



“Talbro's Automotive Components Limited Q1 FY2022 Earnings Conference Call”

August 12, 2021

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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 Q1 FY2022 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: Good afternoon everyone. A very warm welcome to our Q1 FY2022 earnings call. I hope you are all safe and healthy. On the call today, I am joined by Mr. Navin Juneja, Director of Talbro's Automotive & Group CFO. We also have on the call SGA, our Investor Relations Advisors 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. Before I start with the industry overview, I would like to thank the management team and the employees of Talbro's Automotive Components Limited for the persistent support in these challenging times to keep our operations run smoothly.

Let me begin with a few updates on the industry. There has been much listen and talk about the current situation of the auto industry due to the second wave, chip shortages, supplies and disruptions, inflation, increases in steel. There are countless pessimistic sentiments hovering around and I do not deny that. I agree that supply shortages and chip scarcity are accountable to record making trade gap. In addition, it is also eating into the profits of a lot of companies. However, I strongly believe that at Talbro's, we have been an outlier, we have been focusing our energy on exports. We have been working on and not only depending on one customer, one geography, one region and that will spill out in the performance which Mr Navin Juneja will talk about in the coming minutes.

Performance of the auto industry during Q1 FY2022, I would like to share with you the statistics published by SIAM about the Q1 performance. In the Q1 of FY2021-22 all segments faced major hit. PV reported sales of 6.5 lakh units, which is the lowest in the past seven years. Two wheelers reported a sale of 22 lakh units and commercial vehicles reported a sale of 1 lakh units. Both were the lowest in the last 12 years. Three wheeler segment was worst hit with a sales of 24,000 units which has been the lowest in more than two decades baring Q1 of FY2020-21.

Now I would like to highlight on Talbro's and would like to share what strategy do we have to deal with the situation. Our business is broadly divided into a standalone business, gaskets and forgings and we have three joint ventures with global auto giants in gaskets, suspension, chassis and rubber components. As I mentioned to you earlier, we are hedged auto comp company. I will



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give you a small breakup of our domestic sales. During the Q1 of FY2022 out of our domestic sales of 27% came from two and three wheelers, 29% of our revenue came from passenger vehicle segments, 27% came from the commercial vehicle segment and about 11% came from the agriculture segment. It has always helped us in extreme situations where you may have a slowdown in a particular segment that we are able to wither the storm. As I mentioned earlier to you, in the past our exports used to be around 10% to 15% of our revenue. We were very, very clear and focused and the work started about five years back that how exports should be about 20% of our turnover. I am very pleased to announce that in this Q1 our exports were 28% of our turnover of our standalone business. Our forging business is an outlier. Exports are 53% of the turnover in the forging business. We continue to get a lot of traction from global OEMs and also global after market for our products.

I would like to discuss a little bit about our standalone gasket and our forging business. In our standalone gasket business, we still control 50% of the Indian market. We still have the highest market share. We have invested heavily in R&D. We have got all the BS-VI products in line, are all being supplying to the OEMs. We are focusing on more global presence in the gasket space, which we are getting traction from lot of clients in Europe and the US. We are working with our post coating lines, which helps in localization further. As we have announced to you earlier, we are working with our collaborator SANWA to introduce heat shields into the country. This is a futuristic product for noise, vibration, and heat. This is an entry of our gasket business in the PV space. We understand the gasket business is predominately commercial vehicles, tractors and two wheelers. With this particular product line, we will enter the PV space. We have won orders already from major OEMs in India for this product line. This is the future for all vehicles with our charge engines. Also, this is aluminum, it is light weight, it is going to be used with a lot of car markers in the future as well. Our forging business as I mentioned to you is an outlier, 50% of the revenue comes from exports. This is ongoing. This is not one time. It is momentum. There are order books. There is a lot happening and you can see there is lot of forging done in our country today, there is a massive demand for forging in India because of the fact that the West does not want to forge anymore so we are forgers and machiners. I am very, very happy to share with you that we are also supplying to electric vehicles in the global supply chain from our forging business. This is a good move because EV is very exciting buzz word around the industry and we are part of it. What I can also add and share to you that Talbro's Automotive will be a part of every supply chain. It will be part of every ecosystem, whether it is hydrogen, whether it is gasoline, whether it is diesel, whether it is electrical we are a part of the entire ecosystem. We work day in and day out on making sure that we are not missing the board anywhere.

