

talbro's Automotive Components Ltd

Investor Presentation
December 2015



Safe Harbour

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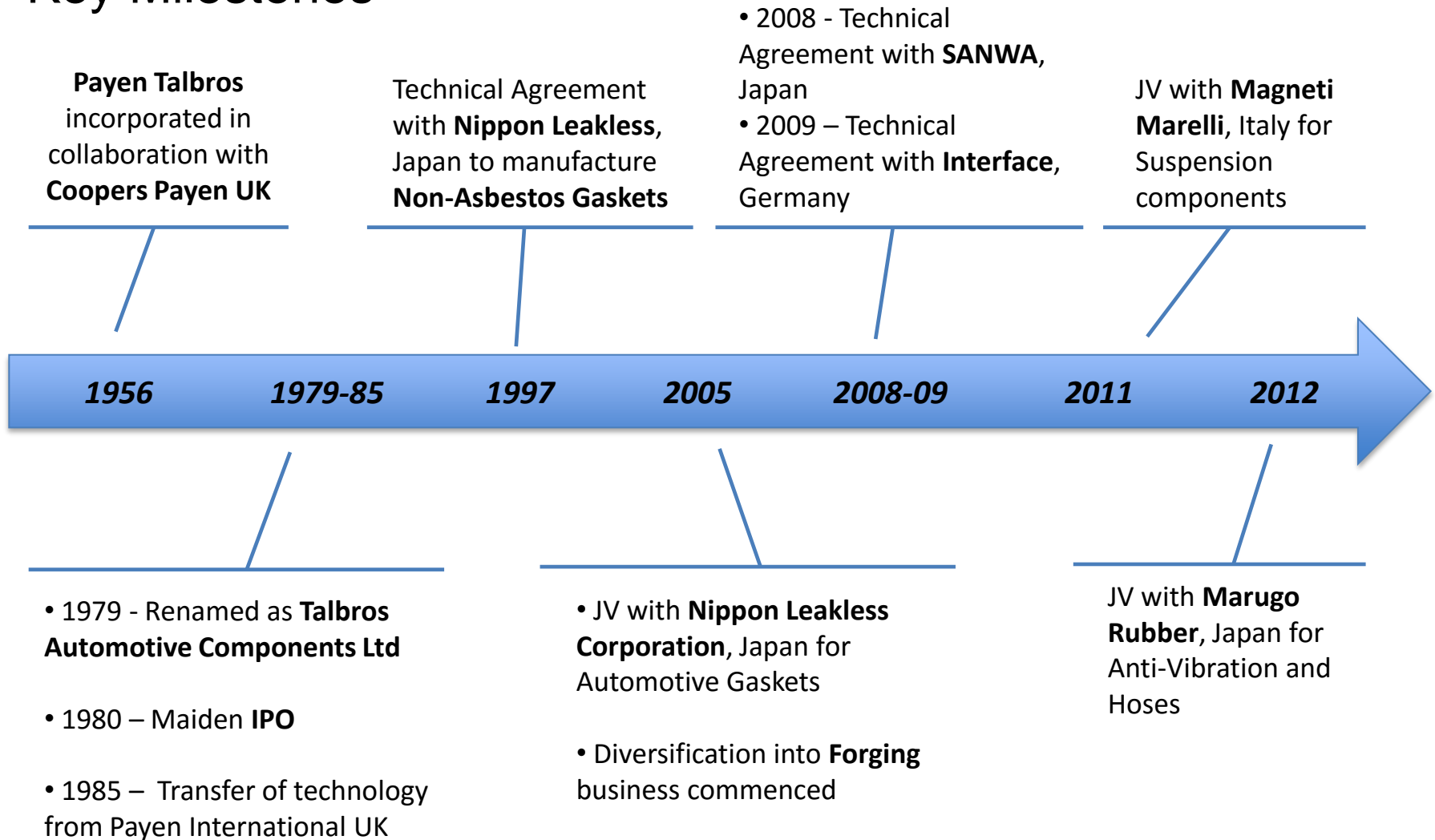
- **Corporate Overview**
- Diversification – Products , Customers & Markets for Creating Value
- Financials H1 FY16

Corporate Overview

- Over **6 Decades** of experience in Auto Component manufacturing
- Promoted by **Talwar Family** with **53.9%** holding lead by Mr. Naresh Talwar and Mr. Umesh Talwar
- Diversified Auto Component player with presence *across **Two Wheelers, Passenger, Commercial Vehicles and Farm Equipments***
- Wide client base, **~40% revenue from top 5 clients**
- Businesses across **OEMs, Exports and After Market**
- **Four International Technology Tie-ups** including 3 JVs for Best in Class Products
- Diversified Portfolio - **Gaskets, Forgings, Suspension Systems, Anti-vibration Products & Hoses**
- Consistent **Dividend Payout over 50 years**

One of the Most Hedged Auto Component Player

Key Milestones



The Leadership Team



Mr. Naresh Talwar

Chairman



Mr. Umesh Talwar

Vice Chairman & MD

Steering Committee



Mr. Vidur Talwar

Director



Mr. Varun Talwar

JMD



Mr. Anuj Talwar

Executive Director



Mr. Navin Juneja

Director & Group CFO

Executive Management

Mr. Manvinder Singh Ajmani

CFO

With experience spanning across M/s. HEG, International Tractors, Jindal Sour Ltd, Eicher Motors Ltd to name a few he has a total of 27 years of financial experience

Mrs. Seema Narang

Company Secretary

She has over 22 years of experience in the secretarial department and has worked with Whirlpool of India and Aksh Optifibre Ltd

Mr. Suryanaryan T. Hebbar

President – Gaskets Division

He has over 20 years of experience in the Auto Components sector with JBM Auto, Rangsons Electronics, TVS motors, TACO, Visteon and DELPHI

Mr. Sarvesh Kumar Vijay

President – Forging Division

He is a graduate in Mechanical Engineering, Post Graduate in Management Science and CFA from ICFAI and has worked with Kalyani Forge, Bajaj Motors, Amtek Auto, Kinetic Engineering

