



**“Talbro's Automotive Components Limited Q1 FY17
Earnings Conference Call”**

August 11, 2016



**MANAGEMENT: MR. ANUJ TALWAR – JOINT MANAGING DIRECTOR
MR. NAVIN JUNEJA – DIRECTOR AND GROUP CFO**



*Talbros Automotive Components Limited
August 11, 2016*

Moderator: Ladies and Gentlemen, Good Day and Welcome to Talbros Automotive Components Limited Q1 FY17 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 the 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. If 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 now hand the conference over to Mr. Anuj Talwar – Joint Managing Director of Talbros Automotive Components Limited. Thank you and over to you Mr. Talwar.

Anuj Talwar: Thank you. Good afternoon, everyone. A very warm welcome to our quarter one FY17 earnings call. On the call today, I am joined by Mr. Navin Juneja – our Director on the Board and Group CFO and also SGA which is our Investor Relations advisors. The results and the presentation are already uploaded on stock exchange and on the company website, I hope everyone had a chance to look at it.

Let me quickly give you a run up on our performance till date, post which Mr. Juneja will take you through the financial performance of the Company. We had ended the previous financial year with major initiatives in place. We have taken stock on building a strong order pipeline, cost reduction, improving joint venture performance, leveraging our presence in the OE space for the rest of the business and also push global reach for our gasket business.

I am very happy to add that our endeavors have started bearing fruit. We have started the year on a strong footing, not only visible in our first quarter performance overall progress in the business front which have supervised us with a continuous steady growth.

As you know, the auto industry has grown at about 13% for the first quarter and although our Company is in various segments, we have also grown about 12.5% on a consolidated basis. But what is heartening to know is that our main contributor to our revenue, gaskets, has grown by 15% which is more than the industry average. And even our joint venture companies which Mr. Juneja will talk to you later about the exact percentage growth, have exceeded the growth of the auto industry and this shows you all our efforts that went on to getting new business are now coming true.

As already mentioned, the auto industry grew at 13% with strong performance in the two wheelers and tractors and this is due to the monsoons. The key economic triggers are already working in our favor. We are witnessing good monsoons, along with it the 7th Pay Commission will add more to the procuring powers of the Indian consumer. The overall rural



*Talbro's Automotive Components Limited
August 11, 2016*

demand is yet to pickup which will happen automatically after the monsoons which will only aid in our numbers going forward.

On the business front, in gaskets we have been successful in getting more orders from overseas geographies such as the Basak Tractor Turkey, Khodro Iran, Volvo USA, Kubota Thailand to name a few. We have also started shipping some orders of a small nature to Turkey already started and even Iran is going to happen in the near future.

Along with pickup in the auto sales, OEM sales have also picked up in this space. Just to give you an idea, our OE number in gaskets alone was an excess of 21% growth for the quarter. Going forward, we are also geared for the aftermarket sales that our new dedicated aftermarket production line in Sitarganj and a new dedicated aftermarket sales force. This will also aid in improving our margins that we have already shared with you in the beginning of the year.

In forgings, we are working very closely with a few domestic customers as we have been hit by a weakening Europe where our export orders came down substantially. So we have decided to reinforce our energy in domestic market, we have restored some new orders from Amul Industries and also Volvo, Eicher and Royal Enfield. As mentioned in our earlier calls, we have been able to reduce our power cost substantially. We have seen profit improvement from the first quarter itself.

Coming to our joint ventures, this year started on a good note, all our joint ventures have turned cash positive, although Nippon Leakless is always a very high EBITDA joint venture, but even the two new ones Magneti Marelli and Talbro's Marugo, we are very confident that they will be PAT positive at the end of this year. Because a lot of our sales from these two joint ventures are coming from Maruti where all the new models that you see on TV and on the roads like the Baleno, the S-Cross, the Brezza, we have captured all this in our joint ventures.

We are also working at a lot of export opportunities in our JV. We have already started the buy-back to Japan from our Marugo joint venture and as well have secured a very large order from a European car maker in Magneti Marelli Talbro's.

Summing up, we are going to hit the target this year and the growth of about 12% and also the margins that we had given you an insight in the beginning of the year, around 11.5% should be a reality.

