



## “TalbroS Automotive Components Limited Q2 FY2022 Earnings Conference Call”

**November 09, 2021**

**Disclaimer:**

This document is subject to errors and may or may not contain words which have been included / omitted due to human error while transcribing the conference call. Any and all information should be verified with the company by the reader.



**MANAGEMENT: MR. ANUJ TALWAR – JOINT MANAGING DIRECTOR -  
TALBROS AUTOMOTIVE COMPONENTS LIMITED  
MR. NAVIN JUNEJA – DIRECTOR AND GROUP CHIEF  
FINANCIAL OFFICER - TALBROS AUTOMOTIVE  
COMPONENTS LIMITED**



*Talbro's Automotive Components Limited*  
*November 09, 2021*

**Moderator:** Ladies and gentlemen, good day and welcome to Talbro's Automotive Components Limited Q2 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 the date of this call. These statements are not the guarantees of future performance and involve risks and uncertainties that are difficult to predict. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing "\*" then "0" on your touchtone phone. Please note that this conference is being recorded. I would now like to hand the conference over to Mr. Anuj Talwar - Joint Managing Director of Talbro's Automotive Components Limited. Thank you and over to you, Mr. Talwar!

**Anuj Talwar:** Thank you so much. Good afternoon everyone. A very warm welcome to Q2 and half yearly FY2022 earnings call. I hope you all are staying safe and healthy and had good festive months behind us. On the call today, I am joined by Mr. Navin Juneja, our Director on the Board of Talbro's and our Group CFO and SGA, our Investor Relation Advisors joining us 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 industry overview, I like to share with you that we all have done a bit to protect ourselves and the community by fully vaccinating our Talbro's family, which ensures at least smooth working and people come in the office hours and also traveling out to get their work done. I will begin with the industry and the economy overview.

Our government has taken massive vaccination drive across the country with over 100 Crores plus people vaccinated in India, which gives confidence to get back to some normalcy. Rural India witnessed positive sentiments due to a normal monsoon. The festive season typically accounts for about 40% of the annual rate of sales, but have seen today on the front page of Economic Times as well that this festive season did not bring much cheer, however, we at Talbro's still were able to beat the industry. We all have been reading in the papers about the semiconductor shortage, the supply constraints, the fuel price hikes, increase in input cost, metal prices, commodity prices, so it has been a little bit of a tough and a challenging quarter for us, but we have managed to sail through and if not do better.

There was some relief this morning about a cut on some excise on fuel for about four to five rupees per litre. Hopefully, there will be some joy to the automotive industry. A quick update without going into too much detail, to our surprise in Q2 actually the automotive industry declined by 3.37%. Passenger vehicles too at about 4.17% for the Q2. CV segment



*Talbro's Automotive Components Limited*  
*November 09, 2021*

grew at about 25% given the low base even in the last quarter of last year. Two-wheeler decline by 6.19% and still look to be a bit muted even with the festive season, exports have done well generally. I like to highlight a bit about Talbro's what we have achieved and also like to share with you our strategy going forward.

Our business is broadly divided into a standalone business, gaskets and forging and our three joint ventures with global autocom leaders for gaskets, for suspension, chassis and anti-vibration rubber component. We always maintained that Talbro's is a very hedged auto component player. We supply across various platforms and in different markets globally. During H1 FY2022 of our total domestic sales 30% came from two and three wheelers, 27% came from passenger vehicles, 28% came from commercial vehicles, 10% came from the agri segment. This is what we have been talking about in our various conference calls and investor calls that we have maintained to be hedge company with not one customer being more than 10% to 11% of our turnover. Our export portfolio did well in H1, 27% of our revenue came from exports in H1 FY2022.

Our forging business achieved 53% revenue from the export market, which continues to be an outlier within our group. We remain focused to achieve an export percentage of 28% to 30% in the coming years. Talbro's is diversified with market requirements. We are now supplying critical components such as suspension, chassis and forging to electric vehicle space both in India and globally. We make sure to capture market share both in domestic OEM and global OEM and also been pushing very, very hard with the OE market in our country. I like to discuss a bit about standalone business gaskets and forgings. We still continue to hold a 50% market share along with Nippon Leakless in the gaskets industry in our country. We have already successfully as mentioned earlier to you implemented BSVI product line, which will increase our value added components, pricing per engine. This also helps you go to export market as we are BSVI or Euro VI qualified component maker.