Mr. Koji Homma

Managing Director – Nippon Leakless Talbros Pvt. Ltd

He holds a Bachelors of Engineering degree from Tokyo and has spent over 30 years with Nippon Leakless holding various posts

Mr. Ashish Gupta

CEO – Magneti Marelli Talbros Pvt. Ltd

He holds a BE degree and has over 24 years of experience with manufacturing companies in India, Europe & CIS

Mr. Yoshiaki Yunoki

Managing Director – Talbros Marugo Rubber Pvt. Ltd

He is a science graduate from University of Tokyo and has spent 32 years with Marugo Rubber holding various posts

Business Overview

Consolidated Revenue Contribution FY15

Products

Gaskets



62%

Multi Layer Steel, Rubber Molded, Exhaust Manifold, Edge Molded, Cylinder head, Heat Shield

Forging



18%

Housing & Yoke Shafts, King Pins, Gear Blanks

Nippon Leakless Talbros



10%*

Automotive Gaskets for Honda and other Japanese OEMs

Magneti Marelli Talbros Chassis Systems



8%*

Suspension Systems: Control Arms, Knuckles, Front Axle and Rear Axle

Talbros Marugo Rubber



2%*

Anti – Vibration parts such as : Bushes, Exhaust Hanger, Dust Cover, Hoses

Standalone

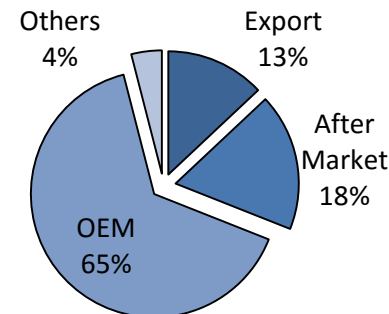
* Talbros share in JV

Above data excludes other non operating income

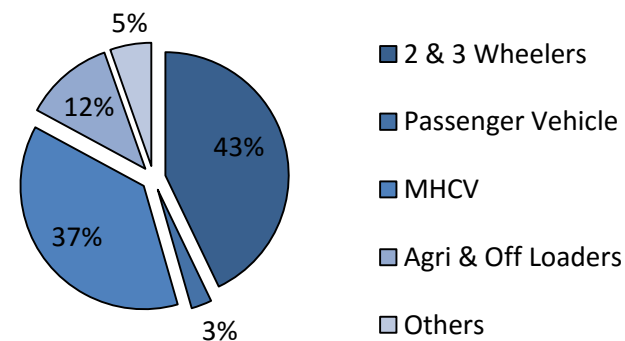
Gaskets

- In – House tool design and manufacturing
- **38%** Market share in Gaskets **3x** the nearest competitor
- **Market Leader** in – Two Wheeler, Agri & Off Loaders, HCV & LCV segment
- **Tier I OE supplier** for **12** of our customers
- **Single Source Supplier** for **5** of our customers
- **100% Asbestos Free player**
- Export orders from Cummins, Daimler, Volvo and Harley Davidson
- Introduced dedicated **Heat Shield line**: critical for heat, sound and vibration insulation
- H1FY16 Revenues at Rs 121 Crores

FY15 Revenue Rs 244 Crores



FY15 OEM Breakup



Multi Layer Steel



Rubber Molded



Heat Shield



Exhaust Manifold



Edge Molded



Cylinder Head



Forging

- One stop solution for **Hot Forging** (750 to 1,600 Ton Press)
- In-House tool design and manufacturing
- Strong presence in **Overseas Market** & Supplier to **top Tier I** companies
- Capability to handle raw material grade across Carbon Steel, Alloy Steel, Stainless Steel
- **One Stop Solution** for Die Design, Machine parts and Heat treatment (Normalizing and Carbohydriding)
- Introduced Crown Wheels
- Added new customers Ognibene and American Axle to diversify its geographic risk.
- H1FY16 Revenues at Rs 33 Crores

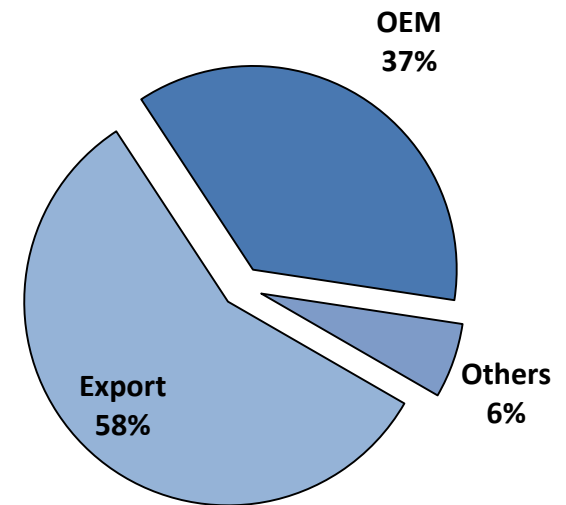
King Pins



Gear Blanks



FY15 Revenue Rs 70 Crores



Housing and Yoke Shafts



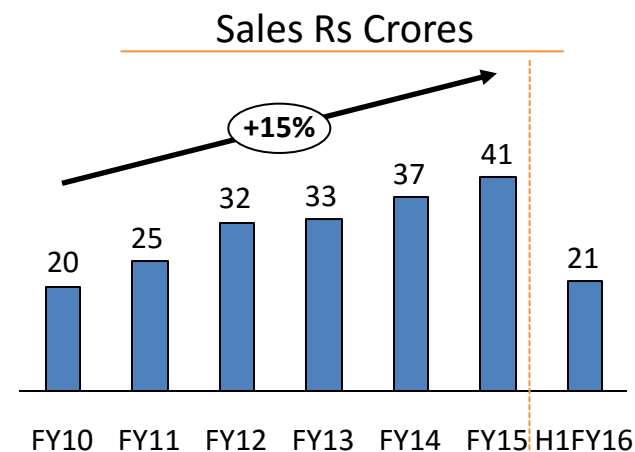
Nippon Leakless Talbros Pvt. Ltd

- **Nippon Leakless Corporation, Japan**
 - With annual sales of **\$200+** million Nippon Leakless is one of the largest global manufacturers of gaskets for automotive, motorcycle, power equipment, industrial and a major **Honda** supplier
 - Established in 2005 with 40% Talbros Share