Coming to our joint ventures, we have a 50:50 joint venture with Marelli Talbro's. This is for chassis systems. Here also we got a majority share in Tata Motors and about a 40% market share in Maruti for the components that we manufacture. We just had a review a few days back with our partners in Europe where we are now trying to leverage our production more into exports. Today, we are supplying about 15% of our components that go into Europe and the UK from this particular joint venture. We are looking at how to take it to about 25%. Even here we are



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supplying to EVs. I believe the product is Tata Nexon, it is an EV vehicle, we supply from here as well. Talbro's Marugo, as mentioned to you is a smallish company today but again the potential is huge. Here we got a partner called Marugo Japan. Here components are rubber components, hoses, suspensions components and here there is a lot of traction that is happening for this company. I honestly feel that in two years' time, we can double the turnover of this particular division, which again Navin may talk to you about. Before I hand over the call to Mr. Juneja, I am trying to highlight that we have had a strong performance in Q1. We are seeing better months coming forward. The domestic OEM play is looking a little bit better in the next few months. There is chip shortage, but I am sure the auto industry will find a way how to come around it. I will hand over the call to Mr. Juneja now who will take you with all the financials performance.

Navin Juneja:

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

Let me begin with the financial overview. For Q1FY22 our standalone gasket sale was Rs.88 Crores as against Rs.32 Crores in Q1FY21. In Q4FY21 the sale was Rs.102 Crores. The total revenue of Nippon Leakless, our joint venture in gaskets was Rs.13 Crores in Q1FY22 as compared to Rs.5.5 Crores in Q1FY21 versus Rs.24.6 Crores in Q4FY21. The dropped sale in this quarter is mainly on account of closure of plant by Honda for more than one month and closure of plant by Hero for one month in this period. This segment saw a combined EBITDA of Rs.14 Crores in Q1 of FY2022.

Now coming to the forging division, the forging business is consistently performing better. The revenue in Q1FY22 is Rs.51 Crores as against Rs.19 Crores in Q1FY21 and last quarter in Q4FY21 it was Rs.59 Crores. MMTC, Magneti Marelli joint venture, total income for Q1FY22 was Rs.32 Crores versus Rs.5 Crores in Q1FY21 and Rs.46 Crores in Q4FY21. This joint venture supplies to Maruti in a big way, 40% of their order range is in Maruti, so Maruti plant closure in Q1 affected the turnover of this company.

Now coming to Marugo Rubber Private Limited total income from operations for Q1FY22 stands at Rs.12 Crores versus Rs.3 Crores in Q1FY21 and Rs.14 Crores in Q4FY21. In the last quarter because of COVID, and also, dependence on Maruti 40% or 45% sale is to Maruti and since Maruti plant was closed for more than one month, there was a little impact on the turnover of the company.

Now coming to the consolidated financial performance of the company, on the slide, which we have put on the company website and the stock exchanges, as on consolidated basis as per Ind-AS the total income including other income stood at Rs.138.8 Crores in Q1FY22 as opposed to Rs. 50.5 Crores in Q1FY21 and Rs.160 Crores in Q4FY21. We could manage decent levels of revenue during this quarter, since there is lockdown period and cushion of our multi-year orders which we received last year and execution of that and Anuj also told you earlier that export which we closed last year helped us in this period of time. EBITDA including other income stood at Rs.19.1 Crores in Q1FY22 as opposed to Rs.1.8 Crores in Q1FY21 and in Q4FY21 EBITDA was Rs.24 Crores. The second wave of COVID-19 impacted the performance of Q1FY22 in spite



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of drastic jump in the commodity prices and other supply chain disruptions, we achieved an EBITDA margin of 14%. Our PAT stood at Rs.10 Crores in Q1FY22 as compared to a loss of Rs.8.9 Crores in Q1FY21 while in Q4FY21, PAT was Rs.12.74 Crores, which is after excluding the exceptional gain of 10 days of sale. We continue to book our orders and add new customers along with the long term relationship, which we are having with our existing customers. This is all from our side and I would like to open the floor to questions and answers. Thank you.

Moderator: Thank you. Ladies and gentlemen, we will now begin the question and answer session. We have the first question from the line of Shikha Mehta of Equitree Capital. Please go ahead.

Shikha Mehta: Congratulations on a great set of numbers and I hope you and your team are both safe and healthy. I just had a couple of questions? Sir if you could just tell us how the raw material has been playing on the commodity prices that we have all seen where it was choppy in the Q1, has that settled a bit or do we still expect some volatility in our gross margins?

Anuj Talwar: First of all the voice is not clear. Can you repeat the last few words please?

Shikha Mehta: If you could just help us understand the gross margins better so just how the raw material prices have been moving?

