



“Talbro's Automotive Components Limited
Q1 FY2020 Earnings Conference Call”

August 16, 2019



MANAGEMENT:

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Moderator: Ladies and gentlemen good day and welcome to Talbro's Automotive Components Limited Q1 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. 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 you so much. Good afternoon everyone. A very warm welcome to our Q1 FY2020 earnings call. On the call today, I am joined by Mr. Navin Juneja, our Director & our Group CFO and SGA, our Investor Relations Advisor from Mumbai.

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 in the industry. The Indian automotive sector today is passing through a very difficult time with the industry witnessing weaker demand in over a decade. Liquidity crunch in the economy, higher insurance, tax rates, low rural demand are the major factors that have impacted the consumer sentiments. The fair number of the auto OEMs as you all have read and are reading every single day in the media is a key reflection of the underlying weakness in the sector.

As per SIAM the vehicle wholesales plunged by 12.4% to 61 lakh units during April and June quarter of the current year as compared to 69 lakh units the same period last year. The declining sales has culminated inventory to build up at the dealer levels forcing auto comp production as well as a lot of dealerships closing shop. Consequently, the auto comp manufacturers to adjust their production schedules resulting into an underutilization of capacities and temporary plant shutdowns. The industry has made various representations to the government and has also met with the Honourable Finance Minister last week. The industry is hopeful of a positive outcome for the same. We in our various meetings internally do believe that, with the kind of buoyancy we have seen in the last one week, things have to get better not only with the auto sector, but for all the other industries as well. They will need to quickly start consumption, get the economy back to where it belongs. The auto industry believes that there will be an upsurge in demand on the back of prebuying before the implementation of BS-VI vehicles and the good festive season.

Various new regulations applicable to the sector are planned to be introduced in India in the coming years. To name a few, On-Board Diagnostics is planned to be implemented in 2022, Real Driving Emissions by 2022, CAFE norms phase II in 2023. We at Talbro's are focusing on those products, which will witness high demand once these norms come into place. Just to also update



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you, your company is ready with all the BS-VI products that are required for the auto industry and we are very, very bullish once BS-VI comes into play.

As you are aware that Talbro's is a hedged automotive component manufacturer with a very diverse product portfolio and associations with strong partners. We supply components across the segments from two wheelers to the heaviest truck to stationary engines, to agri, to off loaders, and to cars. We export now a lot to the US market and to Europe. We export in the aftermarket. We export to OEMs. We are in Indian replacement market, which will see an upsurge in coming times. So, we are pretty much hedged in who we supply to and what products we can offer.

Let me give you a brief about our company now. Our business is broadly divided into standalone business i.e. gaskets and forgings and three joint ventures with global auto comp leaders for gaskets, suspension, chassis and rubber components. Of our domestic sales as I mentioned to you of having a hedged portfolio 39% comes from the two-wheeler and three wheeler segment. 27% comes from PV, 25% by CV, 5% in the tractor segment and 4% in others, industrial or off road. This depicts our diversified client base and wide product range.

Let me share some slides with you what is happening in our businesses. Let me first talk about our gasket business. In our standalone gasket business, we continue to command a 40% market share domestically. Our focus is to always capture newer markets. We are BS-VI ready. We were always BS-IV ready. We are now working with all our current OEMs especially in the heavy duty segment such as Cummins and Tata Motors and Volvo on the BS-VI product line. The current value addition per gasket in some OEMs will probably go up by about two times once the BS-VI is ready because many complicated components are going to be a part of the BS-VI such as electronics in the gasket, which I would cover later if anybody has any questions in the Q&A. We are focusing stronger than ever dedicatedly towards OE contract with exports. We have won some good OE businesses from global OEMs from UK and from the US. We have also tried to capture some lost market share in the US aftermarket, so our exports are growing. Even the first quarter our exports have grown. Even the domestic market has come down. This will be a big focus for us. Our standalone gasket exports, which will be about Rs.49 Crores this year, in the next two to three years will be about Rs.70 Crores plus. Revenue product line that we are working on called heat shields, which we have mentioned to you before as well. This product is a product, which is the future, we have confirmed order book about Rs.20 Crores in heat shields and this will only increase and we are making some very very good inductions into US OEMs and UK OEMs with this particular product. We are also working on localization and some good news, the first component for localization got approved yesterday and will be now sourced by us locally so as mentioned to you earlier we should reduce our imports by about Rs.25 Crores to Rs.30 Crores in the next two years and this will be a good saving for us because of import duties and the Dollar fluctuation.

