



“Talbro's Automotive Components Limited  
Q3 & 9 Months FY2021 Results Conference Call”

February 08, 2021



**MANAGEMENT: MR. ANUJ TALWAR – JOINT MANAGING DIRECTOR  
MR. NAVIN JUNEJA – DIRECTOR ON THE  
BOARD & GROUP CHIEF FINANCIAL OFFICER**



*Talbro's Automotive Components Limited*  
*February 08, 2021*

**MODERATOR:** LADIES AND GENTLEMEN, GOOD DAY AND WELCOME TO TALBROS AUTOMOTIVE COMPONENTS LIMITED Q3 AND NINE MONTHS FY2021 RESULTS CONFERENCE CALL. THIS CONFERENCE CALL MAY CONTAIN FORWARD LOOKING STATEMENTS ABOUT THE COMPANY WHICH ARE BASED ON THE BELIEFS, OPINIONS AND EXPECTATIONS OF THE COMPANY AS ON DATE OF THIS CALL. THESE STATEMENTS ARE NOT GUARANTEES OF FUTURE PERFORMANCE AND INVOLVE RISKS AND UNCERTAINTIES THAT ARE DIFFICULT TO PREDICT. AS A REMAINDER, ALL PARTICIPANT LINES WILL BE IN THE LISTEN-ONLY MODE AND THERE WILL BE AN OPPORTUNITY FOR YOU 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 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:** A very good afternoon everyone and a very warm welcome to our Q3 and 9 monthly earnings for the year 2021. I hope everyone is safe and healthy. On the call today I am joined by Mr. Navin Juneja, our Director on our Board and our group CFO. We also have SGA our IR advisors from Mumbai. The results and the presentation are uploaded on the stock exchange and the company website. I hope everyone had a chance to look at it.

Let me begin with a few updates on the industry. The Indian auto sector has been facing deep and structural slowdown even before COVID started. Overall sales of the automobiles were already behind by many years in the fiscal 2019-2020 while the pandemic slowed it even further. However, the industry is now picking up gradually and it is delightful to see the kind of demand that we are seeing in the automotive industry across all segments where Talbro's has a play on every segment of the auto industry. The budget too was pretty interesting. After a long, long time they finally spoke about the scrappage policy, which we all have been waiting eagerly for. As we know, we have a substantial share also in the commercial vehicle space where we provide products for BS VI which are high value add components. So if the scrappage policy goes through, which I think it will go through, this will immensely benefit our company.

The government has spoken about the PLI scheme which is also very, very interesting for people like us who are export oriented. As per the data published by SIAM, the total production of vehicles for nine months ended December 30, 2020 showed a degrowth of 25% compared to same period last year. However, October month showed grasping improvement in the performance. The total production of PV, three wheelers, two wheelers in the month of October showed a growth of 36%, 1.7% in November and 9% in December. We strongly believe this momentum will still carry on and as we are sitting now on February 8, 2021, we have vision going forward that is demand is continuing, it is not stopping.



*Talbro's Automotive Components Limited*  
*February 08, 2021*

Now I shall give you a brief about our company. Our business is broadly divided into our standalone business gaskets and forgings and our three joint ventures with global autocom leaders. Again for gaskets for chassis and for rubber products. As I had mentioned to you earlier, that we are a very hedged automotive company. Of our domestic sales 38% is contributed by two and three dealers. You all have seen the momentum in Hero and Bajaj. We are single source to these customers and that is taking the momentum even further. 26% of our sales comes from the PV segment. There also we have market leaders like Maruti and Tata. 20% in the CV space and 11% in the agri space.

Let me just talk a little bit about our divisions. In our gasket business, we have a majority share of over 50% in the country focused on OE, export business has helped us secure orders with established international brands in the gasket business. Our strategy was very, very clear. We wanted to gain more market share and more momentum in the domestic market. We went aggressively investing in the BS VI technology which will pay us dividends as we move forward. We are also working aggressively on the post coating lines which helps us reduce imports and savings. Within the gasket business, we have always spoken to you about the heatshield business. The heatshield business is a futuristic product for noise, vibration and heat. We had signed up a contract with SANWA Japan in the month of October to enter the PV segment. This is a very important point which I am making because this will enhance the revenue going forward of the gasket business. So in the gasket space, we continue our dominance in the ceiling of commercial vehicles, agri and two wheelers and the heatshield space which is light weight products which is aluminum will help us move in the PV segment in our gasket business. This is a very strategic and a co-alignment and co-existence in the division.