Navin Juneja: First of all I want to say the raw material prices have gone crazy since the last November - December till April- May. So it has gone in forging up to 20% up and in gasket lot of material we use, we have seen copper, paper, etc., it has gone up and we are continuously recovering the same. Of course there is a time lag of one month and two months in forging sometimes, minimum one month lag is in the forging but in gasket sometimes it is one month, sometimes two months, sometimes immediately, so of course there is some impact of that which is there in my EBITDA levels but we are hopeful, we have already launched the price increase to all the customers. From some customers we have received, balance we are also receiving. I am quite hopeful that my EBITDA Margin should improve over a period of time. It should be in the range of 14% plus going forward. I am quite hopeful.

Shikha Mehta: Alright Sir and if you could also give us the capacity utilization or in gasket forging and all the joint ventures?

Anuj Talwar: Yes definitely I will do that. In gasket my last quarter capacity utilization was around 76%. In forging it was 72% and my joint ventures of Nippon Leakless it was around 60%, MMTC was around 70% and Talbro's Marugo there are two divisions antivibration is around 75% and in hoses it was around 30% that was my capacity utilization. There is a lot of scope to improve that. I feel that things are improving every quarter by quarter.

Shikha Mehta: Are we looking at capex in any of these segments?



Anuj Talwar: Yes we are looking at capex, in my standalone business, gasket we are looking at a capex of around Rs.11 Crores which includes Rs.4 Crores to Rs.5 Crores for the new heat shield projects, for which the supplies will start from the last quarter of this year and in forging I am looking at capex of Rs.12 Crores to Rs.13 Crores, which includes a new building of worth Rs.4.5 Crores to Rs.5 Crores because we are having a lot of machining spaces getting short. We want to have a full machining center, new machining center of 150 machines, already we are having 70 machines. I want to make a building for that plus lot of new machine plus balancing fund we added there for our future growth.

Shikha Mehta: Sir the logistics cost have come down in say Q2?

Anuj Talwar: First of all for November and December the logistic cost has gone crazy especially exports. My containers which used to cost me 2.5 has gone up to 4.5, and we have discussed the increases with our customer also and some have agreed to give compensation also for that but going forward what I am hearing is that it will come down in a couple of months, there has been softening, the price will get soften in a couple of months.

Shikha Mehta: Thank you. That is all from my end. I will come back in the queue.

Moderator: Thank you. We have the next question from the line of Sunil Kothari of Unique Portfolio Management. Please go ahead.

Sunil Kothari: Thanks for the opportunity and congratulations for such good numbers in very challenging time. Sir Anujji and Mr. Juneja what I think I am observing is since long the way you are speaking and you are promising you are fulfilling everything. So, congratulations and that whenever you promise something you fulfill whether it is margin, growth or capex or even growth so really commendable job sir.

Anuj Talwar: All your encouragement and the promises which compel us to fulfill that, really we want to do better than what we say. We will try for that but sometimes situation happens, which we cannot control . That is the reason.

Sunil Kothari: No really commendable Sir. Sir my question is on, we heard a lot about EV so I think we already started doing work related to electric vehicle, some orders also we have got, some detailed thought process and strategies on which segment of EV we are entering, whether it is new EV scooters which we have lot currently from OLA or Hero or Bajaj? Are we part of any of those products? Something on this strategy because I think it will save us and give us protection from losing market share or market from the engine gasket so if you can make us understand little how this change scenario can affect us and how we are preparing ourselves?

Navin Juneja: We are also hearing a lot of noise on EV because every second day we hear that one company has come, something has opened, we got a scooter coming in, something we keep on listening and watching on the media also for that and with regard to Hero is concerned, It is not doing