Going forwards talking about the heatshield product line, which is the future for PV vehicles made of aluminium is for light weight, is for noise reduction, for weight reduction, for heat reduction and this product will start in the domestic market with the top car makers of the country maybe Q4 or latest Q1 of next year depending on testing and validation. The product which is called nimbus is a patent of our TA partner in Japan, it is basically for light weighting of products and engines. The forging division has continued to perform well both in the domestic and the export market with more than 50% share coming from exports. This is quite an achievement given that to be an outlier and given that we supply about 28% overall.



*Talbro's Automotive Components Limited*  
*November 09, 2021*

Our focus in forging is to move to value added products, heavier weight components, machine components although we have already machined about 99% of the products that we supply, we are getting traction now from our existing customers to supply heavier part as well. As mentioned to you earlier, we already supplying to EV platforms from our forging business into Europe. Coming to our joint ventures, Marelli is 50:50 joint venture between Marelli and Lantus group, X-Fiat to make complete chassis and suspension components in India. Even in this division now exports are about 11% could have been a bit higher, but some of the European car makers are we getting a semi-conductor shortage and that has caused a bit of a slow down. On the other hand, I am very proud to say that not only are we supplying to Maruti, but with the new Pune plant we are supplying to all these Tata motors model that you see EV and non-EV, which are getting a lot of traction in the market with pretty much a very aggressive penetration with Tata motors for their suspension components.

Coming to Talbro's Marugo, the joint venture is coming along and it has got immense potential as we always maintained earlier, but again given the huge semi-conductor shortage and our dependence of Maruti, this has been lacking behind a bit, but it will come through. We are working on our strategy to go for more exports JV partners in Japan, selling more products into Japan, working with some other OEMs in the USA to increase our customer base in this product line. Here again testing validation and a kind of product it is, it takes time. Before I hand over the call to Mr. Juneja to walk through the numbers all I can say is that we managed quarter two well with the hedge strategy in focused exports and very tight operational controls to give you the margins that we could. Over to Navin!

**Navin Juneja:**

Thank you, Anuj. Good afternoon and a warm welcome to all the participants. Let me begin with the financials review. In the gasket including the Nippon Leakless Talbro's for Q2 FY2022 our standalone gasket sale was Rs. 91 Crores as against Rs. 68 Crores in Q2 of FY2021. Total revenue of Nippon Leakless was at Rs. 23 Crores in Q2 of FY2022 as compared to Rs. 28 Crores of Q2 of FY2021. This drop in sale is due to reduction on the sale prices as we have introduced a gasket made of local material as against imported material, the price of this gasket is Rs.36 versus the imported gasket price of Rs.46, but our margins are much better in this local material gasket. This is the reason for drop in revenue. This segment saw a combined EBITDA of 18 Crores in Q2 of FY2022.

Now coming to the forging division, the forging business is consistently performing well. The revenue in Q2 FY2022 is Rs. 55 Crores as against 43 Crores in Q2 FY2021. Coming to Magneti Marelli Chassis Systems Private Limited, the total income for Q2 of FY2022 stood at Rs. 40 Crores versus Rs. 32 Crores in Q2 of FY2021. Talbro's Marugo, total revenue from



*Talbro's Automotive Components Limited*  
*November 09, 2021*

operations for Q2 FY2022 stands at Rs.12 Crores vis-à-vis Rs.11 Crores in Q2 of FY2021. There is not much growth in this business because as you are aware in the last quarter the Maruti business was down by 30% to 40% due to semi-conductor issues, and our company's dependence is approximately 70% to 80% in on Maruti. Above mentioned revenue numbers of all the joint venture business, our total revenue including our share of business.

Now coming to the consolidated financial performance of the company, on our slide #12 in our investor presentation we have reported consolidated revenue based on Ind-AS which does not include the share of our JVs. Total income including other income stood at Rs.146 Crores in Q2 of FY2022 as against Rs.110 Crores in Q2 of FY2021, a growth of 22%. On half yearly basis revenue stood at Rs.285 Crores versus Rs.161 Crores in H1 of FY2021. The financials for the period reflects strong business performance, execution of material order received in the past years and addition of strong product lines goes well in expanding our order book. EBITDA including other income stood at Rs.22 Crores in Q2 of FY2022 as against Rs.17 Crores in Q2 of FY2021. On half yearly basis EBITDA stood at Rs.40 Crores versus Rs.19 Crores in H1 of FY2021. EBITDA margin stood at 14% for the quarter. Majority of our commodity price increased for the past two quarters were covered during Q2, which has helped in adding the margins.