The forging business has been an outlier for the last couple of quarters. The growth that we will talk about in the future presentation is very, very strong. In the forging business, we have a fantastic product mix of almost 50% supply to the OE export market and 50% domestic. We are working again out here to try and increase our retail ratios out here by moving towards heavier machine components in the forging space.

Coming to joint ventures, you all know that we have a joint venture with Marelli for chassis business. It is a 50%:50% joint venture. Here also we are a dominant player in the domestic market and about 16% now comes from exports from our European car maker within this division. Again like the forging business, this division continues and will continue to grow at a rapid rate, may be more than the industry also.

Talbro's Marugo is our smallest company, but again it is a shining star. It has shown tremendous growth in the last couple of months. This is again a joint venture 50:50 with a Japanese company called Marugo Japan. Here we supply rubber components and hoses to the domestic car market.



*Talbro's Automotive Components Limited*  
*February 08, 2021*

Here also we are now exporting our components back into Japan with the help of our JV partners. Overall, I am very happy to announce and share again that we have won a multi-year order from a large European car manufacturer. This is our second large win in the current financial year as a testimony to our capabilities as a trusted and quality focused supplier in the auto industry. This quarter clubbed with other pipeline further enhances our revenue visibility and will lead to operating leverage benefits due to low level of capex required to fulfill this order.

While we started off the year at a lower phase amidst the pandemic, during the third quarter, we achieved the highest ever revenue numbers with a growth of 35% year-on-year and a 16% of EBITDA margin. This was made possible by us being very proactive, in the month of March itself to work with all our presidents to reduce breakeven levels across all plants. Not to mention that a very favorable product mix of almost of 25% of export revenues in this quarter has resulted in these kinds of margins. Now I request Mr. Juneja to go through all the financials 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. In the gasket division including Nippon Leakless Talbro's, for Q3 FY2021, our standalone gasket sale was Rs. 84 Crores as against Rs. 65 Crores in Q3 FY2020, a growth of 28%. On a Y-o-Y basis we reported a revenue of Rs. 184 Crores as compared to Rs. 203 Crores in previous year nine months. Total revenue on Nippon Leakless was Rs. 25 Crores in Q3 FY2021 as compared to Rs. 23 Crores in Q3 FY2020. This segment saw a combined EBITDA of Rs.16 Crores for Q3 FY2021. Now coming to the forging division, the forging division has continued to perform well. The revenue in Q3 FY2021 is Rs. 49.5 Crores as against Rs. 33.3 Crores in Q3 FY2020, a growth of 48.8% which is the highest growth among all the product segments.

Now coming to Magneti Marelli Talbro's total income for Q3 FY2021 stood at Rs. 41.3 Crores versus Rs.36.8 Crores in Q3 FY2020. For Talbro's Marugo Private Limited total income from operations for Q3 FY2021 stands at Rs. 12.7 Crores versus Rs. 12.4 Crores in Q3 FY2020. The above mentioned revenue numbers of all the JV businesses are the total revenues including our share of business.

Now coming to the consolidated financial performance of the company, on slide #5 of our investor presentation we had reported consolidated revenue based on IND-AS. Our total income including other income stood at Rs. 132 Crores in Q3 FY2021 as against Rs. 97.4 Crores in Q3 FY2020. EBITDA including the other income stood at Rs. 21.1 Crores in Q3 FY2021 as against Rs. 11.7 Crores in Q3 FY2020. This is on account of continuous focus on cost optimizations which has resulted in positive EBITDA during these challenging times and we are confident that



*Talbro's Automotive Components Limited*  
*February 08, 2021*

we would continue to give similar margins in the periods coming forward. PAT stood at Rs. 10.6 Crores in Q3 FY2021 as compared to Rs. 4.3 Crores in Q3 FY2020. We continue to book orders and add new set of customers along with our long-term relationship with our existing customers. This is all from our side and I would like to open the floor for question and answer. Thank you.

**Moderator:** Thank you very much. We will now begin the question and answer session. The first question is from the line of Agastya Dave from CAO Capital. Please go ahead.

**Agastya Dave:** Hi Anuj. Thanks for the opportunity and congratulations for a good set of numbers. Anuj my first question is three years back, you had already started developing some of BS VI products if I am not wrong, two or three years back and now that we are in that phase where BS VI is being implemented, are you satisfied with the progress you have made. How much ground have you gained and how much more remains to be conquered?