The forging business has continued to perform well although we have had some hiccups in the Q1 because of a slowdown in India as well as Italy, but as you all know we have already



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commissioned the 2400 tonne press for which we are now going to go and get orders from our OEMs both globally as well as domestically. This division has unique 50% market share in exports and we want to maintain this market share going forward. We want a split of domestic and export to remain the same, which is 50%.

Coming to our joint ventures let us talk about Magneti-Marelli. We have 50:50 joint venture with Magneti-Marelli and us. We supply chassis components out here to the PV segment. I must share with you that the gasket business and the forging business are more towards the heavy duty, two wheelers, agri, but the JV with Magneti-Marelli is mostly for PV out here. We have a 40% market share with Maruti for the control arms. We are supplying to Tata Motors and now have started exporting in a big way to UK based OEMs. The export was pretty much negligible about two years back and going forward it will be about 25% of the company revenue in the next two years. We are waiting for the Bajaj Quadricycle which started and then again it stopped. It is still working in the global market, but there are some regulations that the Indian government wants for the Indian product and once it starts again, as I mentioned to you earlier the value content is almost six times of what we supply today. As volumes move up for this product our margin trajectory will also see a huge improvement both because of exports as well as higher value-added products. We also started supplying the lower control arm for the new Alto.

Coming to our joint venture called Talbro's Marugo it is a joint venture for rubber products and hoses.

Last quarter post our annual performance FY2019 we had revised the guidance. In wake of the recent representations made by the industry to the Government of India we believe there will be some revival package or incentive programs that the government will announce very very soon. This, we believe will kick start a new phase of growth for the Indian automotive sector. In the wake of these expectations we continue to hold our guidance for FY2020. Should there be no decision by the government then we may look at revisiting our targets in the Q2 call of FY2020. As stated to you earlier, the industry is going through a phase, which we have not seen for Talbro's. Every single day we are working on how we can get better, how we can capture better market share globally, how we can reduce our breakeven point, how can we be more agile for the BS-VI product portfolio, so we are evaluating that and we do believe that the industry, which has seen many downturns in life has to bounce back and it will bounce back. Nonetheless at Talbro's we continue to work at what we are best at. Now, I request Mr. Navin Juneja to update you on the financial performance of the quarter.

Navin Juneja:

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

Let me begin with the financial preview. For the gasket division including Nippon Leakless Talbro's for Q1 FY2020 our standalone gasket sales was Rs.74 Crores as against Rs.84 Crores in Q1 FY2019. The drop in sales are due to decline in sales to OEM segment by about 16% and After market by about 7.5%but on export front our sales grown only 13%.



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Now coming to the revenue of NLK it was Rs.12 Crores our share in Q1 FY2020 versus Rs.13 Crores in Q1 of FY2019. This segment saw a combined EBITDA of almost Rs.11 Crores.

Now coming to the forging division, the revenue in Q1 FY2020 was Rs.37 Crores as against Rs.42 Crores in Q1 of FY2019. There has been decline in sales to OEMs by 5%, export market by 22% and others by 19% along with weaker Euro, which has resulted in the subdued performance in the export segment of the forgings segment.

Now coming to the Magneti Marelli Talbro's Chassis Systems Private Limited, the revenue for Q1 FY2020 remains flat at Rs.16 Crores on a YoY basis. EBITDA margin stands at 10.1% in this segment.

Now coming to our last joint venture Talbro's Marugo Private Limited, it also witnessed a flat growth on YoY basis with revenues for Q1 of FY2020 at Rs.6 Crores. This is our share of 50%.

Now coming to the consolidated performance of the company.