I would now like to hand over the floor to Mr. Juneja to take you through our financial performance for the year, post which we will open up for question-and-answers.

Navin Juneja:

Thank you, Anuj. Dear friends, to give you a brief about the results of our performance for the quarter one of financial year 2017. Overall, all auto segments grew by 13.4% lead by better



*Talbro's Automotive Components Limited
August 11, 2016*

domestic performance. However, the auto exports saw a decline of about 10%. Passenger vehicle sales grew by 7% compared to the same period of last year. However, the 7th Pay Commission is expected to provide a boost to the consumer spending which is expected to positively impact passenger vehicles and two wheelers in times to come.

Overall, CV segment grew by 13%, mainly due to expectation of good monsoon. Tractors showed a good growth of approximately 20%. Two wheelers saw a good growth of 14%, with scooters segment growing up at the pace of 27%. Rural drivers include motorcycle segment which contributes 50% of rural contribution is expected to grow faster, on expectation of normal monsoon. Further, GST which has been passed by the Parliament is going to bring additional push to the sector.

Coming to our segmental performance for the quarter ended June 2016. Our gasket division including Nippon Leakless Talbro's which forms 73% of total revenue, outstanding gasket segment saw a 15% year-on-year growth which are mainly driven by the OEM segments as Anuj told you earlier, which grew by 21%. However, EBITDA saw a marginal impact due to some rupee depreciation impact and the impact of new wages act like bonus and minimum wages which have been increased in Haryana sales last November.

Coming to our JV, Nippon Leakless Talbro's saw a lower growth due to the base effort which followed the price cut given to the customer has come in August 2015. On normalized basis, the growth has been in line with the market. Joint venture has paid a dividend of 48 lakhs in this quarter. Our forging division benefitted on account of our initiatives to lower power, low tool cost in this quarter. Also, we have received new orders from Amul Industries and Eicher Volvo.

In Magneti Marelli Talbro's, we have achieved a cash profit in the first quarter of 2017 and at a PAT level we had a very marginal loss I think which should not be there in the next quarter onwards. We saw a growth of 18% in this venture. We have received new orders from Tata Motors and from a European car manufacturer, sale of which will start from next financial year.

Also, in Talbro's Marugo Rubber, we are at par and have achieved a cash profit in quarter one. The business has grown by 54%. Both plants are still gaining traction to see more potential when it reaches at full utilization level. In this JV we had received new business from Honda Cars in this quarter.

Coming to the financial performance of the Company for quarter one of this financial year. Revenue for the quarter stood at Rs. 108.5 crores with a growth of 12%, recovery of two wheeler segment and increased sale in domestic OEMs. EBITDA stood at Rs. 12.7 crores with a growth of 12.1%. Higher raw material cost in gasket was negated by better operating efficiencies in other segments and lower power cost in forging. EBITDA margin for the



Talbro's Automotive Components Limited
August 11, 2016

quarter stood at 11.7%. PAT for the quarter stood at Rs.3.1 crores, showing a growth of 37% as against same quarter last year.

This is all from my side. We now open the floor for question-and-answers, if any.

Moderator: Thank you very much. Ladies and Gentlemen, we will now begin the question-and-answer session. Our first question is from the line of Dimple Kotak from SKS Capital. Please go ahead.

Dimple Kotak: Sir, I have a couple of questions. The first is, so what is your order book like, if you can give me the segmental breakup and the geographical breakup of your order book?

Anuj Talwar: I think it will be very difficult to give a complete segmental breakup, because all our divisions have got different customers. So, on a broad ballpark number in gaskets which is basically the largest of the revenue generator, about 73% with our joint venture company, now this is predominantly with HCVs, LCVs, tractors and two wheelers. So luckily for us the first quarter has been pretty good for us, but going forward gaskets business which has grown at about 15% will grow at least north of 12% in the remaining nine months.

Dimple Kotak: So it should go up by a couple of more percent, around the higher teens?