**Anuj Talwar:** So the BS VI components which went through a transition were in the engine space in the casket division again for the commercial vehicles. Here we have converted all our products whether it is for Tata motors, Tata cumins or Volvo, we have converted to BS VI. We are converting Hero and Bajaj also on BS VI. The commercial vehicles give you a larger value per vehicles because BS VI engines the contribution in Cummins has gone up by approximately three times, I must say. I was initially Rs.1000 per gasket, now it is around Rs.3000. My contribution in Volvo has gone by 60% in Volvo because of BS VI. Tata motors has gone up by 20% and the commercial vehicle has just started a little bit. So I think with this traction which is going on with the scrappage policy where the result will come a little later, but things have started moving in the BS VI for the commercial vehicles. We are expecting good volumes for March April. So we see a good traction in this segment in BS VI and there are no issues for us.

**Agastya Dave:** So you are still a like into commercial vehicles because if you get the auto volumes from high water mark for individual segments, PV are still down some 25% to 30%, CVs are obviously down much more, so in that scenario basically you have just converted and your volumes is still not there compared to the PV sales for the industry?

**Anuj Talwar:** The CVs have started. The growth has not started so much in the CV space. So the growth that you see today in Talbro's is basically, two wheelers, passenger vehicles and export segment. The CV is yet to start and I think this whole announcement in the budget of the scrappage policy and also the intraspending they are doing and maintaining a large fiscal deficit you will definitely see the CVs to pick up very very soon and we are seeing that today.

**Navin Juneja:** Our order book used to be around 5,000, we are talking about 10,000 now, 11,000.



*Talbro's Automotive Components Limited*  
*February 08, 2021*

- Agastya Dave:** Can you please repeat that statement.
- Navin Juneja:** I am saying that Cummins who are a major engine manufacture in India, they are supplying to everyone, it used to be three months ago 4,000, December it was 6,000 to 7,000, now February we are talking about 9,000 and March we are talking about 11,000 numbers. From that perspective we can see the good traction going forward in commercial vehicles.
- Agastya Dave:** Anuj one more question on the capex side, what can be expected over the next two years and what are all the current capacity utilization?
- Anuj Talwar:** I can give you a broad idea for the next one year easily, because two years we are still not sure what will happen, I think in the next one year in gasket we are expecting a capex of about Rs. 8 to 9 Crores. In forging we are also expecting a capex about Rs. 7 to 8 Crores, basically machining.
- Agastya Dave:** This includes the maintenance capex or this is purely growth capex?
- Anuj Talwar:** Both.
- Agastya Dave:** What are our capacity utilization?
- Anuj Talwar:** Gasket is around 85%, in the forging it is about 82 to 83%, in the machine it is 90%.
- Agastya Dave:** You have added other...
- Anuj Talwar:** Basically now if you see all the hard work, all the capex is done and we have also brought up a new plant in Pune so now the incremental capex will give you growth as long as the industry is growing.
- Navin Juneja:** I think the new orders may we can talk about Rs. 4 to 5 Crores. This will be there for the quarter. These machines we can use for other products also.
- Agastya Dave:** I wanted to go in detail with that, but I will come back in the queue. Thank you.
- Moderator:** Thank you. The next question is from the line of Arun Agarwal from Kotak. Please go ahead.
- Arun Agarwal:** My first question is on the forging division, now with the current capacities and may be you also talked about doing a capex of around Rs. 7 to 8 Crores more in forging, what sort of peak revenues can we achieve with these kind of investments say by FY2023?



*Talbro's Automotive Components Limited*  
*February 08, 2021*

**Anuj Talwar:** Arun at present I am producing around Rs. 15 to 16 Crores per annum. In forging I have a capacity to produce up to Rs. 20 Crores plus easily. In machining, the problem is I am outsourcing but I am doing in future. The major investment is machining. Lot of things are being done outside. Lot of machining is done outsourced. First of all, I am trying to bring it inside to improve my quality, lead time etc. I am enhancing the machining capability. So I can produce Rs. 20 Crores with forging and machining, I can with this capex I can easily achieve Rs. 22 to 23 Crores per month.

**Arun Agarwal:** Okay and will this also lead to some improvement in margins once we do in-house machining or will increase the quality in the lead time?