- Non- asbestos Automotive Gaskets for **Honda** and other Japan OEMs

- 100% Sales to OEMs:
 - Hero Motor Corp, HMSI, India Yamaha, Honda Car India, Maruti Suzuki, Honda Siel Power Products

NLK 日本リークレス工業株式会社
NIPPON LEAKLESS CORPORATION



* Talbros share in JV

Magneti Marelli Talbros Chassis Systems Pvt. Ltd

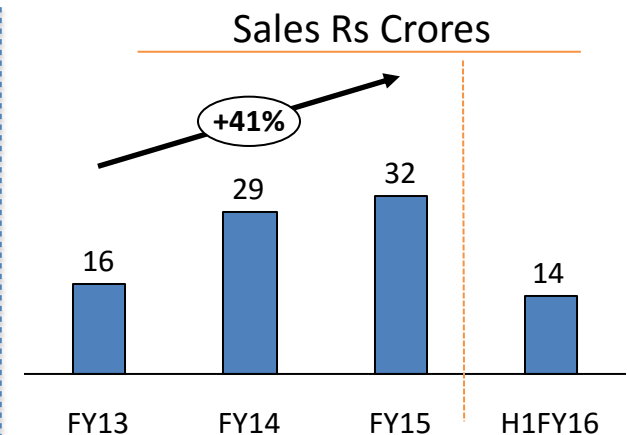
➤ Magneti Marelli S.P.A, Milano

- A Fiat Group company, **Magneti Marelli** has a annual revenue of € 6 Billion. Suspension business line generate over € 470 Million revenue worldwide with advanced light weight technologies having diverse customer base
- 50:50 partnership began in 2011, production commenced in April 2012
- The JV has the capability for design and development for complete chassis for OEM

➤ **Suspension Systems** for Passenger Vehicles and Pick ups: Control Arms, Knuckles, Front Axle and Rear Axle

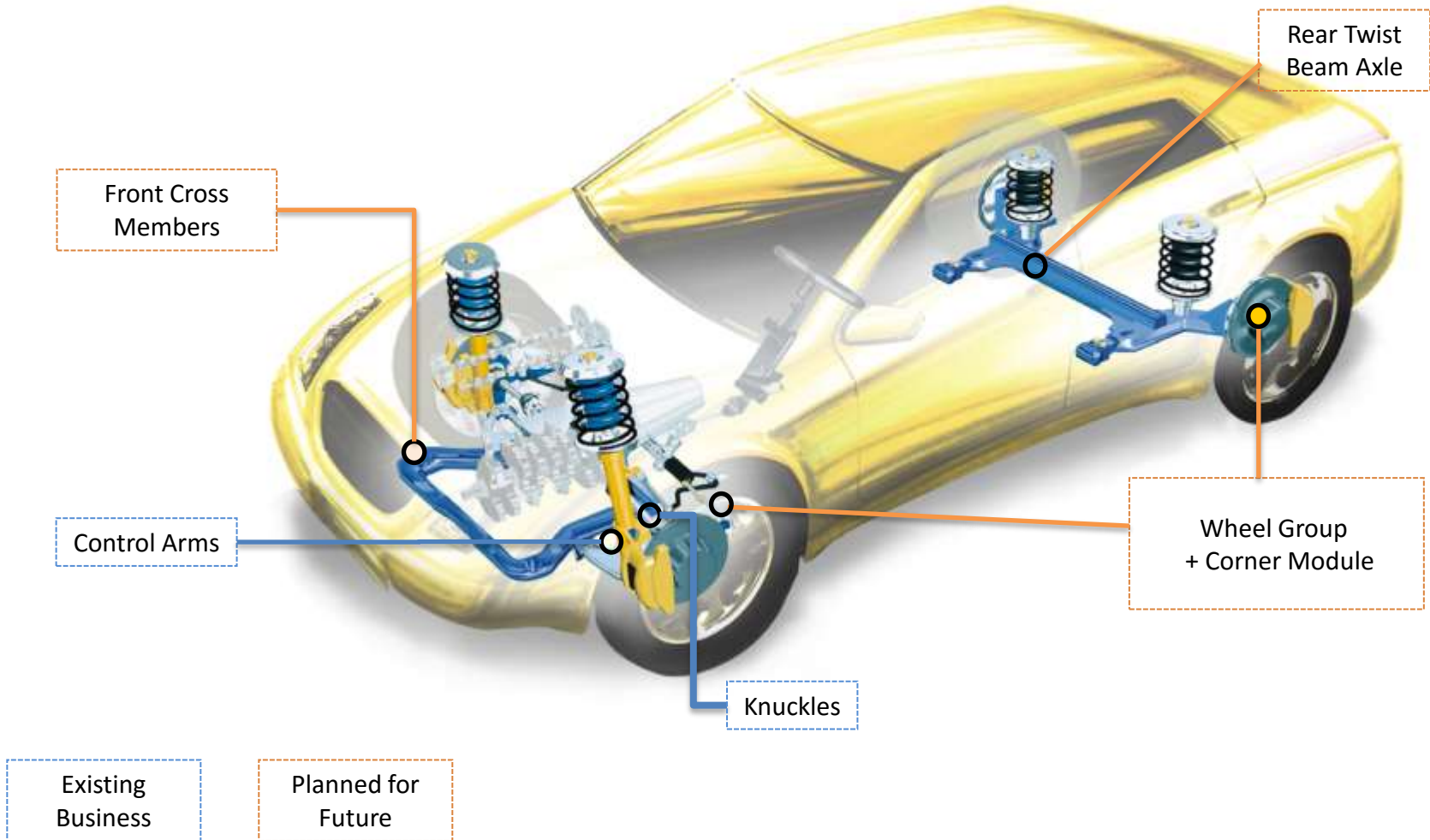
➤ 100% Sales to OEMs:

- Bajaj Auto, Mahindra & Mahindra, Maruti Suzuki India, Tata Motors
- Significant share of Control Arms business from Maruti



* Talbros share in JV

Scope of Chassis Systems



Talbros Marugo Rubber Pvt. Ltd.