Anuj Talwar: It should, the next nine months look okay to us because coming quarter is looking very positive, we are getting a lot of demand from our commercial vehicles operators and tractors and a lot of emphasis on aftermarket and exports. So, I am pretty confident that the numbers that we have shared in the beginning of the year, we will marginally better that because we have taken a growth of about 12%. Coming to the forging division, the forging division should achieve its budgeted turnover and we expect good numbers from quarter three and quarter four, because it takes time for the new orders to come in the production, we have got orders from Volvo, Royal Enfield, and also from Amul Industries which you will see a good jump in three and quarter four. The joint ventures Magneti Marelli and Talbro's Marugo have already grown, Magneti Marelli grew at about 18% and Talbro's Marugo at 54%, but there you have Maruti, and Maruti's story is very good, they themselves are looking at a 12% growth this year. So, yes, it should be a good quarter two, quarter three coming up.

Dimple Kotak: Sir, in case if you can give me the order book as a whole, what is the quantum of the order book which you are having?

Navin Juneja: Order book, we cannot get the order book for the year full year in advance, we get monthly schedules from customers They do not give us order for the full year. Of course, we are there in the business, my share of business is there 100%, so whatever they produce I will be there.

Dimple Kotak: And sir would like to also know, what is your market share for the gaskets?



- Anuj Talwar:** It is about 40% in India.
- Dimple Kotak:** So, your Talbros market share is 40% in India?
- Anuj Talwar:** Yes, so Talbros and my joint venture Nippon Leakless have a 40% market share in India with 92% market share for all the two wheelers and about 41% market share for commercial vehicles and roughly about 55% for tractor industry.
- Dimple Kotak:** Sir, what is our capacity utilization, if you can share now?
- Navin Juneja:** Gaskets division on standalone basis, my capacity utilization is about 75% to 80%, depends on the product which we have and in Nippon Leakless, my capacity will be about (+80%).
- Dimple Kotak:** Sir, plant capacity, what is the installed capacity which you have, you are running at...
- Anuj Talwar:** Yes, on a standalone basis in the gasket I can easily produce up to Rs. 300 crores per annum. In Nippon Leakless I can easily produce about Rs. 130 crores - Rs. 140 crores. And in forging we can go up to about Rs. 100 crores, Magneti Marelli Rs. 100 crores, Marugo we can go up to Rs. 45 crores to Rs. 50 crores.
- Dimple Kotak:** And sir, who would be your major competitors in the gasket segment?
- Anuj Talwar:** It is Banco and Victor and Shankar Sealing in the South.
- Moderator:** Thank you. We have the next question from the line of Mittul Shah from Karvy Stock Broking. Please go ahead.
- Mittul Shah:** Sir, I have a question on the new products. Can you show some light on this new product launches and when sizable contribution will start coming in on P&L, like heat shield, etc.
- Anuj Talwar:** Heat shields, we have secured a lot of orders from customers like Volvo, Daimler, talking about Volvo USA as well, Maruti is also looking to introduce this product very soon in the automotive industry. and we also mentioned earlier that in the next two to three years this will only be a very small Rs. 15 crores opportunity, but with Bharat VI norms that been pre-poned we are suddenly getting a lot of enquiries from the Indian OEMs. So our install capacity should be about Rs. 30 crores and if Bharat VI is actually implemented by the Government of India, which will happen, we are the first guys in India to do this.
- And regarding other product lines, we have secured a very large order of the magnitude of about Rs. 25 crores from European car maker in Europe which is a rear suspension. And also, we have won an order with Marugo Rubber, as Mr. Juneja mentioned about Honda and we are looking at entering into a different kind of hose segment called molded hoses and also engine



*Talbros Automotive Components Limited
August 11, 2016*

mounts for the future. We are also looking at a very interesting product called the rear axle which is very similar to what JBM Motors produces and we are in talks with Maruti at the moment.

Mittul Shah: Sir, that new order of Rs. 25 crores from Europe, how much time frame can we complete that or what time frame it is spread?

Anuj Talwar: We will start by June of 2017 and it will optimize, I would say, September of 2018. So, I would not get over 10 crores next year, maybe I get about Rs. 4 crores, Rs. 5 crores, Rs. 6 crores next year, then following that. So full Rs. 30 crores will come by about September 2018.

Mittul Shah: And sir last question is on the CAPEX, if you can give details on segment wise CAPEX.