**Anuj Talwar:** I am not working on improvement in margins because product quality has to be skewed, my transit time, my inventory will come down. I am trying to consolidate all those stuff.

**Arun Agarwal:** Given how the exports are doing for you all and recovery that we might see in the CV segment as well, how do you see the forging division doing say over the next two years, FY2022 and FY2023 for you all?

**Anuj Talwar:** Our plan is the forging division should end up at about Rs. 135 to 140 Crores this year. So my target within the next three financial year it should touch Rs. 300 Crores easily.

**Navin Juneja:** This is a growth driver for us because the traction that we are seeing today with our customers both domestic and overseas it looks in that direction for sure.

**Arun Agarwal:** In terms of your third quarter margins, can you share your thoughts on how much impact was on account of say product mix change and how much was on account of cost measures that you would have undertaken over the past few quarters?

**Anuj Talwar:** Very difficult to bifurcate the two. Cost savings measures result in the saving of man power by a 1.5%. Product mix add value but to dissect it is hard.

Salary was reinstated, it will have some impact on salary wages. The best part of last quarter is my forging product mix. Forging product mix was 51% Exports, OE 43% and balance in the last quarter it was 5%, number one. Number two, there were material price increases also in the last quarter, you do not want that back, both gaskets and forging we had an impact on material price increases. Of course with this good product mix, we are able to show good results in the forging, of course the price increase majority has been recovered in the forging division than gasket division. Forging majority OEMs have given, balance OEM will give in this quarter plus after market increase we have also launched from February 1. I think it is quite obvious product mix



*Talbro's Automotive Components Limited*  
*February 08, 2021*

going haywire by 1% or 2%, we think we should be able to maintain an EBITDA of about 15% easily.

**Arun Agarwal:** So on your gross debt if you can help us out, how much is long term and short term gross debt?

**Anuj Talwar:** Gross debt if I say my working capital is Rs. 90 Crores, my term loan is Rs. 35 Crores including maturity.

**Arun Agarwal:** Sorry how much is the long term you said.

**Anuj Talwar:** That we have shown in the balance sheet. Balance sheet shows short term, short term includes one year maturity of term loan also. If I do that way, if Rs. 100 Crores is my short term borrowing and Rs. 25 Crores is my long term borrowing.

**Arun Agarwal:** This quarter was a good quarter for us so we would have generated good amount of cash in this quarter, because I do not see any reduction, quarter on quarter in debt level, so do we have some cash in our books?

**Anuj Talwar:** That has reduced, but we have borrowed money, I think we borrowed Rs. 2 to 3 Crores for our machines and gaskets also in this quarter. You must see, cash has just started just this month. We are just at Rs. 1 Crore profit only.

**Arun Agarwal:** No Sir, I am just comparing with from September 2020 to December 2020.

**Anuj Talwar:** It is more or less same level, it has not gone up.

**Arun Agarwal:** Thank you that is it from my side.

**Moderator:** Thank you. The next question is from the line of Sunil Khotari from Unique Investment. Please go ahead.

**Sunil Khotari:** Sir my question is a little bit larger scale. It seems that the industry has taken a very positive trend towards not just revenue growth but in terms of exports and profitability also. So what is the change strategically happened, is it structural or is it temporary. So I wanted to understand your view looking at the way during last six months the industry has grown, you are growing and your confidence seems to be very high, so what is it, is there any competition being removed or the unorganized sector has been removed or what has happened, if you can explain a bit?