While reversion of salary reduction have taken place in the previous years and increments of average of 10% in the current financial year has increased our employee expenses. PAT stood at 11 Crores in Q2 of FY2022 as compared to Rs.10 Crores of Q2 FY2021. On half yearly basis PAT stood at Rs.21 Crores versus Rs.1 Crore in H1 of FY2021. Gross debt at the end of September 30, 2021, including working capital stood at Rs.101 Crores. For the quarter we incurred capex of approximately Rs.12.65 Crores. We continue to witness strong momentum and benefits of our hedge portfolio and accordingly we foresee highest ever profitability for Talbro's in FY2022. This is all from our side and I would now like to open the floor to question and answer. Thank you.

**Moderator:**

Thank you very much. Ladies and gentlemen, we will now begin the question and answer session. The first question is from the line of Abhishek Jain from Arhiant Capital. Please go ahead.

**Abhishek Jain:**

Thank you, Sir and thank you for taking my question. Sir, can you throw some light on your EV side of the business how Marelli JV is doing and what kind of opportunity or revenue we foresee for the EV side of the business going forward and also on the forging side, if you can throw some light how the EV side of business is picking up right now?



*Talbro's Automotive Components Limited*  
*November 09, 2021*

- Navin Juneja:** Let us start with Magneti Marelli, Magneti Marelli has already got the orders from Tata motors for all their vehicles, which includes EV vehicles and we as a single source there the more the EV sales goes there we are in that business. On the export front in JLR we have got the entry into all the vehicles, which are the new platforms, which are the EV platform, which is coming for next financial year I hope so, so we are there in that business and whatever the turnover will be there we will be a part of that, the exact amount I am not able to comment as of today because we are not aware of the future numbers they are projecting, but suspension is there in their business and we are part of that EV business, whatever the EV production will be there we will be part of that business. Now coming to forging division, forging division is supplying to BMW a lot of components plus fresh components we also received for the heavy vehicles, I foresee for the next financial year the BMW business will be 20 to 30 Crores in the EV. Now we have also a part GKM we supply to Volvo EV vehicles and we are part of that business and that business is approximately 20 Crores in this financial year. Going forward it is going to go up. Thirdly, we are also approved by JLR, we are supplying component to JLR for the EV business from our forging division also, at present sales is little low, so the revenue of that business will be approximately Rs.7 Crores to Rs.8 Crores in this financial year which is expected to go to Rs.18 Crores to Rs.20 Crores in the next financial year.
- Arhiant Capital:** Can I see Rs.1000 Crores revenue in the next three years?
- Navin Juneja:** Of course we are working on that, 2024-2025 we are working on that.
- Arhiant Capital:** Sir, on the EV, what percentage of revenue from the EV side of the business?
- Navin Juneja:** We are targeting approximately 20% revenue from the EV, 15% to 20% we are targeting.
- Arhiant Capital:** Sir, last question, if you can throw some light on the margin side also, what will be the sustainable?
- Navin Juneja:** Between 14% to 15% somewhere.
- Arhiant Capital:** Thank you, Sir.
- Moderator:** Thank you. The next question is from the line of Shikha Mehta from Equitree Capital. Please go ahead.
- Shikha Mehta:** Good afternoon, Sir. Congratulations on the great set of numbers. Sir, please throw some light on the semi conductor issue?



*Talbro's Automotive Components Limited*  
*November 09, 2021*

**Navin Juneja:** Basically when we talk to our OEMs both domestic and globally you know some OEM says three months, some say six months, some say nine months, so what is OEM doing is that they are re-engineering their product portfolio so they are changing like for example, Maruti if it has a particular model on the line for the next five to seven days, so it is very fluent right now, nobody has an answer, but we are hoping that we are also in commercial vehicles, which are not that badly hit by this shortage so that should pick up in the coming quarters, so no other answer like this month November Maruti has given a very good guidance, and in December, but three to six months is going to be fluid, no one has the answer and whatever we budgeted, whatever we are looking at top line, bottom line we are still working with that, we are working on, we would not stop, we start working on the after market, replacement market, spread market, export markets, we try and push some commercial vehicles so we will find a solution.

