days, then going forward in the new business my margins are good. BS-VI business my margin is up.
- Anuj Talwar:** Product mix is a key out here.
- Navin Juneja:** Here my export is going up as compared to last year further, so the margins are good, etc., so we are hoping of these things, as per the localization, we are hopeful that we will have a successful localization of Rs.20 Crores in this year, it will also help me to reduce my cost.
- Arun Agarwal:** That is it from my side. Thank you so much.
- Moderator:** Thank you. We will take the next question from the line of Pankaj Bobade of Axis Securities. Please go ahead.
- Pankaj Bobade:** Thanks a lot for taking my question Sir. Just wanted to understand, what is the price differential and EBITDA margins differential for the products, which you would be supplying BS-VI compliant vehicle vis-à-vis the BS-IV compliant vehicles, which you are supplying now?
- Anuj Talwar:** So let us say for example today value content for gaskets for a commercial vehicle is X, it will become almost 2.5x starting next year.
- Pankaj Bobade:** You mean to say volume right?
- Navin Juneja:** Value. The supply of a commercial vehicle gasket of BS-IV has Rs.1000 example. Next BS-VI gasket will be 2000 plus.
- Pankaj Bobade:** How would it percolate down to margins?



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Navin Juneja: EBITDA margin is same.

Pankaj Bobade: Okay.

Navin Juneja: In rupee term it will be more.

Pankaj Bobade: Right absolute rupee term it would be more, but for margins? Not been multiple, but it will be better than what currently we are getting right?

Navin Juneja: Yes, plus the competition is not ready for this BS-VI. I think we are well ahead in the competition.

Pankaj Bobade: How much of our portfolio will change going forward?

Navin Juneja: BS-VI?

Pankaj Bobade: Yes.

Navin Juneja: Approximately I can say in OE approximately my 60% of sale will change.

Pankaj Bobade: 60% of our sales?

Navin Juneja: OE sale.

Pankaj Bobade: Yes, OE and how is the breakup now?

Navin Juneja: Breakup is sale to Tata Motors, sales to Cummins, sales to Volvo Eicher.

Pankaj Bobade: No, I mean to say breakup between OE and replacement how is it?

Navin Juneja: OE is approximately 72%.

Pankaj Bobade: OE is 72%?

Navin Juneja: Yes.

Pankaj Bobade: Out of that 60% will change?

Navin Juneja: Yes.

Pankaj Bobade: Approximately 45% to 50% of whole portfolio has to be BS-VI compliant right?

Navin Juneja: Yes.



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- Pankaj Bobade:** Okay Sir. Thank you.
- Moderator:** Thank you. Next question is from the line of Shikha Mehta of Equitree. Please go ahead.
- Shikha Mehta:** I just wish to understand your view on the aftermarket segment and how it has moved for this year and what exactly is going to happen in next year?
- Anuj Talwar:** Aftermarket segment today in the country is going through some change. There is a lot of consolidation that is happening in the aftermarket segment. The engines are getting better. The overhaul is reducing and the car makers such as Tata Motors or you talk about Mahindra, you talk about trucks, they themselves they are very strong in their spare business. So, in fact we are competing with ourselves in a way because we also supply to the OEMs. The aftermarket for us will remain about 8% to 10%.
- Navin Juneja:** Let us say 12%.
- Anuj Talwar:** Growth, as a turnover of about 8% to 10% will remain and I think this segment as Navin pointed out we are going to look in about 12% growth, we are going to try to add some more products in this portfolio. It is not a growing segment because we are supplying a lot to the OEs and they are getting very strong traction as you have seen the TVS has got a lot of the distribution network in the country. Mahindra has got, Tata has got, Maruti has got, that is where we are focusing on BS-VI and OEs, focusing on export segment. Export is now about almost 23%, 25% for us as a company, about few years back was not even 10%.
- Shikha Mehta:** Right and Sir, what kind of margins do you get in export on an average?
- Navin Juneja:** Gross margin is about 27%, 28% plus duty drawback, good margins. On the EBITDA side it is 15% plus.
- Shikha Mehta:** Thank you Sir.
- Moderator:** Thank you. The next question is from the line of Deepen Shah, an Individual Investor. Please go ahead.
- Deepen Shah:** Good morning. Anuj, just one question this is a continuation of previous answer. You said that BS-VI will change the amount 40% to 50% of our overall revenue trajectory and if I understand the reason is because of BS-VI, so if the BS-VI products are going to be achieved with the higher utilisation as you said in terms of heat shields that it can be about 2.5 times what it is today then will you give an impetus to the revenue growth in the next year purely because you have the visibility and you are going to sell very, very value added products?