*Talbro's Automotive Components Limited*  
*February 08, 2021*

**Anuj Talwar:**

If we talk about business wise, let us talk about gaskets. Gaskets BS VI is giving me a good profit, because we are one of the only player in the gasket industry where BS VI is approved from all OEMs. These OEMs are showing after the lockdown is over and country is opening up, they are showing very good traction because people are still avoiding to go to metro, shared mobility has come down drastically. There is growth in every segment, two wheelers, three wheelers, four wheelers, the commercial has just started. Scrapage policy is here, so it is very good. Being a single source, we are showing very good traction in this plus after market has started picking up in last quarter also. We have seen a growth in the after market in our business in the last quarter also. This quarter we are seeing strong recovery in the after market also. Plus my commercial vehicles, where I am BS VI approved. So, there growth has just started again. I just told earlier in the call the Cummins who are the major engine manufactures it was three months back 4000 to 5000, last month they were 7000 now they are up 9000 to 11000. So when my product is BS VI approved, it is giving me immense opportunity to export the same product, because all over the world we know the standard is BS VI. So my products are also at par with the world class products also. So we are seeing good traction, having good order book in our exports also in the gasket business alone. Now coming to the forging. Forging of course you are right, till September domestic was on the lower scale. Then the two wheeler started, we are supplier to Musashi for two wheelers. In that period, my export GK and JLR their schedules were fantastic. In fact they doubled their schedule on us because they have got the order of Volvo from China and my component which Musashi had they had double. That lead to a very, very good traction. This is not temporary. It is going on steadily. JLR has started with a good note. Now they have added two more products, and JLR is just now opening. Everything is online and we expect very traction from them. That is why I am putting up more machine lines, bringing in house so that I can produce the product in time with good quality because quality is a very very important factor there. Now this month, my Indian OEM has started their schedule. Dana Spicer used to be 30 to 40 lakhs per month, now they are talking about Rs. 2 Crores per month also. Now the domestic will start. BMW the whole year went very well. BMW never came down. There is demand, we are also not able to understand. Tata motors is going crazy. Our presidents are wondering how do we produce so much. Maruti is doing well. Hero is doing well. Bajaj is doing well. There is demand there.

**Sunil Khotari:**

So Sir, as you rightly replied to the previous question about forging you are targeting to achieve Rs. 300 Crores in another 3 years from may be Rs. 150 Crores currently. Gasket division is coming out from the sluggish last two to three four years heavy vehicles demand and all these things. So looking at the improvement in sector, heavy agri, construction equipment, Cummins, gaskets, so what is the achievable target for the next two to three years.



*Talbros Automotive Components Limited*  
*February 08, 2021*

- Navin Juneja:** Gaskets this year it should be around Rs. 245 to 250 Crores, in between that. I see in the next two years going up 20% per annum, approximately. We are looking at very very good export opportunity in our gasket business. Now it is BS VI, we are BS VI, world over it is BS VI. Previously we were BS IV world was BS VI, we could not export much. Now we are BS VI.
- Anuj Talwar:** Our exports also in gaskets also have increased to 16% from our 10% to 11% historically. So I think there are a lot positive talks happening in the OEM in the US and us. In the next couple of weeks we will give you a better idea, but definitely as Mr. Juneja has said, it would be achieved because there is some strong lobbying happening out there for export business.
- Sunil Khotari:** Sir regarding after market, currently also we are just 6% of our revenue, all our other division is definitely growing well, do you see any major go to enter after market strongly with high profitability because now a days it seems that small players, unorganized players because of the demonetization and GST and with COVID, those small sectors and small players are out of the market, they are not capable to cater. So you see any opportunity in after market.
- Anuj Talwar:** After market is not a huge market because lot of OEMs have also set up their shops in the after market like Tata has their own outlet in the after market they are buying and supplying there. Maruti has their own outlets. Everyone have outlet. OES also, OES is for what, it is for after market. So the growth is there 10% plus, 10% to 15% growth will be there.
- Sunil Khotari:** Sir basically what I am trying to understand is what is the scope of growth for all our three JVs over the next two to three years?
- Anuj Talwar:** Two ventures, Marelli Talbros and Talbros Marugo is exponential. The growth that we are seeing in Q3 of Marelli and Marugo where export orders picking up from JLR and Japan and even the domestic business with Maruti and Tata is definitely going fabulous. You will see the numbers in Q4, but there is a very good potential like forging Marelli Talbros also in the two to three years, we are talking about Rs. 250 to 300 Crores and Marugo should touch Rs. 100 Crores within three years. So that small company Rs. 30 to 40 now you are seeing this also. Nippon Leakless will only remain a player with Hero Moto Corp and HMSI, what growth they have that will be our growth. As I told you earlier also, they cater to Japanese plant, so you will see growth from Marelli and Marugo.
- Sunil Khotari:** Sir my last question is, these Korean players are becoming very strong in India Hyundai and Kia both. How we are connected with them any new tie up, new product range from either Kia or Hyundai?



*Talbros Automotive Components Limited*  
*February 08, 2021*

**Navin Juneja:** I think we have announced that, in the heatshield business we have received the order from Hyundai motors, it is under development. I think by the next six months our supplies will start. After that we are expecting some good orders from Hyundai. Kia, heatshield is also made by Hyundai so we will enter both Kia and Hyundai through this.