**Shikha Mehta:** Right and Sir, if you could also give some guidance on the logistics cost, are we seeing it coming down a bit now or is it still high?

**Navin Juneja:** No madam, it is not coming down, during the last one year the material cost and freight has gone up export by 300% of course we have taken brunt in our books to some extent, but we are able to recover from 80% of the customers approximately 75% of that cost not 100%, but two customers we are still fighting with them, let us see, it is not coming down.

**Shikha Mehta:** Sir, could you give me the capacity utilization for the half year and for the quarter in all our division?

**Navin Juneja:** Yes, for the half year I can give you the capacity utilization, it is 82% in gasket, in forging it is 78%, in Magneti Marelli it is 75%, in Nippon Leakless is 65% and Talbro's Marugo is 75%, hose is 35%.

**Shikha Mehta:** Thank you, Sir.

**Moderator:** Thank you. The next question is from the line of Vaibhav Shah from Atharva Wealth. Please go ahead.

**Vaibhav Shah:** Thank you for giving opportunity. I have a couple of questions, my first question is what kind of capex will be required to cover your EV market products?

**Navin Juneja:** Our products whichever are there will fit into EV, so suspension, we will put it in the EV vehicle also, so no major capex is required for that.



*Talbro's Automotive Components Limited*  
*November 09, 2021*

- Vaibhav Shah:** At present we are getting more inquiries from domestic market or from the global market?
- Navin Juneja:** Both.
- Vaibhav Shah:** So, in the domestic market we are getting request from all the major OEMs, Tata motors and all those people?
- Navin Juneja:** We are supplying to them, Tata is the dealer out here with our sales the number of vehicles they come up with and global also we are getting the enquires like we mentioned to you that in a certain global OEMs will only make electric vehicles, platform vehicles after 2023-2024, but that also includes hybrid, plug-in-hybrid and EV, so the future request for our division is coming from those passenger vehicle is coming for EV only for our forging division, for our rubber division, EV we are getting major traction from export customers.
- Vaibhav Shah:** From export customers also you are getting good traction there?
- Navin Juneja:** Yes, for BMW we are makings some bushes and some part we have started making for EV vehicles already, JLR what are part of the EV platform that we are getting, Volvo through GK we are supplying EV components.
- Vaibhav Shah:** That is good, Sir. Sir, my next question is, is there a target to increase your export mix, how much that would be distributed, it would be amongst all the segment between the JV, so can you provide the export breakup on each segment and each JV currently in that sense?
- Anuj Talwar:** Yes, gasket used to be 12% two to three years back, now it is touching 18%, forging is 53%, chassis is 12%, rubber is about 4% to 5%.
- Navin Juneja:** Now I give the exact breakup of that, in gasket 17%, forging 53%, Nippon Leakless 0%, Magneti Marelli 11%, Margo 15%, overall 27%.
- Vaibhav Shah:** That is all from my end. Thank you, Sir.
- Moderator:** Thank you. The next question is from the line of Faisal Hawa from H.G Hawa & Co. Please go ahead.
- Faisal Hawa:** Sir, we have consistently had a very low ROE and ROCE for many years, so do you feel that is a function of kind of business that we are in or is that some ways we can improve ROCE and ROE that is one and secondly, how do you feel that this exports market could





*Talbro's Automotive Components Limited*  
*November 09, 2021*

pan out because India having a good domestic supply of iron and steel and in most other countries the steel still could be very expensive, do you see that the demand for our products would really go up on the cost differential alone?

**Navin Juneja:** First you are talking about, because the voice is not clear.

**Faisal Hawa:** Can I repeat my question, Sir?

**Navin Juneja:** Your first question is on ROCE and ROE?

**Faisal Hawa:** Yes, Sir.

**Navin Juneja:** I think first of all I am pleased to inform that in this current financial year during the first six months our margins have gone up very, very higher, if I talk about the ratios, so ROE for the first six months is 15.4% as opposed to last year of 10.5%, ROCE has gone up to 18.9%, as opposed to 14.1% of last financial year, the major reason for this is all BSVI products, my prices are much, much higher, my margins are much, much better as compared to BSIII and BSIV products, number one. My export business is going up as compared to last year it was 23% to 24%, now it is total 27% as a group and standalone business is about 28%, so these two things has helped with our margins and going forward more the BSVI products will be driven by the customers and by my OE customers, my margin will keep on growing on this and the good part is I am able to recover the majority of price increases, but still something is left, we are hopeful that we recover in the next quarter definitely, any other question?