Total income including other income stood at Rs.109.1 Crores in Q1 FY2020 versus Rs.124.1 Crores in Q1 FY2019. There is degrowth of about 12.1% on a YoY basis. EBITDA including other income stood at Rs.12.3 Crores with EBITDA margin of 11.3%. PAT stood at Rs.4.6 Crores in comparison to Rs.6.2 Crores Q1 FY2019 with the margins at 4.2%. This is all from our side and I would now like to open the floor for question and answers.

Moderator: Thank you Mr. Juneja. 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 Shikha Mehta from Equitree Capital. Please go ahead.

Shikha Mehta: I just had a few questions. As of now we are expecting around 15% to 16% growth if we achieve the Rs.30 Crores to Rs.32 Crores target so at the current level the valuation is quite cheap currently of our share price, so are we increasing promoter holding anytime soon?

Anuj Talwar: We bought some shares already about 8500 to be precise and at the same time, yes we do understand the valuation is very attractive at the moment. It is very, very low and I cannot divulge more information, but yes, our thought process is on.

Shikha Mehta: Alright Sir and Sir could you give some guidance as to how we will achieve this 15% to 16%, are we eating into someone else's market share?

Anuj Talwar: Like we said early to you we are focusing very strongly on exports and some good contracts have come from global markets. The whole China tariff with the US is helping us. It does take some time, but we are pretty hopeful we will get some good contracts starting by October to December this year. Number two, we are working on localization strategy, which we are passing into the



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margins. That is also implemented in the same way. We are trying to work with a better product mix trying to push our product in the aftermarket more, so we are pretty hopeful, but as I said earlier to you also in the call and if the government gives us some nice packages and stimulus we do hope the industry will pick up because it is too large a industry to be ignored because, it is not only the auto industry it is auto comp, it is steel, it is rubber, it is chemicals, it is insurance sector, real estate sector, dealerships, etc which are aligned to it. It is a pretty ambitious industry, so if that happens great, if not then we said we will come back to you in Q2 and then we will revise our guidance. At the moment, we are still sticking to it.

Shikha Mehta: Alright, so could you give some guidance in the aftermarket segment as well and how it has been moving?

Anuj Talwar: While what we are doing in the aftermarket segment is that we are trying to increase the reach rurally, so although aftermarket is a very large segment for us, about Rs.45 Crores, Rs.50 Crores approximately, but what we plan to do is we are trying to appoint more distributors. We are going directly to the market. We have started with technology. We have started with an app where we do monitor our managers on the road and who are they visiting, how many times are they doing the calls. We have also started doing some digital payments, which Navin can add value to you. The mechanics use our product they get a little cash and they do it.

Shikha Mehta: Sir what is the capacity utilization for the quarter, and can you talk about our expansion as well, are we on road to starting or is there a market for that actually?

Navin Juneja: I will talk about that. On the gasket business my capacity utilization is around 73%. In the forging business it is around 68% and my joint venture MMT is about 94% and inNippon Leakless is at about 70% and moreover in the anti-vibration it is about 80% and hose business is around 35%.

Shikha Mehta: Sir about the expansion?

Navin Juneja: We are not doing any expansion at this moment except we are putting up a line for wire harness gasket for Cummins because I think with installed capacity I can easily go up by 25% from the existing level.

Shikha Mehta: This includes the 2500 plus right?

Anuj Talwar: Trial is being conducted I think within four to five days it should start production. As the demand increase in the Q2 and Q3 maybe one or two machine lines with an approximate capex of Rs.1 Crore to Rs.1.5 Crores we need to put up. That is all nothing more.

Navin Juneja: Minimum capex, tighten our belts, look at break even and how it comes down.