Anuj Talwar: In gasket segment, this year my CAPEX will be around Rs. 8 crores, in forging it will be Rs. 3 crores, in Magneti Marelli it will be Rs. 2 crores to Rs. 3 crores, in Talbros Marugo again it is about Rs. 2.5 crores, in Nippon Leakless it will go to Rs. 4 crores.

Mittul Shah: So, around Rs. 22 crores - Rs. 21 crores?

Anuj Talwar: Yes, altogether.

Moderator: Thank you. We have the next question from the line of Gaurav Punjabi from East India Securities. Please go ahead.

Gaurav Punjabi: Just had a question on the depreciation. I think you have restated the number from FY16 to this quarter like what I can see currently on a consol basis. And it has been reclassified into other expenses I guess.

Navin Juneja: As per the new accounting guidelines which are effective from 1st April, it says that any asset which will be used for a period of more than one year, should be a part of fixed asset, you cannot keep it in current assets. In earlier days my dyes and molds which are basically used for the production of gaskets and other stampings were part of current assets, now I have removed from current assets and it has gone now to fixed assets, that is the only change, the period is six year earlier also and now also six years. It has not affected border line of the Company by changing that. It is just a reclassification as per the accounting standards.

Gaurav Punjabi: So, your gross assets must have gone up because of this?

Navin Juneja: Yes, and my current assets have come down.

Gaurav Punjabi: So what would be the gross assets, approximately as of Q1 2017?



- Navin Juneja:** My gross assets are at Rs. 115 crores approximately, on standalone basis.
- Gaurav Punjabi:** Sir, the next question would be on the interest expense. Sir, what is the approximately cost that we are looking at right now?
- Navin Juneja:** My approximately cost as of today is approximately 10.2%.
- Moderator:** Thank you. We have the next question from the line of Harsh Shah from Dimension Securities. Please go ahead.
- Harsh Shah:** Sir, in the gasket business what would be the share of aftermarket, sir what will be the aftermarket sales and by what rate it would have grown for this quarter?
- Navin Juneja:** This quarter it has not grown much because my OE schedules are very high. In the gasket business we have grown up by 5% as compared to last year, we did approximately Rs. 12 crores in this quarter. But third quarter onwards we will see a lot of change in this.
- Harsh Shah:** So the dedicated plant is estimated to become commercial by...?
- Navin Juneja:** Generally, in the aftermarket 45% and 55% in the first six months. And in this, whether monsoon, etc., nobody holds the engine, so demand comes down in this weather, after monsoon is over you can see huge demand coming up and we are already there to cater to that demand. From September, my sales will be approximately Rs. 5 crores per month.
- Harsh Shah:** And in the forging business, you mentioned that the situation in Europe is still weak, so do we expect to reach the FY15 levels of exports during this fiscal year?
- Navin Juneja:** Yes, we can achieve FY15 level, definitely we will achieve that.
- Harsh Shah:** And plus we will see some growth in domestic business?
- Navin Juneja:** Yes, domestic business will see a good growth, I think in the first quarter domestic business grew by 18%, my exports came down in Q1 by Rs. 1.5 crores, which I think I will be able to recover in the next few quarters. Domestic business will grow to the same pace it should grow at 80%, so the new order coming in which will be commercialized by the third quarter, it should be back.
- Harsh Shah:** And in the forging business, is the complete saving reflected in our numbers or we are yet to see more savings in the power cost for forging business?
- Navin Juneja:** So, approximately I can expect 10% more, not more than that, majority saving is already there.