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much, of course It is working toward electric. The good statements have come from Punjab that It is planning to invest so much in EV segment. On the ground nothing is there in Hero. Honda, there is nothing there on ground at present, but at Talbro's what we are doing, as you are aware that we are entering in the PV segment, what we had talked about. We are already supplying to Tata Motors EV and they already have contacts with our European carmaker who are going EV in future. My components will be there in the platform. That is not an issue. In forging, we are supplying to export customers like I can mention GKN. GKN is giving to Volvo and BMW. My components in this EV segment is going at present. It started going there and monthly volume, I mentioned 25 but it can go up to Rs.30 Crores to Rs.35 Crores yearly. We are supplying to BMW, which goes in every vehicle whether it is electrical or non-electrical, my component will go there. As regards to our gasket business concerned, we have done a full study on how the two wheelers are going to come in the EV space. So EV is going to first come in the scooter, then coming in PV and commercial. They will come in buses of government that is all nothing more than that, we feel in the long-term interstate buses it will never come. Interstate trucks it will never come. Plus as you are aware, India is not power surplus country. There are lot of power shortages also. It is not like Netherlands, Sweden, etc., and North China where the power is surplus, surplus power is available at a very cheaper rate. In India, we know it is not there. In the summer season, industry is taking power cut up to 10 hours per day and we are also facing power cuts of six to seven hours per day in Gurugram. Two wheeler market, in the two-wheeler market what we have found that EV penetration in the Indian two-wheeler market in FY2020, 1,50,000 units of EV was sold. In FY2021, the volume dropped to 1,40,000. According to the study which we have done according to KPMG because we do a lot of work with KPMG in various strategic matters, etc. According to KPMG study, 7% to 10% of overall two wheeler market including 2% motorcycle will get converted into EV by 2025, we feel that by 2025 only 1,41,000 two wheelers will get converted that is all. It is a nominal number. So much noise is there but who are making EV scooters, Honda is making scooters, TVS is making scooters, Suzuki is making scooters. We are not in TVS and we are not in Suzuki. We are in Honda. Honda, my JV turnover is around Rs.35 Crores to Rs. 30 Crores per annum, that is including motorcycles. In Rs.30 Crores, two wheeler is only Rs.10 Crores. Rs.10 Crores is 25% of the JV. TAACL is 40% of JV that is negligible plus as a group we are also exploring because I can enter into battery business, actually everything is making batteries. Big, big companies are coming for battery and technology is so fast changing. I do not want to put money in a space, which is moving very fast like mobile phone, like what happened to camera makers, so I want to put money in a business whether it is EV and it will be there.

Anuj Talwar:

You can take for example what Mr. Navin was saying like our forging business for example right? Investment will be there, so you are a part of every supply chain and your EV scooters are only for B2B, for zomato, Flipkart or Swiggy, but intracity and intrastate still long way to go. One more static I will give you. In India out of 1 lakh people only 100 people have motorcycles. That is it only 100. So, that also has to go up. They all exist. We manage to be around it. Still India will make 20 to 24 million motorcycles and scooters going forward. They will make it.



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Navin Juneja: also, there is Heavy competition because the government is giving subsidies, state government and central government till what time, till when they will give subsidies tell me. India has no spare money you know that. They are doing infrastructure, etc., whatever they are doing, giving to farmers, etc., by increasing the petrol prices. Money is coming from where because without subsidy things will not run till what time let us see. One should see long term that is sustainable.

Sunil Kothari: Sir my next question is to Mr. Anuj. Sir because of your last three, four, five years very high effort on adding new products and new customers, you were travelling a lot, meeting customers but during this one to one and a half year that has stopped, but yet luckily with your past effort we are getting reasonably more new customers and more orders also, so what is your strategy and your agenda for the next two to three years? What would you like to do more towards new product development and new customers or existing customer and scaling up? Any thoughts on your efforts next one to three years?

Anuj Talwar: The work that we did pre-COVID when one could travel and meet people, now that has moved towards Zoom calls and Microsoft team meetings, obviously it is not the same, but I see now it is again starting like I am getting feelers again from some OEMs that they want to start meeting up slowly and slowly so that will happen. The customers that we have developed over the years there is still a lot of potential out there. We have not even scratched the surface in terms of the opportunities that we have, be it the customers in the US, UK, Europe there is a lot of scope. In forging, there is scope to go into heavier components, machine components. In gaskets, there is scope, we are working right now on a few projects till the year 2028. That is more to come. That is a very large project that will come our way and we are looking at adding a few more customers also in Europe in the passenger vehicles space. Heat shield as you know is a futurist product. We are starting on an Indian OEMs, which starts sometime in January next year, we are talking with global OEMs, so I think we have a very good customer base and with this customer base, we can still look at achieving double digit growths in the next two to three years, I am very, very sure about that. Apparently talking to OEMs, what next, what is the future, where do you want to go, so one is light fitting, for that we put up the aluminum heat shield light that is one. I have a meeting plan with some OEMs in Pune in the next two weeks, physical meeting after long, long time. We will talk to them, at the end of the day the OEM guides us what to do, they only guide you, so we have enough order books going forward. There is a lot of scope, next two to three years, I do not see a problem at all for doubling the growth, I do not see a problem, but we will continue our endeavor on every front, we are looking for new customers, new promoters, our eyes and ears are open and I am glad that we had a call with our partner in Maneli last week, there is a new opportunity out there for a global carmaker, we have Volvo trucks in Sweden, it is a new account for us. The US aftermarket has been impressing to us, there is opportunity there also, so we have not given up, we are on it, we are on the job.

Sunil Kothari: Great Sir. A very detailed explanation. Thanks a lot and wish you good luck Sir. Thanks a lot.



Moderator: Thank you. We have the next question from the line of Apurva Mehta from AM Investments. Please go ahead.

