"Talbros Automotive Components Limited Q4 FY-20 Earnings Conference Call"

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Moderator: Ladies and gentlemen, good day and welcome to Talbros Automotive Components Limited Q4 & FY20 Earnings Conference Call.

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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, 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 Talbros Automotive Components Limited. Thank you and over to you, sir.

Anuj Talwar: Very good afternoon everyone. Very warm welcome Q4and FY20 Earnings call. First and foremost I hope everybody is safe and sound and trying to find some positivity in this chaos like we are.

On the call today I am joined by Mr. Navin Juneja, our Director and Group CFO and SGA, our Investor Relations Advisors. The results and the presentation are uploaded on the stock exchange and the company website. I hope everybody has had a chance to look at it.

Let me begin with a few updates on the industry. India's automotive industry was already battling a prolonged slowdown due to declining demand owing to various reasons. Our own company saw this stress for many, many quarters after we hit the peaks in the year 2018 and 2019. The outbreak of the COVID-19 pandemic has added to the pain.

The lockdown announced to prevent the spread of the pandemic has a huge socioeconomic impact globally as well as in India. The uncertainty has lead the automobile industry to cut down on CAPEX plans. This includes various OEMs, not only in the IC engines but I also feel capex at the EV space will be delayed for a long, long time.

This has also have a cascading affect on the Indian auto component industry which we are a part of. Representations have been laid to the government to reduce the GST rate for few months and announce support measures to stimulate demand. But we have heard nothing back from them. We are also waiting for more clarity on CV segment policy which is really lagging behind at the moment as a sector..

During the financial year the automotive industry posted a degrowth of 15% year-on-year. With respect to the domestic passenger vehicle sales, which is a degrowth of 18%. Commercial vehicles 30% and two-wheelers, a decline of 18%. Our exports registered a growth of 3% over last year. And I think here the government is trying to incentivize auto com companies to increase exports. And that is what we have been doing also since the last couple of years.

Further it gives me great pleasure to announce that during these challenging times we have been able to secure orders worth $31 million for the domestic as well as exports market. These orders will be start from H2 of this year to 2025-26. This order is the cumulative value over 5 years. Our continued focus towards exports business has borne fruits. Of the last few years we made a lot of efforts towards product development, testing with global auto majors.

Our exports now cater to USA, UK, Europe and Japan. I personally feel with this whole anti-China movement that is happening this could benefit a country like India. The new orders are a huge validation of our technical capabilities and open the door for many new customers across the globe. In these tough times these orders will hugely benefit the brand equity of Talbros Group and further enhance our commitment for Make In India initiative of the Government of India.

It clearly provides us long term visibility and business momentum. Now I should give you a brief on our company. Our business is broadly divided into our standalone business of gaskets and forgings and our three joint ventures with global auto com leaders for gaskets, suspension, Chassis, and anti-vibration rubber components and hoses. To reiterate the fact that our company Talbros Automotive is a very hedged autocom player.

Our domestic sales last year, only domestic sales last year were 28% came from four and three wheelers, 38% came from the passenger car segment, 20% came by the CV segment and 8% came in the agri segment.

So whatever green shoots we are seeing we will grow faster than a few others based on a particular OEM or a particular segment. For this reason our strategy of having a diverse product portfolio and a diverse customer base can help us especially in times like these.

Let me give you some details on the segment wise business. Gaskets and forgings are our standalone business. In our standalone business we continue to hold a 40% market share domestically and around that joint venture for Nippon Leakless Talbros our market share goes up to 50% of the country.

Here I would like to tell you like we have been focusing on exports and on technical validation of our products we are proud to say that in our gasket business we are totally BS-VI ready. In fact with our commercial vehicle space our value content goes up in the vehicle higher by about two times than earlier. We are also focusing a lot on technology to help in localize a lot of the raw material imports.

We have a line called post coating line which is a technology tie up with Japan which will help us in further reducing our imports and result in cost savings. We make strategic raw material sourcing agreement with lighter performance materials from interface performance materials USA resulting in savings in our operational costs, reduction of raw material inventory and working capital investments.