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- Navin Juneja:** Sir first of all I want to clarify here. Three customers are big customers who are going to change to BS-VI are Cummins, Tata Motors and Volvo Eicher. My product price will change from Rs.1000 to Rs.2500. In Tata Motors and Volvo I am giving them post-coating gaskets. Post coating means my import will come down. Post coating gasket the price will remain the same, but my import content will come down. My margin will improve there. The price will not change in Tata Motors and Volvo Eicher, only Cummins it will change.
- Deepen Shah:** Okay and corresponding the margin should be even higher in absolute term?
- Navin Juneja:** It should have resulted in improved margin in post coating because my imports content is not there.
- Deepen Shah:** Okay understood Sir. Thank you very much and all the best.
- Moderator:** Thank you. We will take the next question from the line of Parag Joshi of Ace Securities. Please go ahead. There seems to be no response from this line. Next question is from the line of Pratik Kothari of Unique Asset Management. Please go ahead.
- Pratik Kothari:** Good morning Sir. Regarding this gasket which you talked about the price going up from Rs.1000 to Rs.2500 this is because of we are making the gasket with wire harness?
- Navin Juneja:** Because of the wire harness.
- Pratik Kothari:** Just to confirm our overall exposure is above 24% to 25% odd at this group level?
- Navin Juneja:** Yes, you are right, 20% plus.
- Pratik Kothari:** 20% plus and Sir our post coating gasket what is the share currently?
- Navin Juneja:** We are already working in Tata Motors on a new technology, we offered to everyone and BS-VI we are offered and it has been approved there and Rs.15 Crores per annum if it should be there next financial year.
- Pratik Kothari:** Next financial year Rs.15 Crores per annum okay and Sir if you can just tell some of the capex for FY2019 and for FY2020?
- Navin Juneja:** FY2019 which has gone. FY2019 the capex in gasket was around Rs.13 Crores, in forging it is about Rs.12 Crores, be at Rs.25 Crores in next financial year, the capex in gasket will be around Rs.9 Crores and forging will be around Rs.8 Crores. Basically, the capex in gasket will be for setting up the wire harness machines, etc.
- Pratik Kothari:** Okay. Thank you Sir.



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- Moderator:** Thank you. Next question is from the line of Sayam Jain of Napean Capital. Please go ahead.
- Sayam Jain:** There is a talk recently of all three-wheelers moving to electric vehicles by 2023 and two-wheelers moving to EV by 2025, so what is the risk to your business and how can you mitigate that?
- Anuj Talwar:** I do not know how it works, I do not know, I just also saw the news and we talk to OEMs also, but they are not prepared, they themselves do not know what is going to happen. As per their statement is there and subsequent article also from the OEMs you must have seen the comments that they are quite not clear what is going to happen, and I think we are not sure about what is going to happen. We will act as what the OE says, but I do not know what should say, two-wheelers and three wheelers going electrical by 2023 and 2025 we got the article also and we talked to Bajaj also and we talked to Hero also. There is a lot of speculation in the media about electrification. They have also been talking about the same part too, but whatever vendor meet I have attended personally whether it is Bajaj or it is Maruti or Jaguar or it is Tata Motors it will be a percentage of sales going forward. It will be may be 5% or 10%, but understand one thing today the electric two-wheeler scooter is going to cost about a Rs.1 lakh, Rs.1.20 lakh where you whereas we can get a two-wheeler for about Rs.50000 till the government does not put subsidy, and infra, this is just some media coverage that is going to happen. However, your company Talbros is very forward looking, we have the technology, we have been looking at two, three projects also in the EV space, so we are not that worried because please understand you cannot electrify 21 million motorcycles, it is next to impossible. A percentage, 5%, 10% or so, they may say okay fine, you know what, Delhi, Mumbai, Bengaluru, Hyderabad, Chennai we will electrify but let us put the infra project first. If you look at Japan, which I was there last week they are not looking at electrification, they are looking at more hybrid models, more fuel models, even which Mr. Bhargava said yesterday and I also heard in the Maruti conference at Macau when I met him personally, he said Anuj if you wish to buy a Wagon R at Rs.12 lakh and if you are buying a Wagon R at Rs.4 lakh to Rs.5 lakh what you buy. I said obviously Rs.4 lakhs to Rs.5 lakhs.
- Sayam Jain:** Okay great. Thanks.
- Moderator:** Thank you. Next question is from the line of Priyanka Singh of Athidhan Securities. Please go ahead.
- Priyanka Singh:** Sir, can you throw some light on the raw material sourcing agreements with Lydall Performance Materials, USA?
- Anuj Talwar:** We have a strategic tie up with them, so they supply us the large quantity of materials. They are almost of about Rs.50 Crores per annum. Over the next two to three years, this Rs.50 Crores should become almost about Rs.20 Crores, Rs.25 Crores Make in India, so we have done an agreement with them and we said that we want to do local buying only.