Apurva Mehta: Congratulations on great set of numbers. Really surprise to see such numbers, so my question was on the JV side, is there any possibility to explore this JV and bring new products from this JVs like MMT is a very big player, can we explore getting new products from them or getting new customers, helping us as to get new customers or outsourcing stories from all these three JVs, so is there any possibility to really grow this JV into like a big JV ?

Navin Juneja: You are absolutely right. In MMT, we are now looking at full suspension, now we are making component of suspension. Now full front suspension module we are looking at that, but the things will grow and the number will there, we are working with Indian OEM, we have already targeted them because we explored this possibility in Maruti also, but Maruti prices were ridiculous and we did not want to because we do not work in a loss because there is now lot of capacities also, so we are now working with Pune based OEM on that number one. We are already in talk with Magneti Marelli Poland for localization of their components, which we make here and they buy locally from Italy and that European belt. We are already working, the things are working but we will make our wise decision in Europe, their mindset is little different, to change their mindsets it takes lot of time and COVID thing, whatever you know the COVID is also there for more than one year, things are little bit delayed. It is not stopped, but this has been delayed. I think hopefully when the things open up within the six to nine months, we should get a very good news from that front also. Now coming to Marugo. If you have seen my JV, SOP of product, lot of products are there, but because of COVID etc., low utilization of hoses, we are just waiting, let this capacity evaluation go up with the new orders plus buyback, Marugo has started buyback, buyback last year was around Rs.4 Crores to Rs.5 Crores, this year will be Rs.9 Crores and going forward Rs.12 Crores to Rs.13 Crores, export buyback will be there by Marugo, Japan from this JV and we have lot of new products like engine mount where part of our product portfolio will be developed over a period of time, definitely we will do that.

Anuj Talwar: Also I want to add one more thing, we had renewed our Marugo deal day before yesterday, Marugo is talking about this new kind of flagship hoses, so the new opportunity is coming out there, so we will not leave anything unturned related both Magneti Talbro's and Marugo, there remains potential to double turnover in next two to three years, it will happen.

Navin Juneja: Regarding JV, it will not happen anything there because there was no buyback etc. The company will supply to only few main companies like Hero MotoCorp 70% and Honda 100%, the base of the company will grow but the bottomline will be very, very healthy. This year the topline will not grow because new BS-VI gasket which we have developed, now we have developed with local raw materials, we used to buy this raw material from our JV partner, imported, now with the local raw material, my profit margin has gone up drastically, of course sale price has also come down by 20%, in old days this gasket was Rs. 46, now it is Rs. 38, but my margins are very



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good here, like you will see when the volume goes up definitely you will see and the EBITDA here also this quarter is also 20% plus of that JV.

Apurva Mehta: And on the forging side, where do you see, because now currently we are at Rs.50 Crores like run rate and our peak capacity may be around Rs.250 Crores to Rs.260 Crores, so we have to expand on the forging side also, so where do we see in next two, three years this numbers of forging to be?

Navin Juneja: This year of course with the way things are up, we should cross Rs.200 Crores as opposed to Rs.167 Crores last year, going forward within next two years, it can cross Rs.300 Crores and we are adding machining and as and when forging press is required we will add it is not an issue. We had space already for that. We are making a new building, we will shift all my colleagues, machining lines in that building, we are making part of restructure, but space will be there in the main plant for adding more presses.

Apurva Mehta: And on the heat shield, if you can talk about on the technology side of heat shield and where is the global technology currently and where we are and is there any possibility of a big breakthrough if we are getting technology or getting big orders from this way, because this is a very huge market overseas also, so any thoughts on that?

Anuj Talwar: During this time, we cannot specifically go to Europe, to UK and do a technology day on this product, it is a bit tough, earlier on you could go and convince an engineer at Jaguar or BMW or Daimler or Volvo, and show that we are able to do this to the vehicle, we are able to reduce the weight, so that we are still waiting for the borders to open up. At the moment we have worked on Indian market, we have got a breakthrough with Volvo trucks and I have given a mandate to our team that they must add one European carmaker ASAP, but for that we need to do tech deals, tech deal cannot happen on Zoom. Let us start manufacturing and let me deliver the orders commercially, let me showcase that to the client, let me center the line. I think the line will be centered by January, February next year and after one year I will bring a machine, four to five hydro machine are there for making nimbus material sheets. Now I will get from Korea fully nimbus at present for one or two years after that I will buy the locust of aluminum and make all in nimbus, then let us do slowly, because lot of technology is there, tool making capability has to be adjusted, we have to learn lot of stuff from collaborator and the collaborator is coming here I think before the end of this calendar year, we will wait for five months, we will learn lot of things, processes etc., then things will be settled and then of course we will grow.