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- Anuj Talwar:** Reduction of debtors, preserving cash, bringing the breakeven down. This is our mantra for now.
- Shikha Mehta:** Sir on our TMR JV this quarter we reported a loss so can you throw some light on that as well?
- Navin Juneja:** We did some new development of material. Material we could not develop here in India, we have to get it imported for Maruti basically and of course we settled it up right earlier, nobody pays for that increase. Now we have developed the product in house and you will see the improvement over the next quarter in this raw material cost, it is on high that is I could not recover this price, but it will not be there in the next few quarters.
- Shikha Mehta:** Sir lastly could you talk about the EV push currently by the government and how we are preparing for that?
- Anuj Talwar:** There is no guarantee on EV push. I do not think the government themselves are clear about it, but I did like what Mr. Modi did say. He said look in India there is enough place for both the ICE as well as EV and also we have a lot of interaction with our own OEMs what are they talking about, but no one really has any clarity about EV and my personal take on the matter is that maybe by 2025 may be five to seven different vehicles will be EV and mostly intercity transportation, so they were like intercity buses or intercity three wheelers from the metro station to the office block. Today we have to go frontline, that would not be easy, so whether it was chassis. We are already supplying to Mahindra and Reva some of our chassis and we are pretty much covered.
- Shikha Mehta:** Thank you.
- Moderator:** Thank you. The next question is from the line of Arun Agarwal from Kotak Securities. Please go ahead.
- Arun Agarwal:** Sir my first question is on your targets on the revenue front where we had mentioned we are looking at around Rs.520 Crores on the lower side if we sort of deduct this Rs.108 Crores within the first quarter there is a run rate that we will be doing close to around Rs.140 Crores for the next three quarters, now this is not something we have achieved so far in the previous quarters when the demand was pretty strong then, you also talked about factoring in the incentives to be coming in from the government and if that does not come we might reverse it downward, but even if the incentives from the government comes in are there some new businesses that are going to start over the next three quarters we believe, which is going to give some boost to the revenues the way we are looking at numbers?
- Anuj Talwar:** Basically, we are working on some new orders, I told you on global platform. We are trying to increase our footprint in the US market and UK market so production will start H2 of this year, which we have already won from the global OEMs and at the same time we are also looking at the Alto to start, this will be in our JV. We are looking at a higher uptake from Jaguar Land



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Rover. They are doing pretty well actually now because the China strategy has come into place, so yes it is a combination of new orders. It is a combination of BS-VI that we have. We see a lot of OEM will start buying the BS-VI product in January itself because you know we have to start building the engines and start selling so when BS-VI happens our contribution per gasket goes up by almost two times in a few OEMs so there are a few factors that we are looking at doing. At the same time aftermarket we are kind of pushing on in a big way, so yes we are pretty hopeful, but Arun you are right in what you are saying that in case the market does not take off, that they do nothing about it and we might have to revise, but after Q2. At the moment we are keeping it the same.

Arun Agarwal: Sir in this gasket thing we talked about the wiring harness gaskets so I believe it is more on the CV side not on the two wheelers?

Anuj Talwar: Yes, it is CV side.

Arun Agarwal: It is on the CV, so from the CV are we getting this kind of wiring harness business across all the OEMs or only select among those CV players?

Anuj Talwar: We will start with one major player called Cummins and it is a new product altogether. It is for BS-VI and once we start with Cummins then we will try and go global with Cummins because I think it is a huge opportunity. This single product close to Rs.25 Crores to Rs.30 Crores in India today because today they are importing it and they want to stop imports, so minimum 20 Crores is an opportunity. Globally it will be another 30 Crores or 40 Crores opportunity, so once the product is ready with us and we are confident about it, which we are I think by January we will start marketing it globally as well. We have already told our sales people to go and meet other OEMs like Volvo, Eicher, and Ashok Leyland and talk about this product to them. We are doing that.

Arun Agarwal: Would they not require this product as part of their BS-VI upgradation?

Anuj Talwar: They are also importing it.

Arun Agarwal: They are importing it?

Navin Juneja: Even Cummins is importing it by the way.

Arun Agarwal: Sir is it used in BS-IV as well?

Navin Juneja: Cummins is re-exporting it.

Arun Agarwal: Re-exporting it for BS-VI products. Sir just one clarification on the earlier thing you said the forging capacity utilization is around 68% is it?