- **Marugo Rubber Industries, Japan**
 - Marugo Rubber a **\$300 Million** company, global leader in supply of anti-vibration product and hoses to OEMs.
 - 50:50 partnership began 2012, production commenced in February 2013
 - The JV has the capability to provide technical know-how for Design, Development & Validation for OEM

- **Anti Vibration Products & Hoses:** Engine Mounts, Strut Mounts, Mufflers & Hangers, Suspension Bushes, Rubber Bushes, Hoses

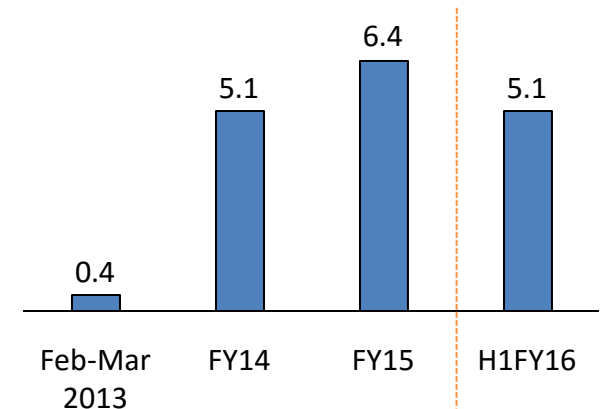
- Commissioned Hose Plant in FY15

- 100% Sales to OEMs:
 - Maruti Suzuki, QH Talbros, Endurance Technologies, Rane (Madras) Ltd, Escort India, TATA

⑤ Marugo Rubber Industries, Ltd.

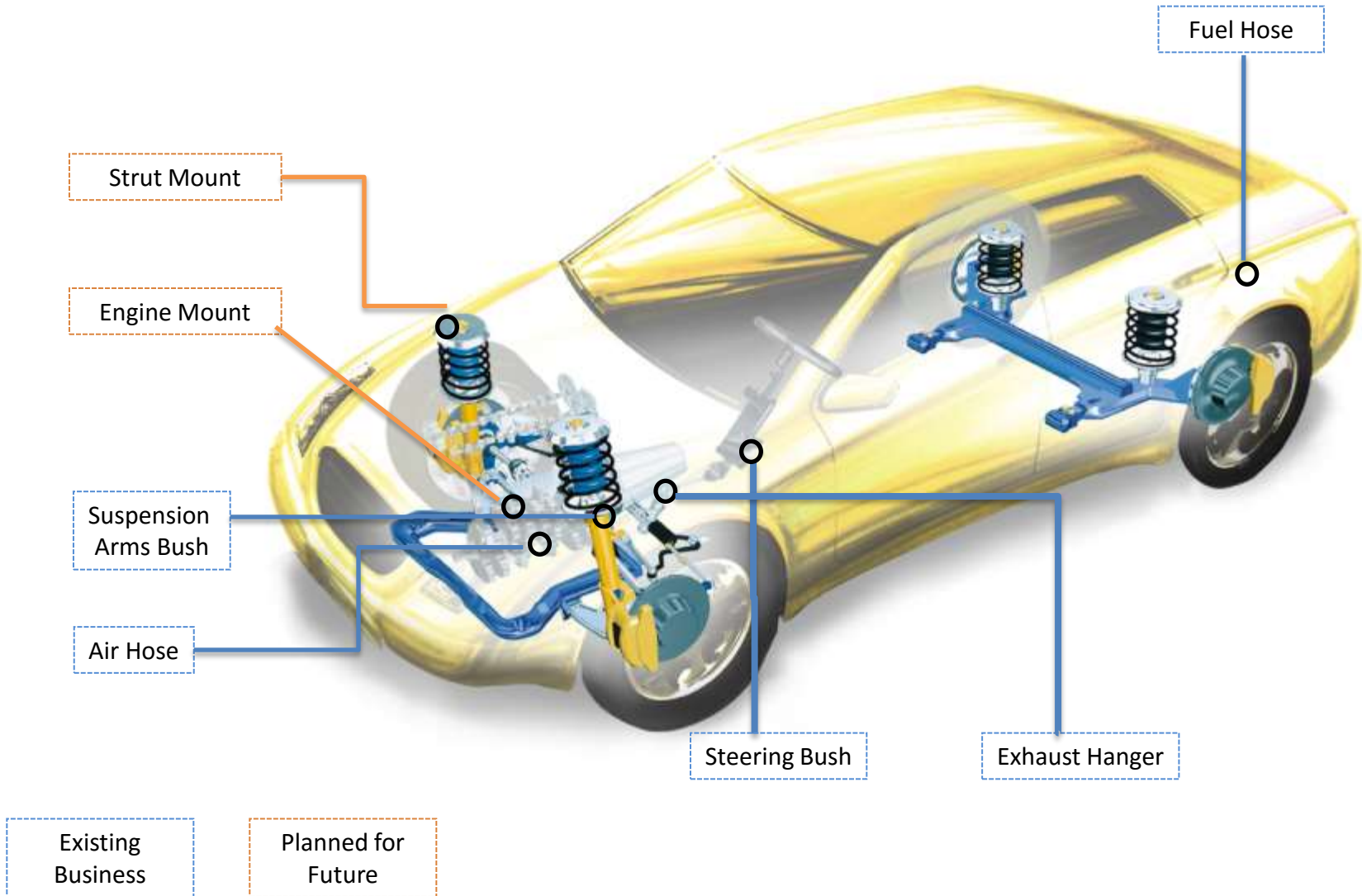


Sales Rs Crores



* Talbros share in JV

Scope of Anti-Vibration & Hoses



Technical Licensing Agreements

SANWA Packaging Co. Ltd, Japan

- Year 2009 : Technical Collaboration for Heat Shields used in automotive applications
- Year 2011 : Technical Collaboration for Post coating technology for Multi Layer Steel Gaskets