As mentioned to you earlier, our new product line as we are always talking you about is the heat sheet line within the gasket business. Here we are seeing a lot of traction now finally in the Indian domestic automotive market with certain key big players in the OE space. This is again linked to the engine sizes becoming more powerful but the space to put the engine becoming more smaller that these chassis norms that India is going to be a part of Euro-VI this is going to have a huge opportunity for this product line going forward.

The forging business has continued to perform well, and we have had orders from both domestic and international markets. We are in discussion with various Indian and European tier 1 customers for heavier forging products and a very optimistic for a good performance in this segment. The forging company is an outlier in our business where exports are almost 45% of the turnover.

We are now swiftly moving towards heavy value machine components which will improve our margin trajectory. We have completed the installation of the 2,500 tons press during this year. With this we have become a one stop solution for forging between 750 tons to 2,500 tons thereby expanding our strength in this segment.

Let us come to the joint ventures. The first joint venture which is the Magneti Marelli Talbros joint venture. This is a 50:50 joint venture with Magneti Marelli Chassis Systems, a Fiat Group company with the scope to design and develop the complete chassis for OEMs.

We have received orders from a domestic OEM for supply of lower control arm worth about Rs. 10 crores per annum in the past and from a UK based OEM at around Rs. 35 crores plus annum. Further, we have received newer orders from various other car makers in India and international. The JV has posted a fantastic performance during FY20 being an outlier. The margin improved on account of better recoveries for the new businesses and this was the best ever performance which Mr. Navin Juneja will talk you through when he comes to numbers in terms of EBITDA and profit margins for the Marelli Talbros Chassis joint venture.

Comes to the rubber division. Our joint venture with Marugo Rubber Industries caters to OEMs for anti-vibrational products and hoses. Pending price at increased settlement with domestic customers has impacted the profitability along the decline in topline. But here I would like to make very strong comment. Here we have a whole division which started to decline over the last three to four quarters because Maruti decided to go and ban its diesel vehicles on account of BS-VI.

I said earlier to you people in the call to the investors and the shareholder community that Maruti was not ready with its BS-VI diesel products because the prices will go up very, very high and we unfortunately got on the wrong wicket because our whole business was entirely linked with the diesel production. And I am very proud to say with this that we are getting a lot of support from OEMs India now.

We are opening up the doors to lot of petrol hoses, a lot of air hoses, a lot of fuel hoses and also our partners in Japan are giving us a buyback opportunity. So I feel that the pain is there in the joint venture another six to nine months and we should be back to the good times.

Now I request Mr. Juneja to update you on the financial performance for the quarter.

Navin Juneja: Thank you, Anuj. Good afternoon and a warm welcome to all the participants. Let me begin with the financial overview of the company. In the gasket division which includes Nippon Leakless Talbros also. For FY20 our standalone gasket sales was Rs. 265 crores as against Rs. 333 crores in FY19. The decline in sales is in the OEM segment by 23%, in the aftermarket by 22% has resulted in the decrease in overall sales of the division.

The performance in this division has been adversely impacted due to slowdown at our major customers in this segment. Just I want to say here that due to COVID the plants closed on 22nd of March and we lost sale of approximately Rs. 10 crores in last 10 days from this plant in gaskets.

This segment saw a combined EBITDA of about Rs. 39 crores for FY20. In forging division in FY20 the revenue was Rs. 134 crores as against Rs. 166 crores in FY19. And here we lost a revenue of about Rs. 8 crores in last 10 days. EBITDA for FY20 was Rs. 13 crores vis-à-vis Rs. 20 crores in FY19. Now coming to Magneti Marelli Talbros Chassis Systems Private Limited, our share of total income for FY20 stood at Rs. 68 crores versus Rs. 65 crores in FY19 on a year-on-year basis.

EBITDA stood at Rs. 8 crores in FY20 versus Rs. 7 crores in FY19. This segment posted a positive performance as they were growth in sales in the top clients of this segment as I was told you earlier. Now coming to Talbros Marugo Private Limited, our share of total income for FY20 stands at Rs. 23 crores versus Rs. 26 crores in FY19. EBITDA during FY20 stood at Rs. 1.9 crores as against Rs. 2.4 crores in FY19.