**Sunil Khotari:** Because both players seem to be very promising and very highly successful.

**Navin Juneja:** We are working on that and Anuj had a lot of chat with the Hyundai team I think one month back. I think he will visit them shortly also. We see very good traction. This is the heatshield they have made in India. They have been importing all heatshields, this is the first. After that we are promised to get more, do not worry about it. We are having a high level meeting maybe after some time since lockdown has opened up they are inviting us back to meet them, but I think Hyundai and Kia is a good target for heatshields along with Maruti also. As I mentioned to you earlier, PV business in gasket is low, but this should make us enter that segment. Good traction is happening over there.

**Sunil Khotari:** Congratulations for the efforts what you are taking and wish you all the best.

**Moderator:** Thank you. The next question is from the line of Shikha Mehta from Equitree Capital Advisors. Please go ahead.

**Shikha Mehta:** Good afternoon Sir. Most of my questions have been answered. I just have a few more. Could you give us some guidance or tell us a bit about the demand on heatshields like current order book, or how we have done this quarter in that department, just something to give us a flavor of the demand?

**Navin Juneja:** There was no OEM demand for more than a couple of them is there. You are a single source, you are a good vendor with that, as soon as they grow we will grow, but broadly this quarter, the fourth quarter we are expecting it to be as good as third quarter may be slightly better. First quarter as per today also seems to be good quarter. You are talking about heatshields?

**Shikha Mehta:** Yes.

**Navin Juneja:** We are already supplying heatshields to Jaguar, we are already supplying heatshield to Volvo, Daimler and Tata motors a little bit. New order with Hyundai and Maruti coming in line, in the next two to three years this business, this year will be around Rs.15 Crores will go up to 45 to 50 Crores as of today order book in hand, I am telling you. Still the market is opening up, we are talking to our customers for the more heatshield. The more the demand the more the product will get approved in the couple of months and this will go up further.



*Talbros Automotive Components Limited*  
*February 08, 2021*

- Shikha Mehta:** Sir can you give us some guidance on your tax cost. I think this quarter was slightly higher than what it normally is, so going forward?
- Navin Juneja:** You cannot compare the second quarter, second quarter tax was low because of the losses of the first quarter. There are two aspects to this. Last year we received dividend from JVs, this year there is no dividend on JV, so that is there. Anyways now dividends are taxable also. Number two, we have an approved R&D center. We took a 150% benefit on the R&D expenditure including capex. Now Rs. 150 Crores has gone out. So little bit of impact of that. Otherwise normal tax.
- Shikha Mehta:** But this is what we expect going forward?
- Navin Juneja:** It should be around 30 to 31% going forward.
- Shikha Mehta:** Sir if you can give us some guidance in your raw material cost on metals, commodities the prices have been moving upwards, so for us how much it has been?
- Navin Juneja:** I cannot quantify in rupee upward prices. In the gasket business the copper, the steel prices have gone up there and we have rolled our price increase with all OEMs and 70% has been received, 30% will be received in this quarter and in the market we have launched a price increase of 4% from February 1, 2021 already. Now coming to the forging division, of course the price of steel have gone up. We have a back to back agreement with all OEMs with one month here and there, suppose we have the stock they will give me one month later. We have received the price increase from all OEMs.
- Shikha Mehta:** So if the raw material prices would normalize a bit, we would expect even better margins or it is in the general range.
- Navin Juneja:** Let us hope it will normalize, but I have heard that it has again gone up despite the duty has come done on scarps etc, etc it is still gone up from January 1, 2021.
- Shikha Mehta:** Again this 10 Crores PAT that we have been maintaining for the last two quarters is obviously been really good, are we are expecting that to move forward?
- Navin Juneja:** We are expecting the last quarter definitely. In the fourth quarter it will definitely be there.
- Shikha Mehta:** That is all from my end for now, I will come back in the queue.