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- Navin Juneja:** Yes.
- Arun Agarwal:** That also includes the new capacity that we have added a new press?
- Navin Juneja :** 2500 tonne, which will be operational. The trials are going on. I think within the next 15 to 20 days it will be operational.
- Arun Agarwal:** Sir could you help how our debt levels are, has it increased in this quarter?
- Navin Juneja:** Debt level has not increased at all. You can see the balance sheet. It will be there in September.
- Arun Agarwal:** Sir in terms of new businesses that we just talked about are we seeing any slowdown in the offtake because globally we are seeing the volumes are muted or in some cases we are seeing decline in volumes, so have we seen those impact in our business as well and then how do you see going ahead over the next two to three quarters in that particular space?
- Navin Juneja:** On the export front in the forging we see some slowdown happening but we are anticipating that after September it will improve. This quarter will be muted on the export front.
- Arun Agarwal:** Sir that is it from my side for the time being. I will rejoin the queue later.
- Moderator:** Thank you. The next question is from the line of Pratik Kothari from Unique Asset Management. Please go ahead.
- Pratik Kothari:** I have a couple of questions from my side. Sir once you mentioned that some of our gaskets BS-VI the prices will go up between Rs.2 lakhs in some other customers, so this is CV specific?
- Anuj Talwar:** CV.
- Pratik Kothari:** When do we start expecting this BS-VI gasket to come and do we have a schedule now or is it still early?
- Anuj Talwar:** Those are going by January. By October and January the flow will start going and I think the schedule will start coming in January onwards.
- Navin Juneja:** I think the prototype we will be sending within the next 15 days and the initial gasket we will be making because the machines are being imported from China and some tools are coming from Taiwan and in the month of October to November we will do our trial production in Taiwan with our people going there and then we will import the machine and the production will start here in January.



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- Pratik Kothari:** Sir in the past couple of years we have gotten quite good export orders from BMW and from others, what is the current pace? Do you see some delay in them or some cut back on the size that they had promised even JLR had given us some order?
- Navin Juneja:** Jaguar Land Rover no problem. BMW has revised its targets a little down. Italy for our forging business is a little bit slow, but we are okay. Our exports are continuing to do well.
- Anuj Talwar:** I think but some OEM will increase their schedule and they will double their schedule from the month of September also, so it is a mixed bag. There is some forging started with the new European car manufacturer. The export has started since the last month, so it will compensate that loss.
- Pratik Kothari:** From last month and Sir what would be the export growth in our Q1 numbers?
- Navin Juneja:** For Q1, I will just give you the export growth. It is flat approximately. If you see the customer wise breakup, in the gasket business there is an increase of 13%. It was Rs.8 Crores last year and now it is Rs.9 Crores approximately in Q1.. On the forging front there is a drop of approximately 20% because of the weakening Euro plus some drop in schedule from Italy. In MMT, mainly the jump is 204% approximately in Q1 we did Rs.89 lakhs last year and during Q1 of current fiscal we did export of Rs.2.71 Crores, and in TMR the degrowth has been about 21%. So on a consolidated basis exports were down by mere 5%.
- Pratik Kothari:** Sir I think we have done a commendable job when it comes to cost control for this quarter with respect to the revenue that we have done, so will we be able to manage this for the whole year, if such scenarios exists?
- Navin Juneja:** What is your question please?
- Pratik Kothari:** My question is I think they have done a commendable job in Q1 when it comes to cost control, will we be able to continue it going ahead?
- Navin Juneja:** I think in Q1 we could not do complete cost control because we never expected this to go so long, so in Q2 you will see much more improvement as compared to Q1.
- Pratik Kothari:** That is great and Sir our tax rate is also abnormally low for this quarter so what should we expect for the whole year?
- Navin Juneja:** The tax rate will be around 28% to 29% on an average.
- Pratik Kothari:** Sure Sir. Thank you and all the best.



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Moderator: Thank you. The next question is from the line of Dipen Shah an individual investor. Please go ahead.

Dipen Shah: Good set of numbers, I should say. Just one question I have. Anuj in the opening remarks you said that value addition because of BS-VI could be double in case of several products, we already know about the gasket and you have thrown some light on that, if you can just guide us on some other products where you see the potential coming and which the company is developing they should need to grow in the current year in the last quarter or probably in the next year that would help us a great bit?