There is a pending settlement with respect of price increase with our domestic customers. This has had an impact on our performance of this JV during FY20. Now coming to the consolidated financial performance of the company. Total income including other income stood at Rs. 391 crores in FY20. EBITDA including the other income stood at Rs. 43 crores in FY20. EBITDA margins for FY20 stood at 11%. PBT before excessive items and including share of profit of JV stood at Rs. 16 crores in FY20.

This is all from my side and I would now like to open the floor to question-and-answers. Thank you.

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 Samarth Kalane, an individual investor. Please go ahead.

Samarth Kalane: Sir, very warm afternoon to you and I am very proud to be having shares of such company where you are given a open forum where we can interact with you directly. This is something very proud to be part of. I am into investment of your company since last eight to ten years when this shares were around Rs. 40 and I also made good money and the company is also doing well.

My question is related to debt of the company means what is our debt ratio and how we are looking forward to the so called trend going on nil debt like Reliance is going on and they are marketing about nil debt and the share prices gone like anything. So what is the focus of the company on this?

Navin Juneja: Sir, my debt equity ratio is 0.71x, okay. The total debt is around Rs. 140 crores of the company and majority of the debt is working capital debt and the term loan is hardly Rs. 20 crores and which we have recently borrowed some money last year for putting up the 2,500 ton press. As regards Reliance sorry we cannot compare ourselves with Reliance, it is a different ball game altogether and in the auto component industry I think we are very , very comfortably leveraged and in this Covid period, we are through.

We had no issues, and we have not increased our borrowings in the Covid period also by the way. So that of course our plan is to of course the plan of the promoter is to reduce the debt but sometimes things happen that you cannot do, but our goal internally is to reduce our debt year-on-year.

Anuj Talwar: Also like to add what Mr. Juneja said. We are also in the process of always evaluating how can we reduce our working capital, how do we increase our efficiencies in operations, how do we reduce the imported buying, reduce it to the fullest possible. So that is all it is an ongoing process and I totally agree to Mr. Juneja that our debt to equity ratio is healthy and we will try and improve this further.

Samarth Kalane: Right so that was nice to hear, sir. And all the best for your company and the future of the company so we are associated with you.

Moderator: Thank you. We will take our next question from the line of Shikha Mehta from Equitree Capital. Please go ahead.

Shikha Mehta: You just spoke about reducing working capital and I think in FY'20 our working capital has inched up to some extent. So is that a one off thing due to the virus or something of that sort or is it a fundamental?

Navin Juneja: It is because of the sudden lockdown in the last week of March. My inventory our imported inventory for the month of we had inventory for the month of March, finished inventory were lying, we could not dispatch to the extent of Rs. 18 crores in standalone basis plus I had the raw material for the month of April, May sale also lined upit is aberration please.

We need to keep imported inventory for next two months also with us. Suddenly something happen and we will just get stuck and with Covid my FGS inventory should have come down, my total inventory could have come down by minimum Rs. 10 crores. We had a definite target for that and I assure you by September you can see a further reduction in inventory from March level by September not by June, but by September..

Shikha Mehta: Fine. Sir, my next question is we have a lot of orders from Europe and the situation currently in Europe is not very good. So and most auto players whom we have heard are saying that the second half of the year of FY'21 should be better. So these orders are we seeing when they start getting executed from the first half of the year itself or are we?

Navin Juneja: Let me clarify. These orders are fresh orders which will only start in a limited manner from H2 of this year and these orders are across all the countries there is USA, there is UK, there is Japan so there is Europe. So it is a very hedged order book which only starts after H2 this year. and you are right, Europe will pick up only after August, September.

Shikha Mehta: So the first half of FY'21 is expected to be sort of dull for us as well, right?