Diversified Customer - OEM

2 Wheeler

Passenger

HCV/LCV

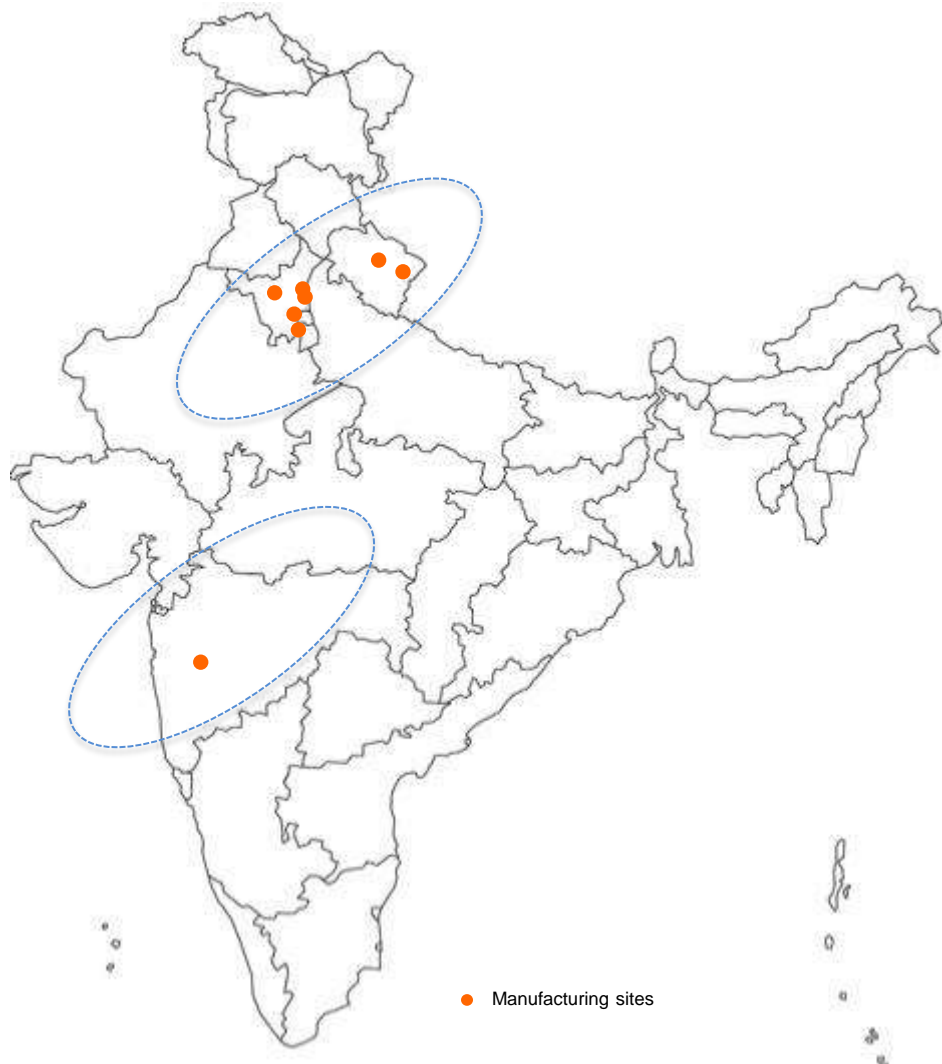
Agri & Off Loader

Exports



Hedged customer base, 40 % revenue from top 5 customers

Strategic Manufacturing Locations

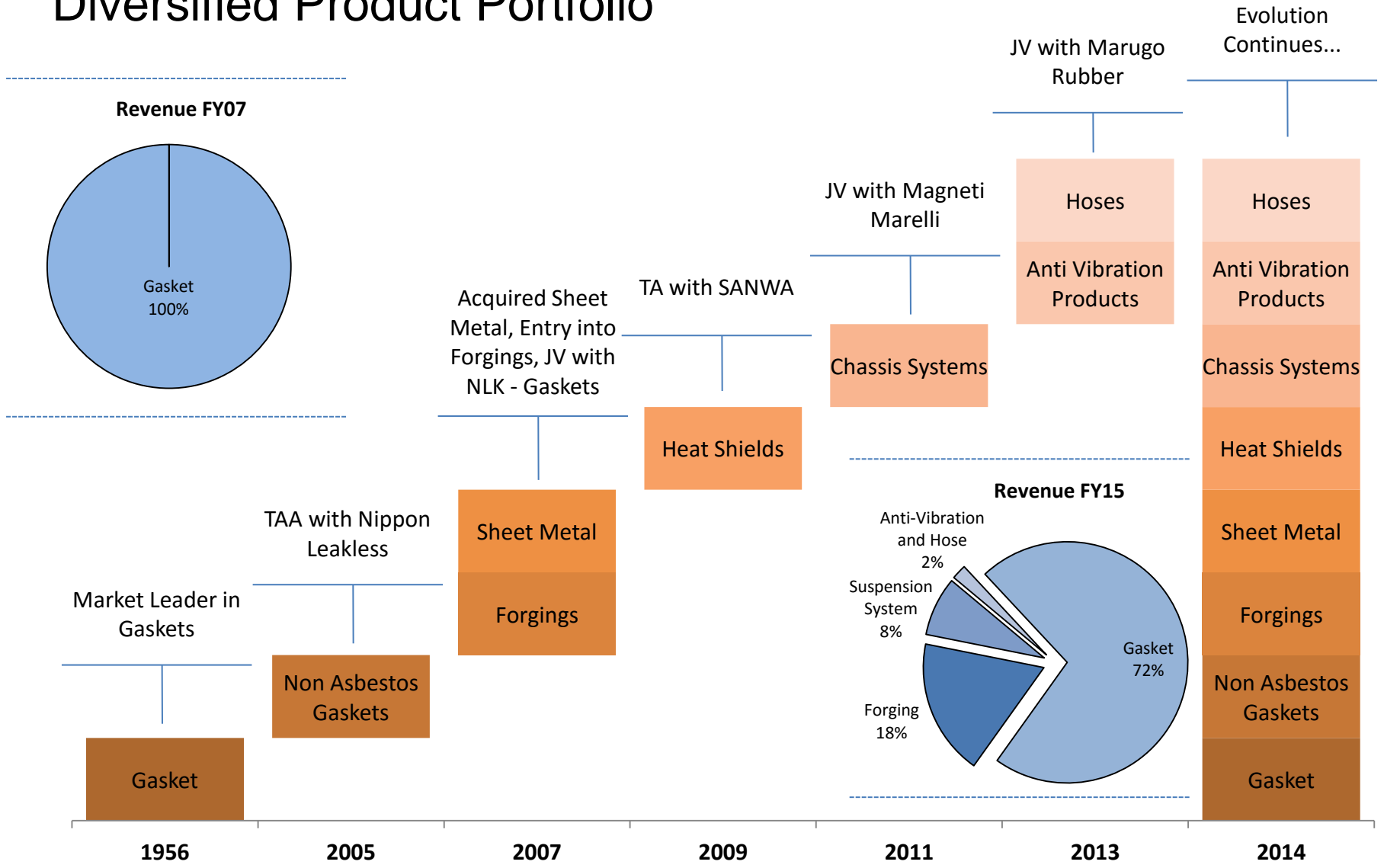


Plant	Location
Gasket	Faridabad – Haryana (2 plants) Pune – Maharashtra Sitarganj – Uttarakhand
Forging	Bawal – Haryana
Nippon Leakless Talbro	Bawal – Haryana Haridwar – Uttarakhand
Talbro Marugo Rubber	Manesar – Gurgaon
Magneti Marelli Talbro	Faridabad - Haryana
Material Division	Sohna – Gurgaon
R&D Centres	Faridabad – Haryana

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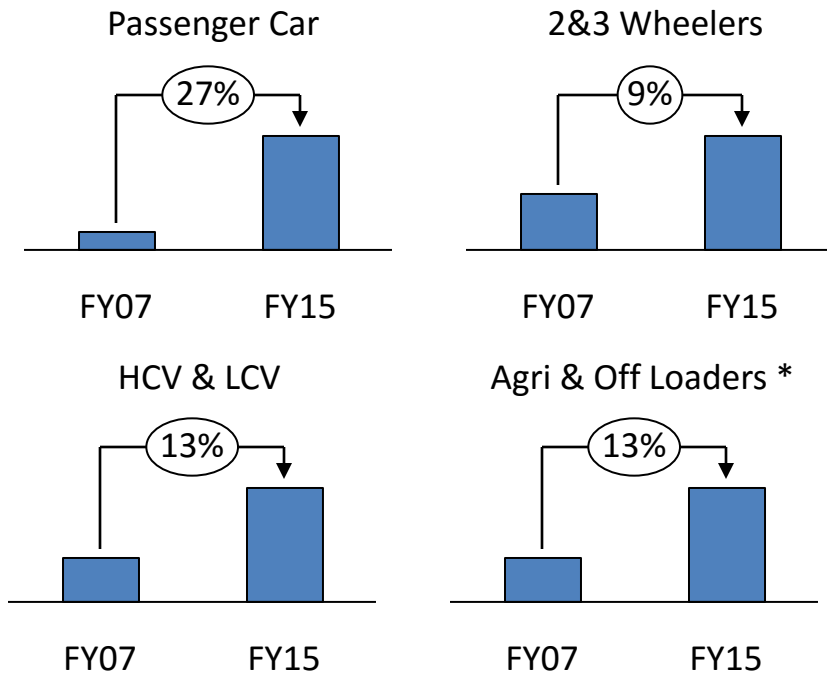
- Corporate Overview
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Diversified Product Portfolio