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- Navin Juneja:** I think we will start in phase one with the Bajaj material, which we are importing. They were making in India sample we got, but unfortunately in testing it does not pass out and now they are making some changes. In the September they will send us the sample and by November we are hopeful because they are tested revised sample in US, now they are doing here in India. I think by November the supply will start of Bajaj in the first place, which is about Rs.11 Crores, Rs.12 Crores per annum. In the next two to three years Rs.25 Crores, Rs.30 Crores we will buy locally from them.
- Priyanka Singh:** How much cost saving do we expect?
- Navin Juneja:** Minimum 10%.
- Priyanka Singh:** Okay and the other question was like have we completed the installation of post coating line?
- Anuj Talwar:** Yes, we already supplying in the aftermarket in one model of Tata Motors I am supplying. In the aftermarket I converted all my pre coated into post coated, it is working.
- Priyanka Singh:** Okay perfect. That is all from my side. Thank you.
- Moderator:** Thank you. Next question is from the line of Atul Shah of Progwealth Securities. Please go ahead.
- Atul Shah:** Thank you Sir. Thank for you for this opportunity. Sir I have logged in late, so do not know whether this has been already answered or not? This is in reference to the 2500 tonne press which is expected to be installed by Q4 FY2020, so what capex utilization can we expect in FY2020?
- Navin Juneja:** First of all the press will be ready by July end, it is under installation July end and by mid August it should be under process. As of today, I have got 30% business secured on that press, 30% capacity utilization secured, but still we have got two months we will try our best to secure further business here.
- Atul Shah:** Okay Sir. Thank you Sir. That is all from my end.
- Moderator:** Thank you. Next question is from the line of Parag Joshi of Ace Securities. Please go ahead.
- Parag Joshi:** Good morning Sir. I have a question with respect to Talbro's Marugo Rubber, your joint venture. There are multiple questions, so first question the joint venture has performed well in the FY2019. Should we expect the same momentum to continue in FY2020 as well?
- Navin Juneja:** Yes, it should be, I think the profit should double.



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- Parag Joshi:** In the Q4 performance of joint venture, PAT has been negative despite a 10% growth in the topline on a YOY basis, what has led to the negative PAT?
- Navin Juneja:** PAT was negative because of some tax calculations.
- Parag Joshi:** Last one is, in the presentation you mentioned about the supplies to Marugo Japan have you started?
- Navin Juneja:** Yes, last year we did about Rs.5 Crores.
- Parag Joshi:** Okay Sir. That is it from my side. Thank you.
- Moderator:** Thank you. Next question is from the line of Jaimin Desai of ICICI Direct. Please go ahead.
- Jaimin Desai:** Good morning Sir. Thanks for taking my question. You mentioned that under CAFE norms the global opportunity size would be to the tune of \$25 billion?
- Anuj Talwar:** In Heat shields it will be going forward in the next four to five years.
- Navin Juneja:** Worldwide.
- Jaimin Desai:** Yes, that is for worldwide, so what would be your similar opportunity size for India?
- Anuj Talwar:** India, it is difficult to put a number today. It all depends how many vehicles are into hybrid, how many vehicles are into EV because this production is mostly used in the hybrid vehicles, light weight vehicles, it is difficult to say today, can be Rs.15 Crores, Rs.20 Crores, Rs.25 Crores, so let us wait because I told you that CAFE norms 2022 only recently we have got carmakers like Toyota, Honda, Maruti talking about hybrid, but worldwide we are already working on this product, I mean, from next year we should see about \$2 million, \$2.5 million revenue coming to us from this product line on the overseas market.
- Navin Juneja:** We are getting very good traction in the overseas market for this quarter.
- Jaimin Desai:** So, from next year you mean FY2021?
- Navin Juneja:** 2019-2020 we should get \$2 million.
- Anuj Talwar:** To win orders.
- Navin Juneja:** Approximately within next 20 days we may build an Order Book of Rs.25 Crores, but some business already started, next year it will be may be 30% of that will be converted next year then 90% by 2021-2022. Because the orders the dyes are very, very time consuming job, it takes most of to make dyes.



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Jaimin Desai: Thank you Sir. That is it from my side.

Moderator: Thank you. Ladies and gentlemen, that was the last question. I now hand the floor back to the management for closing comments. Over to you Sir!

Anuj Talwar: Thank you so much. We look optimistic even in this challenging year. We are very hopeful with this new government with BS-VI round the corner and we see that automotive cannot just be lying in such a long idyllic cycle, it will pickup, we are very, very confident it will pickup, but as we repeated to your earlier we are a hedge company, we across segments, we are into exports, we are very, very positive and we are here to stay a long-term player. Thank you so much.

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