Navin Juneja: Yes see, if you ask me domestically I think we all know that Quarter 1 was pretty much a write off but June was better than May, July is better than June, August is better than July because see in our company as I mentioned earlier also we have a very hedged portfolio. First the two wheeler started, for us orders from Bajaj Auto, then from Hero, now Honda Motors will start soon and we are also in the PV segment so now Maruti is picking up. Maruti made some comments about July and August so it is going to better gradually.

Shikha Mehta: So on a EBITDA margin front, initially we were hoping sort of severe margin improvement. And now I am guessing that is going to be deferred again by a couple of months. When do we again and how do we look at that thing, when do we expect to be back at like 12.5%?

Navin Juneja: I think EBITDA margins you will see a improvement in the EBITDA margin because we have reduced our fixed expenses. You will see over a period of next six months. I think by last quarter we should be back to our original 11%, 12% EBITDA margin. We should be back by then by year end, if nothing more happens please if nothing happens.

By the way I am just telling you April was a wash out. May I think we did some okay business in gasket and forging. In the month of June, my gasket and forging should be in green but other JVs etcetera they will start picking from August onwards because they are Maruti based two JVs and I think by September everything should be in green.

Moderator: Thank you. Our next question is from the line of Arun Agarwal from Kotak Securities. Please go ahead.

Arun Agarwal: Sir, my first question is on the gasket business. Could you just help us out on the wiring harness gasket? We talked about we have some orders and we would be starting may be by end of fourth quarter and will pick up in first quarter. So how is that going on and have we added more orders in this particular segment?

Navin Juneja: No, we have just started supply in a limited way in the month of June. I have got a schedule for July but the projections given by some is 3000, 4,000 and going up to 8,000 by December okay. So we are ready for that because earlier projections were high because of this chaos happening so the projections have a little bit come down and we are hopeful that from next year onwards we will be back to the original plan of Rs. 25 crores which we told you we will be there.

Arun Agarwal: Right but have you got any other OEMs added somewhere maybe in the international markets as well or is it come in this whole?

Anuj Talwar: For only for wire harness or other products?

Arun Agarwal: No, wiring harness.

Anuj Talwar: Wire harness is right now only commencing. All the wires are shut right now. But over the last few quarters we have added many product lines for OEMs

Arun Agarwal: My other question is on heat shields. We have been quite optimistic about getting new businesses in the international market in heat shields not so much in the domestic side so far.

So I mean in the last quarter or the past three months have we sort of added new businesses there or how the talks are going on with OEMs? Any progress on that?

Anuj Talwar: Yes, we are constantly adding business with OEMs internationally on this segment on this product line. Between that we have ordered we have added some more partners UK based OEM and what do you call it we are also working with some other players in Sweden as well for this product line. But also we share some good news with you is that even now I think domestically also we are seeing a lot of traction of this product line again into café norms linked to BS-VI. So I could give you more clarity maybe on a separate call or what not any good move happening out here.

Arun Agarwal: Okay and sir on the forging side, we have installed a 2,500 ton press so I mean what has been the utilization there not on the, I mean talking more to pre Covid?

Navin Juneja: Last year the utilization after installation is around 40% to 45%.

Arun Agarwal: Okay and how do you foresee the forging segment this year given that we see a lot of pressure on volumes, we already know what has happened in the first quarter and the way the volumes are ramping up? So do you think the forging segment sort of will be in the positive in terms of profits or how is it going to be this year?

Navin Juneja: Looking into the schedule which we got for the month of June and July, things are looking good in forging because of the export is giving us good opportunity because in India we supply to CV segments and two-wheeler segment. In the export front we supply to agri, off loaders and UK based customers and Europe based customers. Their schedules are good. We have added more parts also from there. Those customers have given us more parts.

Yesterday we received the order from a European customer. The company has a plant in China. They had a plant in Vietnam, so they supply from China to Vietnam. Now they have reduced their schedule of China because of the China situation, they have reduced their schedule of China and given us 50% share of that product immediately. So things are looking really good in the export front.

Arun Agarwal: Okay and the order size would be meaningful enough the ones we talked about right now?

Navin Juneja: Pardon me how much what you said?

Arun Agarwal: The order which you have got that you talked about some order moving away from China to you. So that order size would be meaningful or it is a small order?