Apurva Mehta: On the technology front, we are satisfied with our partner in all the technologies stuff?

Anuj Talwar: Too good.

Apurva Mehta: Thanks and on the some gasket side, on the exports, when we were seeing a lot of makers globally are now shutting down their ICE plants and there will be a huge opportunity on the gasket side also because lot of people will be chasing down the gasket front also, but there will



be an aftermarket sales going in for next 5 years, 10 years kind of thing and there will be lot of opportunities there also, are we signed to explore that opportunity?

Anuj Talwar: We are there, do not worry, you will see the thing, how the loads has come in first quarter despite of local OEM not been available to us, in gasket out of 86 Crores we have done 17 Crores export only.

Navin Juneja: Gasket exports around 19%?

Anuj Talwar: In the first quarter.

Navin Juneja: It is 12%, so there are lot of opportunity, exports are going on, we have got a lot of contract that are ongoing, we will get commercial at 23%, 24%, 25% so 100% the vision that we gave for gasket it will happen.

Apurva Mehta: Okay and on the margin front, where we had this kind of little bit of hit from the raw material side, so over the next three quarters can we get back the most margin which we are there on the raw material side?

Anuj Talwar: It will average out over a period of year.

Apurva Mehta: Thanks a lot. Wish you all the best.

Moderator: Thank you. We have the next question from the line of Dipen Shah an Investor. Please go ahead.

Dipen Shah: Good afternoon Sir. Congratulations on a very good set of numbers. I think talking after Apurva I do not leave too much of questions, but just had a couple of things. In terms of our JVs, we have a large dependence on Maruti and Maruti has been making some noises about having a lower production current year. If you can give us some more color on how do you see these spanning out, at least Maruti and couple of other large customer spanning out over the next two to three quarters and what probably should it do to our growth levels for the current year?

Anuj Talwar: Of course you are right. My Magneti Marelli is 40% dependent on Maruti and my Marugo is also 45% dependent on Maruti, so they are showing a decline of 10,000 to 15,000 vehicles per month, but the statement I read in the papers they also coming into that space but it is not a major amount for us, if you convert into rupee term, it is nothing, it is obviously 1 Crores or 50 lakhs, this is not a much amount, but balance 60% what is there, we are growing that business that is Tata Motors, Tata Motor in passenger vehicle is very healthy now, they are talking crazy numbers, it is going there up, and Marugo and Mahindra have started, Marugo and other customers like Daimler doing very well, at least customers are there, exports are there, the movement has started, so little bit impacted, they are not major impact to be very fair, but we are hearing from one of our local customers carmakers who our Magneti mainly is exported also, a major component, what they are saying do not bother, from October, November, they will



catchup, catchup in such a way that it will be difficult for us to match that, what they are saying by year end everything will fall in place, there is no problem.

Dipen Shah: And it was heartening to hear that you are doing Rs.10 Crores capex in both the forging as well as the gasket business that probably gives us some impact into your visibility for the current year as well as mostly in the next year, so I think with this Rs.20 Crores of capex which we are doing, any further capex which we are doing in the JV Sir?

Anuj Talwar: Magneti Marelli we are doing capex, for the future businesses they are getting, Marugo we did the capex of 1 crore, already we had done in this year, already completed and Nippon may be some minimum capex will be needed.

Dipen Shah: With this current year capex and we are talking about double digit growth for the next two to three years, should this capex be sufficient to carry us through the next couple of years?

Anuj Talwar: One of the capex we will do this year, okay, that will take care of most probably 80% of the requirement of this year.

Dipen Shah: Okay and Sir from whatever we have spoken about the electric vehicles, should we understand that whenever you go for electric vehicles in a big way, the forging business should be the first mover in that because that probably could be a product agnostic kind of a business and there you can probably cater to whatever orders come to you, is that the right understanding?

Anuj Talwar: Yes Magneti Marelli also will be there because they supply suspension, suspension will be there in the car, any car.

Navin Juneja: Also, their machine will not be hybrid.

Anuj Talwar: Hybrid will be there, just one question, what do you think what will happen to electrical as per you?

Dipen Shah: From whatever you shared and for whatever we have read by may be 2030 may be 10%, 15% of the population of vehicles could be electric, so that is not a big thing, but for a company like us if we have to look at a new area and if there is something which comes up from an electric vehicle manufacturer, I think it will be a good thing for us to grab the opportunity because looking at our side if we get a new electric vehicle manufacturer for us then it could be a good amount of addition to our product portfolio even if it is not from our current portfolio. So I think may be forgings could be a good business where we can actually pitch in to electric vehicles if at all and that could open up a new area of business for us, so maybe that was what my understanding, but in the overall scene of things I correctly agree with you that it may not be a very big part of the overall auto industry over the next five to seven year at least?