*Talbro's Automotive Components Limited*  
*February 08, 2021*

- Moderator:** Thank you. The next question is from the line of Aditya Poddar from APSK Advisors. Please go ahead.
- Aditya Poddar:** Congratulations on a good set of numbers. Anything that the company is planning to do in the EV category going forward. Any plans there?
- Anuj Talwar:** The heatshield which I talked about earlier, that is applicable to the EV also, that will go in the EV also in a big way.
- Aditya Poddar:** Any other product or vertical, other product lines that you might want to cater for EVs because all your main OEMs like Tata and all are already gearing up and setting up EV.
- Anuj Talwar:** We have supplied to them, from our joint venture from Marelli Talbro's we are supplying extension components to EV vehicle space as we mentioned heatshield line will work in hybrid as well as EV. All our product lines today expect gaskets are EV proof. There is no issue at all. We are talking to OEMs to try and see how we can enter with them on rubber, on shocks, on chassis and we are also looking at light weight technology like aluminium heatshields, we are also looking at something in aluminium forgings way forward, so we are in the right track. I do not have a picture today in terms of what is the growth. Even the current component that we manufacture we will be in the whole space going forward.
- Aditya Poddar:** Any sales team that you guys have created who will specialize in the EV for sales in China and US because these are the two largest markets?
- Anuj Talwar:** I think at the moment if I look in short term for the next two years, the current order book that we have and to grow double digital in the next seven to eight quarters like that is the way I want to focus on that. Our strategy is very clear. In the gasket space, we continue to invest money in those large engines that goes to the big trucks and big buses. That actually protects you. We keep working with OEMs as and when, but there is no special EV drive per se today on our product range but definitely in the pipeline as I told you aluminium heatshield and also looking at aluminium forgings.
- Navin Juneja:** We do not want to enter into that field where the technology moves so fast like the mobile phone or TV, we do not want to enter into that.
- Aditya Poddar:** Okay, thank you.
- Moderator:** Thank you. The next question is a followup question from the line of Agastya Dave from CAO Capital. Please go ahead.



*Talbro's Automotive Components Limited*  
*February 08, 2021*

- Agastya Dave:** Slight bit of clarification. You gave a plan on the question on the capex. So before doing this 8 to 9 Crores of capex on the gasket side and 7 to 8 Crores on the machining and forging side, what is our peak revenue possibility today and after this expansion what will it be?
- Navin Juneja:** In the gasket if I invest this much money, I can easily produce 32 Crores per month which is approximately 360 to 370 Crores per annum. In the forging it can easily go up to 250 Crores.
- Agastya Dave:** Which is what you said 22 Crores a month.
- Navin Juneja:** Yes approximately. For forging you know that.
- Agastya Dave:** This is post expansion.
- Navin Juneja:** Yes, post expansion.
- Agastya Dave:** Another question, on the MEIS side, the benefits have been withdrawn and there is no clarity on what is going to be happen now, the provisions are also minuscule in the budget for that new RoDTEP. So any comments on that, any clarity on that, what is happening on that side and the second question is on the PLI scheme. Again there was something which was tabled to the finance ministry and then it has again been send back to the drawing board because of some compliance issue with the WPO norms. So any clarity you have on these two topics.
- Navin Juneja:** I will answer the second question first. PLI we do not have any clear clarity as of today. We are waiting for the clarity because we are getting something one day, something another day, we do not have a formal clarity on that. First question was regarding the export benefits?
- Agastya Dave:** Yes.
- Navin Juneja:** Export benefit we do not have any clarity because there were two benefits we were getting. One benefit is still there, one benefit is not there, I think the 1.5% is there. But we are still waiting for some clarification on that. We have been in touch on that.
- Agastya Dave:** Whatever benefits we were getting till December, how much was it as a percentage of our revenue at in worst case scenario everything is withdrawn and nothing is given, so how much can the industry pass on to the export clients, how much we can pass on to the export clients?
- Navin Juneja:** In export we get a benefit of 3 to 3.5% of export alone, approximately. Some product it is low, some high. Export if around 100 Crores approximately 3 Crores approximately after cutting down. More than 50% still being retained if it is there. If there is not there, we can reset the



*Talbro's Automotive Components Limited*  
*February 08, 2021*

benefit with our export customers and our exchange and we will not pass on that. Again it is customer to customer. It is not a rule.

**Agastya Dave:** But, broadly you have the pricing power.

**Navin Juneja:** Yes. Gasket we have pricing power.

**Agastya Dave:** So it will not be a problem.

**Navin Juneja:** No.

**Agastya Dave:** The new contract that you have won, you were mentioning briefly, can you take us through that and also my final question for the day would be any new products which are in the pipeline on the new product side. If you can give some commentary on these two topics?