Navin Juneja: Yes, it will be Rs. 4 crores, Rs. 5 crores per annum to start with. From that customer we have got another order for their electrical vehicles and for that we are supplying a bush of metal duly machined and that has also started. The combined order of these two components will be around Rs. 10 crores per annum.

Arun Agarwal: Sir, and this year can you help us on which are the new orders that are going to start getting executed?

Navin Juneja: This year we are expecting a new order which are not there till December and we will execute this year we will be around Rs. 20 crores.

Arun Agarwal: Rs. 20 crores, that is the total additions?

Navin Juneja: That is excluding wire harness. I am not talking wire harness now.

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

Apurva Mehta; First, can you break up of this $31 million order which we have got which are the segments and which product line or which company you are getting just to kind of ball park?

Anuj Talwar: This order is based on pretty much all our divisions whether it is a chassis joint venture which has a majority share and the rubber joint venture which also has good play out here with exposure to Japan, also includes our gaskets and our forging division as well. So it is basically a it is very difficult for me to break it up right now on the call, because there are various customers but I will be happy to share it or even ask SGA to share it with you but all I can say to you we have secured these orders, we have added some few OEMs.

And domestically new OEMs and this order will start sometime in H2 of this financial year and has a lifespan of about 5 years. That is across all the divisions that we operate in.

Apurva Mehta: This year what will be the approximate contribution from this new order?

Anuj Talwar: Like as Mr. Navin said about roughly approximately Rs. 20 crores.

Apurva Mehta: And in the next year?

Anuj Talwar: It goes up to let us say about north of Rs. 45 crores next year and it goes up to about Rs. 60 crores, Rs. 65 crores. It is for five years this orders that we receive.

Apurva Mehta: And on the gasket side any tractions from international level where we are focusing on sort of OEs in US?

Anuj Talwar: Yes, gaskets also looking positive. I think you will see a lot more traction next year. We have secured orders from USA, from UK, from France so yes we are on track. Whatever we had initially said about that we said export in the gaskets we are working towards that. There is a lot of traction coming up right now specially from the USA with this whole China issues, it is very, very interesting at the moment. And even gasket has got a good order play out here for exports going forward.

Apurva Mehta: What is the opportunity size you see in US if we go through all these fields? Can we see a big order coming in from for gaskets like?

Anuj Talwar: Yes, of course. There is a huge opportunity in the US, I mean to put a number to it and I see $4 million, $5 million of opportunity, the answer is definitely, yes. I am talking of annually. If I break up this Rs. 231 crores gaskets itself is about Rs. 50 crores. It is just a beginning and I have secured orders these already right now, so there is some positive moments happening out there, yes.

Apurva Mehta;: And on the margin front, the margins be far better than what is currently in the domestic?

Anuj Talwar: I will let Navin answer that on the margin front.

Navin Juneja: Do not look for last quarter margin please.

Apurva Mehta: No, I am talking about.

Navin Juneja: But of course the more the export goes up, the margin will be better.

Anuj Talwar: I would like to share with you in a standalone business, I do not have the breakup of gasket and forging, but only in the standalone business which has gasket and forging combined, in the year ’18, ’19 the export was 61% and even and in ’19, ’20 the export was 24%. Had I not have this Covid situation in the last month we would have been higher by maybe a couple of percentage points more. So you can see in the standalone business only not the JVs right now only gasket and forging our exports are on the increase.

Apurva Mehta: And on the forging side, can you throw some light like what is your going forward what can the growth opportunities and where we are talking more and where we are seeing traction coming in?

Navin Juneja: Just I told you in the last participant who talked to me, Mr. Agarwal. I explained that we have got from the existing OEM customer the international car manufacturers we are getting more traction, we are getting new orders from the same other components from them. In my UK based customer car manufacturer and the Europe based car manufacturer, we are getting very good traction. We had very, very good traction. The order used to be Rs. 25 crores, Rs. 30 crores now we are talking about Rs. 40 crores with them.