- Anuj Talwar:** We totally agree with you, that's what the story is, all the multiples of companies which are social electrical supply chain, it is maintaining, so we are also working on that, it will take time as you know we are supplying now for the first kind of plug-in-hybrid that was released globally, that is a good number, it was Rs.30 Crores odd as Navin mentioned to you plus the Tata as well and also do not forget all the future orders we are getting from global carmakers are totally EVs, so our chassis business, our rubber business, essential business, our forging business is all there, so we are part of it, but yes, we will definitely discuss more offline on this.
- Dipen Shah:** And Sir lastly from whatever you have said should we understand that the first quarter revenue should be the base and we should grow over that in the next couple of quarter or in the next three quarter?
- Anuj Talwar:** I think we should be, things will improve, definitely we will grow, there is no reason for not growing.
- Dipen Shah:** Thank you very much and all the very best.
- Moderator:** Thank you. The next question is from the line of Ravtej Singh from Malabar Investments. Please go ahead.
- Ravtej Singh:** Congratulations on a good quarter, which was like well ahead of at least what I had in my mind in this quarter. Just to get a few things shared, how many days of production we will be losing this quarter and would it be possible to quantify the impact of that on our revenue that is my first question.
- Anuj Talwar:** Because Maruti was closed, Hero was closed, Honda was closed, I think the impact in the gasket business will be around Rs.7 Crores to Rs.8 Crores. In forging I think no impact was there. In the Magneti Marelli, the impact was around Rs.4 Crores to Rs.5 Crores, in Marugo that was around Rs.1.5 Crores to Rs.2 Crores and in Nippon it was around Rs.3 Crores to Rs.4 Crores that I can say broadly.
- Ravtej Singh:** Got it, but on our standalone entities, basically gasket and forging, we would say that how much these..
- Anuj Talwar:** Maybe Rs.1 Crores not more than because we supplied gears for Honda when the brand was closed for more than one month and maybe Rs.1 Crores, Rs.1.5 Crores there, on a standalone Rs.5 Crores to Rs.6 Crores totally.
- Ravtej Singh:** Understood, so I mean on guessing that it is a result of lower demand of it, but also some lower utilization right?
- Anuj Talwar:** Yes, but we will try to compensate that from export on other days.



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- Ravtej Singh:** Got it understood, fair enough, so roughly around Rs.5 Crores to Rs.6 Crores from the standalone entity and then the next question is a bit broader, I get your vision for this year, I get your vision for next year as well, just want to understand your aspiration to grow, what sort of the size you see the company dealing over the next say three, four years, maybe five years, it is very long term, just want to understand your aspiration better Sir?
- Anuj Talwar:** Aspiration of course is total Rs.1000 Crores on a consolidated basis, however, I cannot talk on this call, we can have a private offline call on that.
- Ravtej Singh:** Rs.1000 Crores we might get by this year only or the next year, so just want to understand what after that?
- Anuj Talwar:** Rs.1000 Crores we cannot get next year, how can we get.
- Navin Juneja:** You are talking about the full numbers or you are talking about the GAAP numbers? Full numbers of the division?
- Ravtej Singh:** You mean Rs.1000 Crores after accounting for our share, okay.
- Anuj Talwar:** Sorry.
- Ravtej Singh:** You meant Rs.1000 Crores after accounting for our share of the JVs?
- Anuj Talwar:** So the number you are talking about is the standalone number or full number of JVs
- Ravtej Singh:** So standalone plus proportionate, no I was just taking the full number of JV.
- Anuj Talwar:** I was talking about for proportionate. In 2021, it was Rs.552 Crores.
- Ravtej Singh:** Okay.
- Anuj Talwar:** The share of JV, we have total topline was Rs.552 Crores.
- Ravtej Singh:** That is the like to like basis, Rs.552 Crores, so Rs.552 Crores going to Rs.1000 Crores, you think this transition can happen over the next three, four years?
- Anuj Talwar:** To average that yes.
- Ravtej Singh:** And that point you would probably be at may be 15% odd EBITDA margin may be better around that number?
- Anuj Talwar:** We should be able to maintain our margins, we should better our margin, if you see last six, seven quarters we are more than 14 plus, it is highly sustainable. Four, five years before we were



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around 11%, now we have improved our margin and for last six, seven quarters we are 14% sustainable, it is not one-off.

Ravtej Singh: No not one-off, I basically mean that there will be some impact of operating leverages fix and take you bit higher as well right, so 15%?