- Harsh Shah:** And another question is more of a long-term, a question related to long-term view of the Company, so we are in this business since last 15 - 20 years, more than that but we have not yet been able to make a mark like the other auto ancillary companies who have grown by 25% - 30% CAGR for 10 years. So, if I ask you where do you see the Company 10 years down the line, so can we see that Rs. 1,500 crores - Rs. 2,000 crores kind of revenue, so are we aiming something like that over longer time horizon?
- Navin Juneja:** We are making our plans for 2020 which will be available to us by end of October, post quarter two, we have not made any 15 year plan, we are making five year plan only, four-five years plan.
- Anuj Talwar:** See you must understand, gasket is a mature industry where we already have 40% market share, so there we are looking at going into axle motor, new products like heat shields, post-coating gasket, in forging we are looking at more domestic customers, joint ventures are getting lot of business from companies like Mahindra, Tata and specially Maruti. We may not do a 15% CAGR in the next three to four years. Although we have given guidance about 12%, but we could do 15% if everything is correct, the monsoons are correct, the economy is okay, with the 7th Pay Commission coming out, with scraping of diesel vehicle after every 10 years.
- Moderator:** Thank you. We have the next question from the line of Prayesh Jain from IIFL Wealth. Please go ahead.
- Prayesh Jain:** Just wanted to understand gaskets some more. In the two wheeler markets, you said you have 92% market share, right?
- Navin Juneja:** Yes.
- Prayesh Jain:** So what is the kind of value per bike or scooter of gasket?
- Navin Juneja:** Let's say, approximately not more than Rs. 200.
- Prayesh Jain:** And is it really different between scooters and motorcycles?
- Navin Juneja:** Engine power is different, so its gasket is little bit different, yes. Scooter is very small in size, material is different and in motorcycles where the power is more the material is different and the size is also different.
- Prayesh Jain:** So the value in motorcycles would be slightly higher?
- Navin Juneja:** Scooters would be Rs. 150, and motorcycle would be Rs. 220 - Rs. 230.



*Talbros Automotive Components Limited
August 11, 2016*

- Prayesh Jain:** What I was trying to understand was, going ahead, motorcycles are likely to see faster growth than scooters, or motorcycle is likely to pickup. So in that sense your growth of guidance of 12% can that is easily beaten or is it a very conservative number?
- Anuj Talwar:** No, we are looking at 12% for the company as a whole, not gasket as a whole. So, let's say for example, in gaskets itself in our joint venture let's say Rs. 110 crores of which we consolidated only 40% which is Rs. 40 crores, of that scooter would not be more than Rs. 15 crores. So out of the total turnover Rs. 15 crores will be scooter and the rest is all motorcycles.
- Prayesh Jain:** And what is the kind of replacement cycles these have, gaskets have?
- Anuj Talwar:** Commercial vehicles at least three to four years, passenger cars very rarely, but two wheelers about 2 - 2.5 years because it is used more.
- Prayesh Jain:** And what will be the quantum of gaskets going into commercial vehicles?
- Anuj Talwar:** About Rs. 800 to Rs. 1,200 and the same gasket in the aftermarket is about Rs. 2,500 which we sell on our own independent channels. And that is going to be a major growth driver because we have made our plant in Sitarganj absolutely independent to cater to this demand.
- Prayesh Jain:** And you mentioned about a three to four year CAGR of 15% which you are targeting to achieve, so in that sense your EBITDA margins which are at currently around 11% - 11.5% can they really go into a higher orbit and something like 12% - 13%?
- Anuj Talwar:** Yes, it should. We are not only looking at growth to get there, we are also looking at various cost cutting measures in our own company like reduction of manpower cost and alternate materials and localization of raw materials, reduce the effect of imports. So we are looking at various factors.
- Prayesh Jain:** And with regards to the capacity, like you are currently at 75% - 80%, so a couple of years of strong growth and you will be starved of capacity, then what are your plans going ahead?
- Anuj Talwar:** No, capacity can be easily enhanced, we have got space in Uttaranchal, land is available, building is there, we can expand.
- Navin Juneja:** Also in Bawal we have got 5 acres land.
- Anuj Talwar:** And we have just set up a small ancillary plant in Faridabad right behind my gasket unit, so that itself is seeing a more capacity and it is already up and running.
- Navin Juneja:** We can easily add capacity by adding few presses, etc.