So going forward these two customers are giving us very good traction plus the market is now opening up to export, since the Europe market other customers are now lying down but I think when they go up by next month we will get new opportunities because we are getting with our existing customers which have given us very good opportunities.

Apurva Mehta; Sir, this year we will start this business or the new opportunities what you are talking about?

Navin Juneja: Yes, some business will start getting. I told you as we grow we will get around Rs. 20 crores new business this year. It is part of that.

Apurva Mehta: And on the heat shield side, do you see any contribution from heat shield?

Anuj Talwar: Yes, we do.

Navin Juneja: The projects of the European car manufacturer which went on hold after the Covid, now they are coming back from August onwards, so that supply of new part will start moving from there.

Moderator: Thank you. Our next question is from the line of Pankaj Jain from Mahaveer Investments. Please go ahead.

Pankaj Jain: Sir, I would just like to know what was the potential revenue loss due to this lockdown period and what is the situation currently? Can you just give me a broad based breakup of capacities which we are operating currently and maybe a bit going forward what do you see in the order book?

Navin Juneja: Regarding the loss opportunity I have just told you percentage I cannot just if you see 4% to 5% loss in gasket, approximately 5% to 6% in forging because in these two places, without export and after market, export goes in the end of the month because it goes in the container. We lined up containers by the last week of the month and the aftermarket we lost the whole month literally because aftermarket sales generally started after 20th only because we have to combine all the 10 items to be ordered, 15 we need to make one consignment and send to the distributor dealers.

There we lost that. On the two wheeler front and all the JVs the two JVs are Maruti based JVs, Maruti stock, we lost. There approximately 8% to 10% everywhere. Now going forward, I cannot talk much about going ahead and because some states are still not been opened like Maharashtra is still not opened fully and like I think Guwahati is still closed, Calcutta is closed, so whatever impression I am getting at present I can tell you.

And if we are getting good traction in our gasket division and the forging division, we have achieved 60% capacity, we have achieved there in both the divisions. As regards to my JVs

MMT, I think from next month they will start having, not this month they will be only hardly working at 35%, 40% in June. From next month they will be going up to 60%. And my other JV Marugo also by 60% by next month, and third JV Nippon Leakless will base with Hero and Honda. They will be around 65% to 70% by next month onwards. This I can say.

Pankaj Jain: Just continuing from the MMT part. MMT has been in a positive territory. So if you could just let me know what is the driving factor for the good performance of this JV and what is your outlook for FY'21?

Navin Juneja: FY'21 because we lost one quarter in this company and export is for, I will be able to give better answer by the next call not now. Better outlook by next call.

Pankaj Jain: Got it, no worries. Sir lastly, are we facing any labor availability challenges in terms of ramping up the capacity?

Navin Juneja: No, labor availability is not a challenge but Covid is a challenge. To control the Covid in labor is a little challenge. We cannot bring all the labor inside; we need to keep a distance etcetera. To manage that is a challenge. One day we need to get panic, you know that we are doing all the checking all the sanitation work, everything we are doing. But we cannot call all the labor in one go. That is affecting my productivity a little bit because I cannot suppose, earlier I used to have 500 worker in one shift. Now I am working with 300, 350.

Pankaj Jain: And this is quite dynamic and it will be changing on weekly basis. That was the last question from me.

Moderator: Thank you. Our next question is from the line of Atul Shah from Progwell Securities. Please go ahead.

Atul Shah: Sir, I have got a couple of questions. First of all sir regarding our working capital cycle, so what is the situation currently, are we witnessing any delays in terms of getting payments from or any delay in receivables?

Navin Juneja: The payments are there that is what we have no problem with my OE customers and my export customers. Everybody is paid in time there may be a delay of maybe 10 days, 15 days because of Covid thing, but main problem in aftermarket it was very bad in April and May. It was hardly anything but in June we were able to start getting the money from them, various delay from replacement market only.

Atul Shah: Okay, so is the working capital cycle likely to get stretched in FY'21?

Navin Juneja: Not stressed, of course we need to tighten our belt. We are working to reduce our debtors to reduce my inventory and working on that front so that I will not borrow more by the way, we will work in this borrowing limit only.