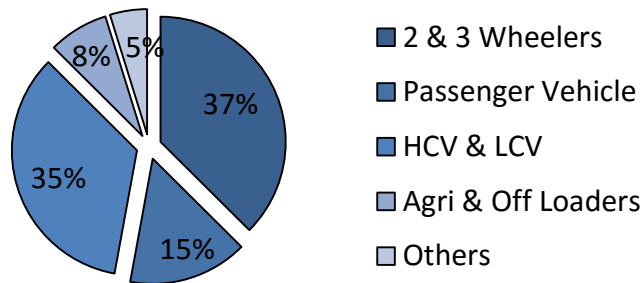


Diversified End Users

Domestic Sales CAGR



Domestic Sales Break up FY15



- JV with **Nippon Leakless**
 - Captured the emerging demand in Two – Wheelers in India
 - 90%+ Two Wheeler market covered (Together with TACL and JV)
- JV with **Magneti Marelli**
 - From being “Build to Print” Stamping company to “Design & manufacture” all chassis components for passenger car segment
- JV with **Marugo Rubber**
 - Helped **Maruti** to localise production and gained business in passenger vehicles
- Technical agreements
 - **SANWA**: Heat Shield technology for automotive applications

* Category reclassified

Diversified Markets

➤ Gaskets :

▪ Going Asbestos Free...