- Moderator:** Thank you. We have the next question from the line of Nisha Shah from NS Limited. Please go ahead.
- Nisha Shah:** Sir, my question is on your joint venture. Since now we have achieved cash breakeven, so is it sustainable and going ahead when can us it see PAT positive?
- Anuj Talwar:** So, as I mentioned earlier, we will be PAT positive in Magneti Marelli this year, Nippon Leakless has an EBITDA margin in excess of 17% - 18% and Talbros Marugo has got two division, anti-vibration and hose, when I consolidate them together we will meet PAT 0 this year, but if I look at my anti-vibration unit that is plus 15% EBITDA, but because we got very badly affected by the diesel ban in NCR, there are a lot of hoses that we manufacture are for the diesel engines, so that is pulling me down. But going forward, these will be PAT positive companies.
- Navin Juneja:** And we are entering through different type of hoses like fuel hoses, etc.
- Anuj Talwar:** So that should not be a problem. And Magneti Marelli we have marginal PAT level, we have got very small loss of only Rs. 4 lakh in this quarter, and next quarter it will be PAT positive.
- Nisha Shah:** And can you just give some color on your plan on this joint venture for next three to five years? some idea on size of business of the other market geographies, what would be the market share, anything on that front.
- Anuj Talwar:** So if you look at Nippon Leakless, they should grow as per two-wheeler, I mean, maybe 10% - 12% year-on-year.
- Navin Juneja:** If Maruti grew at 20% it will grow at 20%.
- Anuj Talwar:** Yes, Magneti Marelli which today has got Rs. 72 crores this year where we are only 50%, so let me talk about the full figure for a moment. We already have confirmed plans in place to touch Rs. 150 crores in the next three years, w already have confirmed orders in hand. We have been talking about Bajaj Quadricycle, which has not started yet. We started small numbers about 500. In Marugo Rubber we already have orders in hand worth Rs. 50 crores.
- Nisha Shah:** And sir, since in JV we have a very strong global partner, so do we see ourselves becoming a manufacturing base for them?
- Anuj Talwar:** Yes, for example, in Marugo Japan we are manufacturing products for their Indonesian plants and the Japanese plants, so this whole Make in India campaign we are a part of that. And even if you look at Magneti Marelli, I am proud to say that one of the components that have been manufactured in Magneti Marelli plant in Faridabad is being used in Japan now, which was never earlier.



- Nisha Shah:** Sir in gasket division, are we looking to reach more countries, , can you give some strategy on that like are you looking for more countries or how can we make stronger penetration in the existing ones, something on that front?
- Anuj Talwar:** We have already won orders from Mexico, OEM Volvo, we have won orders from an OEM in Iran, Talbros is one of the first companies from India to go there, big order from Iran has been won by us, the order is very large, and it is a double-digit number. But till the time it does not come into production I do not want to talk about it too much. We are also looking at entering into Turkey in a big way, at least in the agriculture segment and tractor segment. We are also looking at Japan for the Japanese agri market called Kubota, we have already received order from them; we have also received order from Harley Davidson. So yes, we are very aggressively looking at exports in a big way. We participate in lot of shows, now we are participating right now in Germany in September, then in November we are going to the US, we participated in shows in Russia, we participated in Iran, we participated in Sri Lanka. So we are very active out there, and even in Hannover in Germany there is a big show for the truck segment.
- Moderator:** Thank you. We have the next question from the line of Avnish Chandra from East India Securities. Please go ahead.
- Avnish Chandra:** Sir, first question is on tax, so now onwards we will be paying 33% tax?
- Navin Juneja:** No, if you see it depends on, if gasket is paying around 30% on a standalone basis and NLK is paying around 32%, rest of the ventures are not paying any tax till now.
- Avnish Chandra:** Because this is the first quarter it is 33% and then we had deferred something, so overall it was around 30%, so that trend would be continued?
- Navin Juneja:** Yes, it will be continued.
- Avnish Chandra:** So safely we can take 30% for the year?
- Navin Juneja:** Yes easily, we could take.
- Avnish Chandra:** And also sir, dividend this time from Nippon Leakless was around Rs. 48 lakhs, so what is the expectation for the whole year?
- Navin Juneja:** Whole year I can expect approximately Rs. 2.5 crores.
- Avnish Chandra:** And sir, so many things you have talked about for the recovery in the forging business and we had seen a decline in reason was a one-off, reason is currency. So, in the next nine months can



we do something so we can meet the kind of 15% - 20% kind of growth in the forging business, will that be feasible?