Anuj Talwar: So, like I mentioned to you about the gaskets of BS-VI where you are getting double 2x the revenue for some products, heat shields is an area we are really focusing on. We started the journey as you know a couple of years back. We already have confirmed orders of about Rs.20 Crores for heat shield. This will grow substantially. We are working with global OEMs like Jaguar and Daimler on this particular product line. We are getting good traction out there. From the Marelli JV we are looking at good order intake from Jaguar Land Rover. That alone this year would be about Rs.30 Crores to Rs.40 Crores for our company who will do about 150 to 160 order this year so that is going to happen. Then in our forging business we are looking to fill up the 2500 tonne press with the current list of customers. We have some very interesting RSQs in hand in the forging business today with the same set of customers that we have for it, so pretty much excited and I think it is a good time for us to focus more on the export cycle as you already know in India and in our JVs we already have about 41% market share, so we are looking outward now. We are looking more outside the country. Two wheeler there is nothing much going to happen. We continue to be in BS-VI. We are now talking to Hero to try and get back some market share in the BS-VI. So that is pretty much work in progress, so we are still confident about our business and especially we are hedged and that is the best part. We are pretty much hedged because no one OEM has more than 10% to 12% of our turnover. We have got a diverse product portfolio. We have been invited by Cummins at a global level to co-design gaskets with them. It is quite an honour for our company in India.

Navin Juneja: We signed NDA for that also I think so.

Anuj Talwar: We signed NDA for that to design global gaskets in a global platform along with our OEM called Cummins.

Dipen Shah: Understood and just some more idea on the Bajaj Qute/ Bajaj RE60 you said that it has come on and off so what exactly is the status?

Anuj Talwar: They had some changes in safety norms.



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- Anuj Talwar:** I met the Bajaj management. They Indian government tweaked some safety norms, some environmental norms. But we are hopeful that by October it will come back to about 2000 products per month. Right now we have been trying to do about 1000, so by October 2000.
- Dipen Shah:** We should be reaching what about 40000 to 50000 vehicles steady state going ahead for this product?
- Anuj Talwar:** Yes. It should be at least 30000 for the year.
- Dipen Shah:** At least 30000, ok. Just one final question is there any way, which we can assess like what proportion of our revenues will come specifically from these BS-VI products in the next year and the year after that?
- Anuj Talwar:** They are all BS-VI. BS-VI the engine is changing, so the gasket will change with the engine partly, everything has remained, the forging, the gasket, all remained the same, they continue the same. Only the gasket product changes.
- Dipen Shah:** Thank you very much and all the very best.
- Moderator:** Thank you. The next question is from the line of Arun Agarwal from Kotak Securities. Please go ahead.
- Arun Agarwal:** Yes, a few clarifications one, on this Cummins order this is an additional order to what we already supplied to Cummins right, so this would be additional?
- Navin Juneja:** Wire harness is additional.
- Arun Agarwal:** Sir on the heat shield we talked about this Rs.20 Crores order so these are an order over a period of time or these are annual orders we talked about?
- Navin Juneja:** These are annual orders. The development has started. I think some supply has already started because there are a lot of part numbers. As soon as the part numbers get approved the supply starts, so we can see that from the next financial year out of target of Rs.20 Crores, Rs.15 Crores to Rs.18 Crores will be from this we will be able to execute that.
- Arun Agarwal:** This year it will be very small from heat shield, so next year it will be something we are looking big from heat shield?
- Navin Juneja:** Because development takes time, etc.
- Arun Agarwal:** Sir for this forging 2500 tonne press we already have got orders in hand or we are looking for orders?