**Moderator:** Thank you. The next question is from the line of Aditi Sawant from ADM Advisor. Please go ahead.

**Aditi Sawant:** Thank you so much for the opportunity and congratulations on good set of numbers. Sir, I have a couple of questions, first is what kind of future expansion in Talbro's and the second is on the financial front, at this run rate what kind of profits are we looking at for FY2022?

**Navin Juneja:** First question is regarding the expansion plans, of course we have expansion plans in all our divisions. First to talk about gasket we have expansion plan for our Heatshield business, we are setting up a Heatshield line plus next year we will buy our nimbus machine going forward which can take care of up to 50 Crores of my sales in Heatshield business alone plus we are expanding our gasket facility also because of the new gasket getting very good export from USA order we are getting for that we will be expanding all the facilities and our plan is 2024-2025 is to invest another 33 Crores in the gasket business alone, which will



*Talbro's Automotive Components Limited*  
*November 09, 2021*

take our top line to approximately 500 we are targeting by 2024-2025. On the forging front we are also expanding this year, we have already invested 7 Crores to 8 Crores in the machining facility plus we will be putting a new shed of approximately 30,000 square feet in our forging facility plus after that we will be adding more machines in that. Our target is to take over the turnover in the next two years to 350 Crores minimum in this business and this is the plan on business. Second question was FY2022, of course you can see that we are targeting a minimum EPS of Rs.30 in this current financial year, if everything goes well we will be able to achieve that.

**Aditi Sawant:**

That was helpful and Sir, the next question is on the product portfolio side. Is the product portfolio of exports is different than what we supply to Indian OEM so basically what I am trying to understand is it better margin which tempts us to diversify more towards export business apart from forex rate advantage, which factors lead to better margins in export business than for domestic businesses?

**Navin Juneja:**

As you are aware domestic all customers nobody will give you a EBITDA margin of more than 10% to 12% specially Indian OEMs, they will go into deep dive and everything and they are aware what is happening, they will give us the quotes from here and there, my EBITDA margin is around 12% in our domestic business, but in export business quality of orders, timely delivery plus they do not change their customers again and again and the group relationship is also there with them and they compare the prices with the local suppliers, etc., in the Indian auto component has the advantage so we get a decent 18% EBITDA from there, 15% to 18% depending on customer to customer, but again there is risk also and when the price goes up, we do not get in time, we get after two months, freight increases of course they will not give us immediately, we have to wait plus recently also reduce their score benefit before used to get auto component by 2%, so these are the challenges also there, but overall margins are better there and they have the capacity to pick the huge numbers also.

**Anuj Talwar:**

I also like to add that if you just constraint to the domestic market, the only constraint to the growth plans here, so for example, what we have seen that the festive season has not really taken a big off take in demand of two wheelers, or PV, it is just domestic oriented we do not have that extra advantage, so this is the strategy that we started about five to seven years back where exports which is only about 10% to 11% and now nearly to 27% to 28%, God willing everything is better we are going to aim a bit higher on this front as well.

**Aditi Sawant:**

That was helpful, Sir. Thank you so much and all the best for the upcoming quarters.



*Talbro's Automotive Components Limited  
November 09, 2021*

**Moderator:** Thank you. The next question is from the line of Rupesh Tatiya from IntelSense Capital. Please go ahead.

**Rupesh Tatiya:** Thank you for the opportunity and congratulations on very good set of numbers. I am little bit new to the company, so my some of the questions might be very basic, my first question is can you give some view on the competitive landscape in your two divisions in domestic market and three JV and broader content is that there were some of things were very interesting when I looked at it that you have 40% market share in gasket, 53% revenue of forging and exports some new EV related products in our JV, if you can just give some feel about competitive landscape and may be if you can name one or two competitors in each of the segments?

**Anuj Talwar:** So basically 50% of our turnover comes from gaskets, now in gaskets we are the largest along with the joint venture we are 50% of the country, now having established well the BSVI product line which took years to validate which are now doing export with this, our gasket is 10% and now it has got 17% to 18%. Coming to forging with a very conscious call when we set up the line in North India, we realized that there is no point being only domestic because of margin pressure, we immediately set our focus on exports and our exports are about 53%, the whole financial year is also end at about 50% or 52%.