Navin Juneja: First, Europe is a little down till today, as of today Europe is closed, Italy is closed which is my major export hub for this month. This quarter also exports will be little bit down. But my new OEMs orders which I have closed are Eicher, Volvo, Amul Industries. I have already started developing samples for them, PPAP, etc. That production will start from October onwards. So, last six months I can show you good growth in forging division as compared to last year.

Moderator: Thank you. We have the next question from the line of Prayesh Jain from IIFL Wealth. Please go ahead.

Prayesh Jain: Sir, what are the products that you manufacture on the forgings side?

Anuj Talwar: We are manufacturing gear planks, gear shifters, king pins.

Navin Juneja: Now we have started manufacturing connecting rods.

Anuj Talwar: You see, forging is a big opportunity for us because you may know that some of the North Indian companies are under tremendous pressure in forging, we are getting good opportunity because of that.

Navin Juneja: We are getting very good response from some companies, I cannot mention now, but let the order be closed then we will talk about that.

Anuj Talwar: We are also in talks with a company in Japan to do a technology tie-up, so we can really notify by quarter three of its outcome.

Prayesh Jain: And what kind of capacities and capabilities you have on the forging side?

Anuj Talwar: We have all the capabilities right from designing of a tool till heat normalizing, heat treatment, machining, we have everything.

Prayesh Jain: And what kind of ton pressures you have?

Anuj Talwar: We have started from 300 tons to 600 tons also we have a steel presses also with us.

Prayesh Jain: And what kind of margins you are earning on the forging business? You know, normalize if you have a full capacity utilization, what kind of margins...

Navin Juneja: Full capacity EBITDA should be 10% to 12%, for the full capacity.



- Prayesh Jain:** And what was the utilization in the current quarter?
- Navin Juneja:** We had utilization of about 55%.
- Prayesh Jain:** And what was EBITDA?
- Navin Juneja:** EBITDA depends, last quarter we were lucky to have EBITDA of 11% approximately, because Euro gave us some good. **Moderator:** Thank you. We have the next question from the line of Ayyappan Chellappan, as an individual investor. Please go ahead.
- Ayyappan Chellappan:** I have two questions, one is, two wheeler revenues is lower due to the price cut. Will it continue or the price cut happen in future?
- Anuj Talwar:** The price correction, you are talking about in two wheeler business?
- Ayyappan Chellappan:** Yes, correct.
- Anuj Talwar:** That already happened in August 2015.
- Ayyappan Chellappan:** Correct, but it happened down right, I mean, 5% reduced?
- Anuj Talwar:** Only for Hero and Nippon Leakless Talbros, not in Bajaj, not with Royal Enfield.
- Navin Juneja:** Because they were looking for cost reduction and we had to offer them a cheaper material.
- Ayyappan Chellappan:** And my other question is, this time raw material cost increased because 3% when compared to Q4.
- Navin Juneja:** In which segment?
- Ayyappan Chellappan:** No, I am saying total consolidated, so when compared to Q4 and Q1 last time this was 53% and this Q1 is 56%. So any steps taken by Company to reduce raw material cost?
- Navin Juneja:** From where you are seeing this figures?
- Anuj Talwar:** Where did you see this figure on the RMC percentage, if you can just tell us where did you get this number.
- Ayyappan Chellappan:** Investor Presentation, page number 27.
- Navin Juneja:** Raw material, it has gone from 54 to 60, by 10% as compared to last quarter it has gone by 10%.



*Talbro's Automotive Components Limited
August 11, 2016*

Anuj Talwar: Yes, it is very simple answer for this question. The product mix in gasket business changed where in first quarter our OEM grew by almost 22%, so the product mix changed a bit because of the high demand in the CV segment of OEMs, which is why it grew. But you will see this number coming back to normal in the next two, three quarters because you are pushing the aftermarket and export in this quarter. And as well as RMC has also gone up because our exports in forging came down and we supplied more to domestic market. And also the price increase in Nippon Leakless.

Moderator: Thank you. Ladies and Gentlemen, as there are no further questions from the participants, I would now like to hand the conference over to the Management for closing comments. Thank you and over to you.

Anuj Talwar: We thank you for your time. We thank you for your patience. I hope we have clarified all your queries. If you have any queries that are still left, please refer it to SGA and we will be happy to reply to those queries. Thank you.

Moderator: Thank you very much. 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.