- Achieved 100% Asbestos free gasket production in FY14

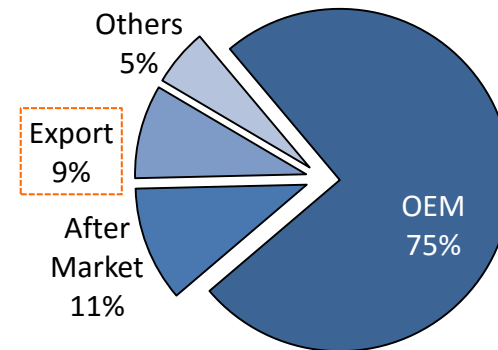
▪ International Contracts

- Export contracts with major international OEMs in the pipeline
- Gasket exports growing at a 10% CAGR since FY07

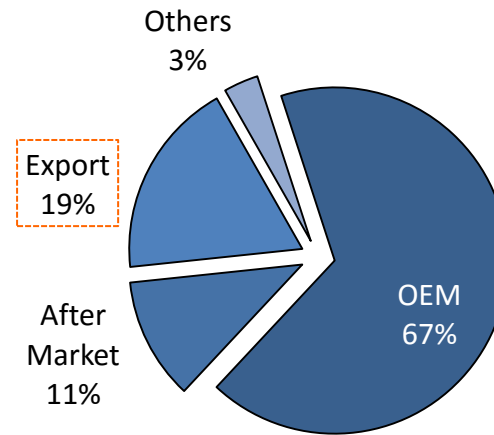
➤ Forging :

- Direct Export to Agri-major Tier-1 companies DANA Corp and Carraro increasing, end users being John Deere and Caterpillar
- Forging exports grew by 36% CAGR since FY10
- Next leg of Exports from Gulf region over the next 2-3 years

FY07



FY15



Evolving Product Portfolio

Tie-Ups	Products	Launch Year
Talbros Automotive Components	Heat Shield	FY16-17
	Industrial Gaskets	FY16-17
Magneti Marelli Talbros Chassis Systems	Semi-Corner Axle Assembly	FY 16-17
Talbros Marugo Rubber	Engine Mounts	FY 16-17

Optimising Diversified Portfolio

Group Company QH Talbros has TA (Technical Assistance) with **MUSASHI, JAPAN** for Ball Joint Assly.



Talbros Marugo Rubber (50:50 JV) has design and manufacturing capability for Suspension Bushing



Magneti Marelli Talbros has design and manufacturing capability for Chassis Systems



Unique combination for single point sourcing of Suspension Arm Assembly

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Automotive Market Scenario April - September FY16

Q2 FY16 Highlights:

- Passenger Vehicles sales growth at 5%; led by Passengers Car growth of 7%
- M&HCV grew by 38% while LCV declined by 4%
 - Overall CV Segment grew by 11% as against 6% in Q1
- 2 Wheelers sales remained static as a 12% growth in Scooters was negated by a commensurate decline in Motor Cycles/Mopeds

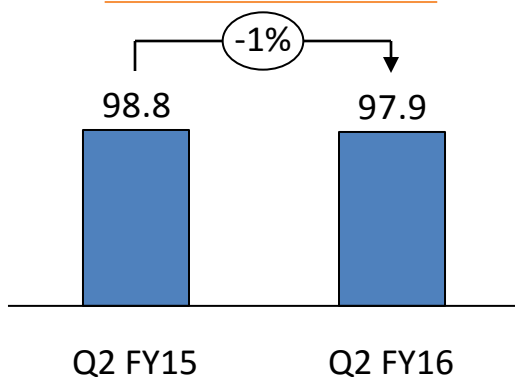
H1 FY16 Highlights:

- Passenger Car sales increased by 7%
- M&HCV sales growth was at 23% while LCV de-grew by 3%
 - Overall CV segment growth was 6%
- Two Wheeler segment growth in Scooter sales were set off by a decline in Motor Cycles/Mopeds