**Rupesh Tatiya:** I got the numbers, I am asking from competition point of view?

**Anuj Talwar:** It is a huge competitive landscape, huge I mean.

**Rupesh Tatiya:** What are our advantage, can you just tell one or two things that make us have this high market share or how good opportunities in export?

**Anuj Talwar:** You want to know the competition in gasket and forging in the country?

**Rupesh Tatiya:** Yes.

**Anuj Talwar:** So, there are smaller players in gasket, they are not that large, the Banco are mainly radiators, but they were small 100 Crores doing gaskets, the company was Shankar Sealing, which is a private limited company in the south maybe got about 100 Crores plus, forging I do not think we can put competition I mean our aspiration is to be a big scale like Ramkrishna, there are many players in forging, we go local forging, we have got some established players like Ramkrishna, we got Bharat Forgings in the next level altogether and Mahindra Forgings so forging really cannot tell on competition per se there is more



*Talbro's Automotive Components Limited*  
*November 09, 2021*

aspiration, in Marelli the competition would be Sonasonic and SKH Metals and in rubber there would be Buel Auto, Bonnie.

**Rupesh Tatiya:** Thank you so much. The second is in general auto industry works on very long cycle, the gestation periods and trying to win contracts is really large, so can you talk about your R&D, can you give some idea about the funnel in your R&D in terms of new products or some projects you are working with your customers can give some colour on that?

**Anuj Talwar:** Say for example, like gasket division, the customer had a problem, our largest OEM, buyers cumin, now he had to do transition from BSIV to BSVI, so we have to put up a new product, which is called integrated wire harness gasket, it is totally new product, it is metal, it is rubber, it is plastic, he was importing this, so he came to us okay fine let us work together to make sure we do not import us anymore and we will give you the business, so it took us about two years plus to get this product validated so our R&D team actually filed patents in the Government of India and there are several patents out there, so gasket is a very higher proprietary product because it is for the engine and these two are for the commercial engines globally, so it took two years plus. In export business, we have big OEM customers, it takes about two to two-and-a-half years from the inception day of the project to get validated, in the heatshield space it takes about 15 months, forging six months, chassis six months, rubber six to nine months.

**Rupesh Tatiya:** So, roughly can we say that your R&D projects are growing at 15% which will give us new revenue in future in three to five years?

**Anuj Talwar:** Yes, it is there 20% plus we add new business every year that is in the pipeline approximately.

**Rupesh Tatiya:** That is good to know and I can squeeze one last question, EV is on the horizon so do you think our company can manage soft landing without getting a lot of hit on either P&L or balance sheet in the next five years?

**Anuj Talwar:** We have already started supplying to EVs in India, as well as globally there is a little bit of question mark on the two-wheeler segment today in the country with all disruption with Ola and Ather Energy so we are there also in two-wheelers in gasket so may be there is a 5% to 10% hit of two-wheeler business so it is not too much for us, we are well aware of it, we are going to work with all spectrums, all energy platforms both in India and globally, be it hydrogen, be it IC engine, be it EV with the part of whole supply chain, we are not bothered about it.



*Talbro's Automotive Components Limited*  
*November 09, 2021*

- Rupesh Tatiya:** Thank you so much for answering my questions.
- Moderator:** Thank you. The next question is from the line of Ravtej Singh from Malabar Investments. Please go ahead.
- Ravtej Singh:** Sir, first of all congratulations on the great numbers really good to see despite the RM cost and semiconductor shortage issues, so great to see putting out consistent numbers despite all the headwinds in our way, I just missed the EPS guidance that you gave for this year, could you please repeat that and then I will just move on to the other question I have?
- Anuj Talwar:** I cannot hear you at all, your voice is cracking.
- Ravtej Singh:** What I am saying is you have given out EPS guidance earlier in the call, I missed that so if you could just repeat that one that will be very helpful?
- Navin Juneja:** We are targeting an EPS of around Rs.30 in this financial year.
- Ravtej Singh:** Rs.30 EPS?
- Navin Juneja:** Yes.
- Ravtej Singh:** That would basically correspond to how many Crores of that?
- Navin Juneja:** You can multiply by 1.234.
- Ravtej Singh:** But do not you think we can overshoot, we are already at Rs.40 Crores run rate we have done 21 in the first half?
- Navin Juneja:** Of course it will be better, it should be better.
- Anuj Talwar:** Quarter three is a little bit uncertain with all the semiconductor shortage both globally and domestically. Earlier globally we were not that affected now they were slightly affected so let us see how things pan out.
- Navin Juneja:** Then we will be more confident of giving you the exact number.
- Ravtej Singh:** Understood, I thought the worst was behind in this quarter and perhaps Q3, but do you think that still more to go on the semiconductor issue?