Atul Shah: Okay, and sir how does the production schedule from OEMs look like going ahead?

Navin Juneja: So it depends on the customer to customer. Two wheeler is looking good, and agri is good, and in the commercial vehicle also we are not feeling very bad, because they are just started making some vehicles. Of course there is a slowdown, of course it is there,. It is not on the same level it used to be. But some traction has started there from there also. But as you are aware, we are a hedge company and I told you in the earlier call my capacity utilization in the gasket is now 60%, in forging we have export and also gasket we are getting very good export business. It is helping us to keep my neck above water.

Atul Shah: Okay sir, and how is the traction with respect to BS-VI compliant products?

Navin Juneja: Very good.

Anuj Talwar: Our value content has actually gone up about a 2.5 times.

Navin Juneja: In commercial vehicle my value contact with one customer has gone double, with second customer gone it was 1 it is 1 to 1.6 times.

Atul Shah: Okay. So sir how much margin accretive this is going to be on an overall basis?

Navin Juneja: We have not made budget for this year to be very fair because nobody knows what is going to happen. We are just open recently in the last week of May so better projection I cannot give you right now, maybe in the next call I will be able to project what the year looks like and what is the margin we are looking at.

Anuj Talwar: But on the other hand it will not be depressed mostly, it should be decent number not very good but it should be decent because we have reduced our breakeven at every facility.

Atul Shah: Okay. How have we managed our fixed cost during Q1 FY'21? Basically what is our fixed means you can also throw some color as to what is our fixed cost component on a monthly basis?

Navin Juneja: We have realized the fixed cost component in every business. Every business are different. Some businesses are 60 years old, some are 10 years old, every structure has a different fixed cost. Then we attack each and every head and we bring it down on a average from plant wise. In some plant 12%, in some plant 16%, in some plant 19% fixed cost we are able to bring it down.

Anuj Talwar: Basically all the hedge.

Navin Juneja: Each and every line item like salary wages, printing, travel you talk about staff welfare, you talk about any head other than raw material we are working on cost reduction measures.

Atul Shah: Okay sir and what was the CAPEX incurred during FY'20?

Navin Juneja: Around Rs. 10 crores to Rs. 12 crores on standalone basis.

Atul Shah: Okay and what is the budgeted CAPEX for FY'21?

Navin Juneja: Only the CAPEX require which has already been ordered machines which we have ordered will become. For fresh CAPEX we are not going ahead with fresh CAPEX as of today. Only need based, if some business comes, for that particular machinery is required only that, that is all, nothing more.

Atul Shah: Sir, but can you put a value to the machines which we already ordered, so what will be the CAPEX for that?

Navin Juneja: Approximately Rs. 2 crores, Rs. 3 crores.

Atul Shah: Okay and lastly sir have you opted for any moratorium facility?

Navin Juneja: Not interest, no moratorium interest a small term loan moratorium interest we have used which is totaling about Rs. 4 crores. That is all.

Moderator: Thank you. As there are no further questions from the participants, I now hand the floor back to the management for closing comments. Over to you, sir.

Anuj Talwar: Thank you so much everybody who took part in the call today. I think we are very, very positive about our business and again I will reinstate or restate that we are a very hedge auto com company, we are present in every possible segment and that is the beauty of our business and when the two-wheeler has picked up because there were lot first time buyers of two-wheelers, entry level cars will pick up, lot of first time buyers who enter into cars are there in all these segments.

Agri is doing and there are lot of money has been spent in the rural economy that will help us in our agri part of the business. So we are everywhere. The domestic business is good, the global business will pick up even further. This whole thing that is happening on China border at the moment we will have more traction US, China bringing export more.

But all that I could say to you as the closing remark as a promoter group we believe in our business, we have increased our stakes and our firm believe that we have built a solid growth plan for the company. Thank you all for being on the call today.

Moderator: Thank you, members of the management. Ladies and gentlemen, on behalf of Talbros Automotive Components Limited, that concludes this conference. Thank you for joining us and you may now disconnect your lines.