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- Navin Juneja:** Approximately we have calculated that 30% to 35% order book we are already having.
- Arun Agarwal:** When are we starting these executions?
- Navin Juneja:** Within the next 15 to 20 days.
- Arun Agarwal:** For the rest we are looking for new customers?
- Navin Juneja:** Yes
- Arun Agarwal:** Sir on the raw material cost if you just throw some light how is the scenario on the cost front, there are certain parts where we have seen softening of prices on the raw material side?
- Navin Juneja:** Raw material prices, as you are all aware that steel prices have cooled down. Everybody is aware of that, but we have a back-to-back arrangement with all OEMs. When the prices went up were able to recover that, but now it is going down so we have to pass on the price reduction also, but it is not immediate. It is every quarter and every six months. There are different arrangements with different OE customer and export customers.
- Arun Agarwal:** So, in the interim we could see some benefit out of that?
- Navin Juneja:** Of course in the interim period maybe for a few months.
- Arun Agarwal:** How would our capex plans be for this year?
- Navin Juneja:** In the gasket division it will be Rs.6 Crores to Rs.7 Crores because some machines we already ordered last quarter of last year. So Rs.6 Crores to Rs.7 Crores in the gasket division. In the forging division no major capex except some balance equipment required for the 2500 tonne press we ordered that plus one or two machine lines if things improve in the future Q3 we will be doing that. It will be approximately Rs.4 Crores to Rs.5 Crores and in the MMT division of course we are going ahead with our plant in Pune with a low capital outlay. The initial plan was for Rs.28 Crores, now we are doing capital outflow of around Rs.16 Crores there. The balance we will do as soon as our demand increases over the next few quarters and Marugo there is no capex hardly Rs.50 lakh to Rs.1 Crore same with Nippon Leakless only Rs.1 Crore.
- Arun Agarwal:** Thank you so much Sir.
- Moderator:** Thank you. The next question is from the line of Amit Shah from AM Securities. Please go ahead.
- Amit Shah:** Sir my question is the topline of our JV Magneti Marelli Talbros chassis system has delivered a positive performance so can you please explain what has led to this positive performance?



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- Navin Juneja:** The positive performance is basically because of the export order of Jaguar and because of the supply of RE60. Their contributions to margin are much better as compared to others. We have basically four customers they are primarily Maruti, Tata Motors, now Jaguar and RE60 has also started. So, the export has good margins and that is why contribution a little bit.
- Amit Shah:** Do we expect this to continue?
- Navin Juneja:** Yes of course.
- Amit Shah:** Sir how do we see the demand going ahead based on the new regulations that are to be implemented so any thoughts on that?
- Navin Juneja:** I cannot comment on that because the way what you see in the papers and media, etc., you know that it is even much worse than July. We are expecting some sops to be announced by the government very, very soon and we see a good September and festive season going ahead and after that prebuying and we are hoping that to take us out from the mess. But as you know that we are focusing on products that shall be in demand after the new regulations come into effect, so we are working towards that and are hopeful of reaping the benefits in the times to come
- Amit Shah:** Thank you Sir.
- Moderator:** Thank you. The next question is from the line of Raj Joshi from Ace Securities. Please go ahead.
- Raj Joshi:** Sir I have a couple of questions. Sir can you tell me what is currently our working capital cycle?
- Navin Juneja:** Sir working capital has not gone up, in fact inventory has come down.
- Raj Joshi:** Our finance cost seems to have increased, has the debt increased?
- Navin Juneja:** Finance cost increased because of various reasons. If you see, last quarter there is marginal increase because of some term loan we had utilized, because of some machines we have ordered for that we utilized some term loans, but on the overall front it has not increased.
- Raj Joshi:** Thank you.
- Moderator:** Thank you. The next question is from the line of Prashant Shah, an Individual Investor. Please go ahead.
- Prashant Shah:** This was regarding this heat shield business we have spoken about, you have got some confirmed orders, but how do we see the next two years? And also about the gasket and the forging business, how do we see 2020 and 2021? Thank you.



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Anuj Talwar: For the heat shield specifically, we are looking at about Rs.20 Crores odd in the heat shield business going forward in FY20, for 2021, 2022, 2023 this can be at least Rs.40 Crores to Rs.50 Crores opportunity that can happen. Regarding our gasket business and forging business if you see our numbers of last three quarters we are growing at about north of 12% to 13% and we believe that we can achieve those numbers, as we started in the domestic market, that is still about 68% to 70% of our business, but going forward we are working on export contracts. We are pretty positive on this business.

Prashant Shah: Thank you Sir.

Moderator: Thank you. As there are no further questions, I now hand the conference over to the management for closing remarks. Over to you.

Anuj Talwar: Thanks everybody for participating in the call. We are positive that the government will listen to the industry and at the same time we are continuing to get better and get into better markets, do our cost controls. It is a time to be ready for the BS-VI push that is going to happen from next year and we are confident that this cycle will pass through and we should be back on track. Thank you so much.

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