*Talbro's Automotive Components Limited*  
*November 09, 2021*

- Anuj Talwar:** Quarter three looks little bit tricky, but we will recover with commercial vehicle, we our sales markets, export markets, we will.
- Ravtej Singh:** Understood, got it and if possible I am not sure if you have done the analysis, but if you could just share the quantum of absolute cost hit that you have to take because the commodity cost going up and a lag in passing them through and that as a percentage of EBITDA or that in absolute terms any number or any figure that just give me a normalized run rate to look at once if the cost is passed on?
- Anuj Talwar:** See I would recommend for that analysis we will share with SGA because it is all a kind of expenses we have captured our price increases from some of our domestic customers, export customers also freight, so I think for that we have to give it to you on a separate line.
- Ravtej Singh:** But, the gross margin has taken a hit right, so you think 1%?
- Anuj Talwar:** It will recover 80% recovery will be there.
- Ravtej Singh:** Exactly, that is what I seen as well, so you think that would correspond to 100 bps advantage on EBITDA, 100 to 150 basis points?
- Navin Juneja:** I cannot comment right now, let us see how the thing moves, please.
- Ravtej Singh:** Got it and if possible what sort of visibility you have over the next six months from the current order book, six to nine months?
- Navin Juneja:** We foresee a little muted quarter three, but quarter four should be very good.
- Ravtej Singh:** Understood and what are the interest are you seeing from OEMs for FY2023 and if possible to just take me through your expected revenue or your targeted revenue for FY2023 and you know how the order book when compared a year back?
- Navin Juneja:** We do not have the confirm orders, nobody give the confirm orders because they are not sure about the globally customers also we can give a better picture by the last quarter of this financial year, but 13% to 15% we should be aiming the minimum, we are working on that.
- Moderator:** Thank you. The next question is from the line of Faisal Hawa from H.G Hawa & Company. Please go ahead.



*Talbro's Automotive Components Limited*  
*November 09, 2021*

- Faisal Hawa:** How do you feel that steel prices sustaining these exports because I believe steel prices in India are slightly lower than world averages and second is now the ROCE and ROE in on the up front would feel that it could sustain in 2022-2023 it could even reach 19% to 20% and what is our capacity utilization at this point of time and you feel that it could rise further also?
- Navin Juneja:** In two years definitely it will go up by 1% to 2% because I think my turnover will be much higher than capex that we are doing and regarding the capacity utilization I told you earlier that my gasket utilization 82%, my forging utilization is at 78%, my MMT utilization is at 75%, my NLK utilization is at 65%, Marguo Rubber division is at 75%, my hose division is a the 35% at present.
- Moderator:** Thank you. The next question is from the line of Abhishek Jain from Arhiant Capital. Please go ahead.
- Abhishek Jain:** Sir, thank you for taking my question again, can you throw some light on your capex number for this year and what is our current net debt at this point time and how we are going to fund the capex going forward?
- Navin Juneja:** For this year 13 Crores in the gasket division and 12 Crores in the forging division for the current year, we have already incurred approximately 50% of that in this financial year already incurred and balance we will incur by the end of this financial year. Rest we will be able to tell you in the last quarter, please because these are absolute of course again there will be a capex of minimum 20 Crores to 25 Crores in this financial year also.
- Abhishek Jain:** And the net debt number right now?
- Navin Juneja:** 101, including long-term and short-term.
- Abhishek Jain:** Thank you.
- Moderator:** Thank you. Ladies and gentlemen, that was the last question for today. I would now like to hand the conference back to the management for closing comments.
- Anuj Talwar:** Thank you so much everybody for participating, thank you.
- Moderator:** Thank you very much. Ladies and gentlemen, on behalf of Talbro's Automotive Components Limited, we conclude today's conference. Thank you all for joining. You may now disconnect your lines.