Anuj Talwar: This is the first quarter, first quarter it cannot be because price increase has happened and total coverage is not there, one should see over the period of lockdown after two, three quarters how are things moving?

Ravtej Singh: Absolutely, I completely agree, so got it, that seems very positive, we are targeting basically Rs.1000 Crores odd in GAAP revenue, basically our share at about 15%-16% kind of EBITDA margin, so just one final question Sir, do we also target Maruti as a return ratio and if so what sort of aspirational or targeting have in mind and by when do you think will get there?

Anuj Talwar: We talked about 14% ROCE last year obviously in the pandemic year also, we want to take it up to about 17% to 18% which will happen on the operating leverage, higher turnover, better product mix, reduction of debt, you see the debt now has come down, it is 0.44 debt equity, it used to be 1.2, then 1, then became 0.8, now it is 0.44, obviously you will take debt for expansions and all, but we will try to tighten a ship as much we can and grow it in a same manner.

Ravtej Singh: My guess was that last year it was at 14% after one quarter being a loss making quarter, my reckoning was that we can perhaps make 20% plus this year.

Anuj Talwar: We are spending Rs.20 Crores, that 20 Crores will add in over the next couple of years, and if we were not doing capex, of course it will go up, but we are doing capex also, major capex. The profit of that capex will not come this year.

Ravtej Singh: Agreed, which is why we can take a long time view, right, you do not have to think of this year, so all incremental capex will come at asset turns of how much?

Anuj Talwar: Pardon me.

Ravtej Singh: Sir what will be the incremental asset turn on the capex?

Anuj Talwar: Capex, it will do a 24 capex, it will grow by Rs.50 Crores- Rs.60 Crores, yes Rs.40 Crores- Rs.60 Crores should be there easily.

Ravtej Singh: Okay, coming at the turn of two and two and half times?

Anuj Talwar: Yes.



- Ravtej Singh:** Okay, got it. Thank you, that is very positive. Thank you so much.
- Moderator:** Thank you. We have the next question from the line of Nitin Kapoor, an investor. Please go ahead.
- Nitin Kapoor:** Congrats for the great set of numbers. So I have a question around the debt level, so we are around 0.4 debt to equity ratio, do you think in the last con call you had indicated you had a target of around 0.25% in the next two to three years, so does that still stand or?
- Anuj Talwar:** It is still there and that is very much there and this year my repayment of term loan is around Rs.18 Crores and of course I will be taking some term loan not much, maybe Rs.6 Crores, Rs.7 Crores, Rs.8 Crores ahead of that, so my term loan should come down by Rs.10 Crores and my short-term borrowing will come down again if things remain like this, which are there, my profit should be there, my cash generation will be there. I hope so I should be able to bring down the borrowing by another Rs.8 Crores to Rs.10 Crores in this financial year and with the probability coming to the reserves, this Rs.0.4 Crores should be around 0.35 or 0.36 depending on the stock by the end of year.
- Nitin Kapoor:** Great, and what would be the targets for the next three to four years, could be even better 0.25% or do you think you can use the money for working capital or probably to pay off the loan, the cash loans we have?
- Anuj Talwar:** It depends, if there is a good business opportunity, of course I will go to the capex first, the more the capex is the more profit and of course the percentage will come down accordingly. Tomorrow if a business opportunity will give me Rs.20 Crores profit, I need to spend Rs.100 Crores of course I will borrow more money here, but on a long term basis my objective is to bring it down that is all.
- Nitin Kapoor:** Great, the interest cost you said on a yearly basis will be around Rs.8 Crores to Rs.10 Crores, so do you think that would stay constant in the next two to three years or that could possibly go up depending on the status?
- Anuj Talwar:** My borrowing is around 7% approximately on an average including PCFC and my turnaround are around 7.5%.
- Nitin Kapoor:** Okay, what is your total debt currently, is it around Rs.100 Crores odd?
- Anuj Talwar:** As on 30th June I am talking about, my loan is 27 and my working capital is around 80, 107 total because I could not bring it down the last quarter because everything was closed and we are not getting the payment from aftermarket and from OEs, but I have to make payment to creditors, my creditor levels have come down by Rs.8 Crores in the last quarter.
- Nitin Kapoor:** That is it from my side. Thank you so much and all the best for the next two quarters.



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Moderator: Thank you. Ladies and gentlemen, that was the last question and we will now close the question queue. I would like to hand the conference back to the management for closing comments. Please go ahead.

Anuj Talwar: Thank you so much for being up on the call. I hope you are able to clarify all your queries and we still look forward to positive year ahead. Thank you so much. Any questions if you got you can talk to our IR partner, SGA, we are happy to give all the replies to your queries. Thank you.

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