**Anuj Talwar:** We had won this order. We had announced sometime said in July about an order book of \$31 million over the next five to seven years with supply starting in January starting of this year, that is separate. Then we won this another order we won for the European car makers for stamping product lines for about Rs. 14 Crores per annum. That has also gone through. We are also working with our current domestic as well as global OEMs to try and get some more orders both in the global market and in the domestic market. We will update you clearly by Q4, I cannot talk about it right now but a few things are on the pipeline. So that constant work is happening on order acquisition, that is happening on all our plants.

**Agastya Dave:** Anuj you mentioned 40 or 14 for the heatshielding?

**Anuj Talwar:** They are body components about 14 Crores per annum.

**Agastya Dave:** 14?

**Anuj Talwar:** Yes 14 per annum.

**Agastya Dave:** Thank you.

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



*Talbro's Automotive Components Limited*  
*February 08, 2021*

**Apurva Mehta:** Congratulations Sir for a great set of numbers and great margins also. Sir just wanted to ask about gasket exports. You know the potential going ahead for next two to three years, what is our vision for gasket export and where do you see it happening?

**Anuj Talwar:** So I think as we mentioned the gasket takes a lot of time, with the product line with the US based customer in the big engine it has taken two to three years to get validation done plus it is all pandemic and one could not visit them, you could not meet them it is a difficult out there, we lost some time, because relationship building we cannot do on Zoom. We can do reviews on Zoom but not relationship building. But having said that, I think the order book for exports looks very promising in the gasket business, it used to be 10% to 11% a few years back, now it is up to 15% to 16%, it will go about 20% of the increased turnover in the next two to three years. We are envisioning some of these components coming to us in the month of February and March in that aspect. In rupee terms it will be about 40 to 42 Crores in this current financial year, the initial two to three months lost because of pandemic and we expect this to go up to 75 Crores at best in two financial years.

**Apurva Mehta:** 75 Crores next year or after that?

**Anuj Talwar:** In two years.

**Apurva Mehta:** On the forging side what will be our export currently this 54% export, so how do you see it?

**Anuj Talwar:** If I talk about nine months, it is approximately 50%.

**Apurva Mehta:** And going forward this will increase.

**Anuj Talwar:** In last quarter it went up 54%, because domestic demand was not there. With the domestic demand coming online, long term it should be 50%.

**Apurva Mehta:** So 50 50 will be export and more or less 20% export will come from gasket over a period of time.

**Anuj Talwar:** Yes, as a group, my export percentage is hovering around 25%. Two to three years back it used to be 16% or 17%.

**Apurva Mehta:** That is including Marugo?

**Anuj Talwar:** Marugo just started. We will show 20% export in Marugo and also Marelli.





*Talbro's Automotive Components Limited*  
*February 08, 2021*

- Apurva Mehta:** On the Marugo JV side when can we see exponential growth from next year onwards?
- Anuj Talwar:** Last quarter we have seen very good growth and that growth is continuing. Next five years you will see at least a growth of 30 to 40%.
- Apurva Mehta:** So that will become like 75 to 80 Crores by next year.
- Anuj Talwar:** Yes very good margin.
- Apurva Mehta:** MMT, how should we take MMT this 41 Crores of current. Will it become like a 50 Crores like base from next year, we can put it like 45 or 50 Crores base?
- Anuj Talwar:** It should be around in a quarter I cannot say, but this by a year, this year we will be closing at 108 to 110 Crores because of the time we lost, initial four months Maruti was not there. Next year we are talking about 150 to 170 Crores of business easily.
- Apurva Mehta:** Thanks a lot and wish you all the best.
- Moderator:** Thank you. The next question is from the line of Pranay Jhaveri from Jnj Holdings Private Limited. Please go ahead.
- Pranay Jhaveri:** Good afternoon Sir. Sir if I got it right, you said gasket can be about 18% to 20% of the total revenue going forward in next two years and a number of 75 Crores?
- Anuj Talwar:** No we were speaking about gasket export. It is not topline. The topline will be 250 Crores this year, 330 next year and then going about 370 plus. We are saying about the exports within the gaskets.
- Pranay Jhaveri:** Okay thank you so much.
- Moderator:** Thank you. As there are no further questions from the participants, I would now like to hand the conference over to the management for closing comments.
- Anuj Talwar:** Thank you so much for your time. We are confident going forward. The industry looks positive, we look positive. We will try and beat the industry like we have done in this quarter as well and we are pretty positive about all our efforts and should be all okay. Thank you.
- Moderator:** Thank you. 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.