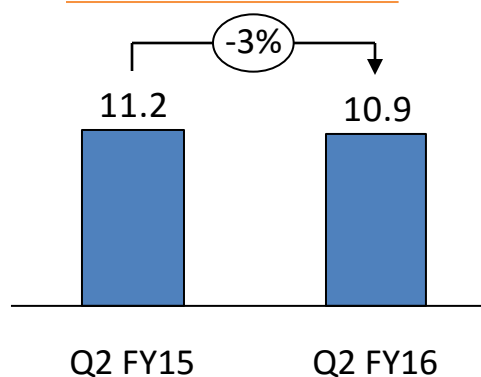
Financial Highlights – Q2 & H1 FY16

Rs Crores

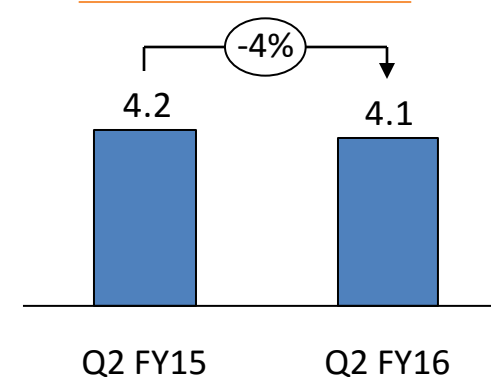
Total Income *



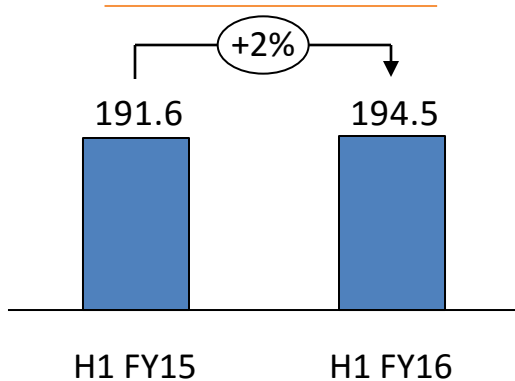
EBIDTA *



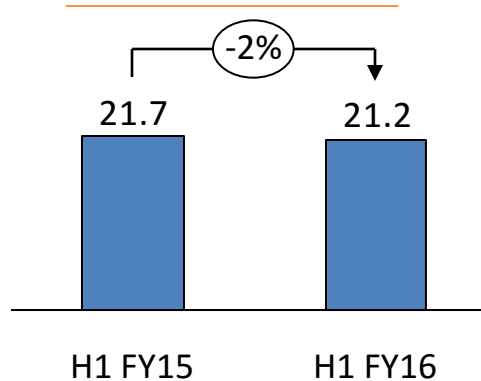
PBT *



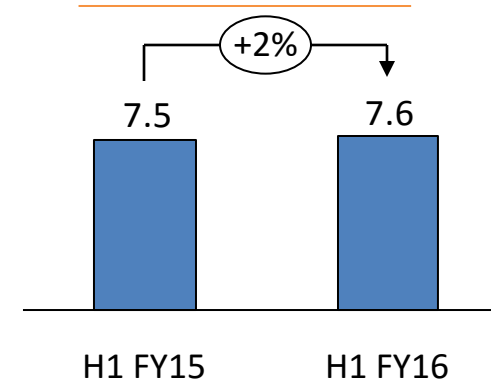
Total Income *



EBIDTA *



PBT *



*Excluding (1) FOREX impact of ~ Rs 1 Crores in H1 FY16 over H1 FY15

(2) Dividend Received from Nippon Leakless Talbros Joint Venture of Rs 72 lacs in Q1 FY15; delayed in the current year

Q2 FY16 Highlights

- Total Income of Rs 97.7 Crores against Rs 99.2 Crores in Q2 FY15 led by
 - Erratic order schedule from key OE customers
 - Net FOREX impact of ~ Rs. 0.6 Crores; excluding which Total Income was flat at Rs 98 Crores
- EBIDTA of Rs 10.7 Crores; de-growth of 8% led by
 - Pricing reduction given to OEM to block the entry of competitors
 - Under absorption of fixed cost due to subdued volumes
 - Excluding FOREX impact EBIDTA of Rs 10.9 Crores; de-growth of 3%
- EBIDTA margin at 11% against 11.7% in Q2 FY15
- PBT of Rs 3.8 Crores; de-growth of 17%
 - Excluding FOREX impact PBT of Rs 4.1 Crores; de-growth of 4%
- PAT of Rs 2.5 Crores against Rs 3.2 Crores in Q2 FY15

H1 FY16 Highlights

- Total income of Rs 194.2 Crores; growth of 1% led by
 - Net FOREX impact of ~ Rs. 1 Crores; Excluding FOREX and dividend impact Total Income grew by 2%
 - Erratic order schedule from key OE customers along with Slowdown in 2 wheeler and LCV demand
 - Change in product mix towards OEM
- EBIDTA of Rs 20.8 Crores; de-growth of 9% led by
 - Under absorption of fixed cost due to subdued volumes
 - Excluding FOREX and dividend impact EBIDTA at Rs 21.2 Crores de-growth of 2%
- EBIDTA Margin was at 10.7% against 11.9% in H1 FY15
- PBT of Rs. 7.3 Crores; de-growth of 17%
 - Excluding FOREX and dividend impact PBT grew by 2%
- PAT of Rs 4.7 Crores against Rs 6.1 Crores in H1 FY15

Segmental Performance – Q2 FY16

Standalone:

- Subdued volumes led by Erratic order schedule from key OE customers along with Slow down in 2 wheeler and LCV demand
- Secured new orders for Gaskets from Cummins for their new Hi-technology ISLe engine and for Mahindra's new SUV
- An appreciation in INR against Euro and slowdown in Europe markets impacted Forging revenues

Nippon Leakless Talbros (LTL) :

- Consistent performance in line with Industry Growth
- Pricing reduction given to OEMs to block the entry of competitors

Magneti Marelli Talbros Chassis Systems (MMT) :

- New orders from Tata Motors for Control Arm Assembly

Talbros Marugo Rubber (TMR):

- Fresh orders from MSIL for Anti-Vibration Products and Hoses
- Positive profitability for Anti-Vibrations products in H1 FY16
- Hoses plant commenced operations on October 2015

Consolidated P & L Statement

Rs. Cr	Q2FY16	Q2FY15	YoY %	H1FY16	H1FY15	YoY %
Revenue	97.5	98.1		193.4	190.4	
Other Income	0.2	1.1		0.8	2.5	
Total Income from Operations	97.7	99.2	-2%	194.2	192.9	1%
Raw Material	53.5	55.4		108.0	105.6	
Employee Cost	12.7	11.4		25.9	23.5	
Other Expenses	20.8	20.8		39.4	40.8	
EBITDA	10.7	11.6	-8%	20.8	23.0	-9%
EBITDA Margin	11%	12%		11%	12%	
Interest	4.5	4.4		9.0	9.0	
Depreciation	2.4	2.6		4.6	5.3	
PBT	3.8	4.6	-17%	7.3	8.8	-17%
Tax	1.4	1.4		2.6	2.7	
PAT	2.5	3.2	-23%	4.7	6.1	-23%
PAT Margin %	3%	3%		2%	3%	

Consolidated P & L Statement

Rs. Cr	FY15	FY14	YoY %
Revenue	388.8	361.9	7%
Other Income	9.6	5.6	72%
Total Income from Operations	398.4	367.5	8.4%
Raw Material	215.5	205.0	5%
Employee Cost	49.5	42.4	17%
Other Expenses	83.7	77.6	8%
EBITDA	49.7	42.6	17%
EBITDA Margin	12.48%	11.59%	
Interest	18.7	19.0	-2%
Depreciation	10.0	10.5	-4%
PBT (Before Exceptional Items)	21.1	13.2	60%
Exceptional Item *	-1.9	8.8	
Tax	5.1	2.7	89%
PAT	14.1	19.3	-27%
PAT Excl Exceptions	15.4	12.3	25%
PAT Excl Exceptions Margin %	3.86%	3.34%	

*Q4FY15 Expense towards payment of terminal benefit to the erstwhile employees of the closed Chennai Plant

*Q4FY14 Income from Sale of Land

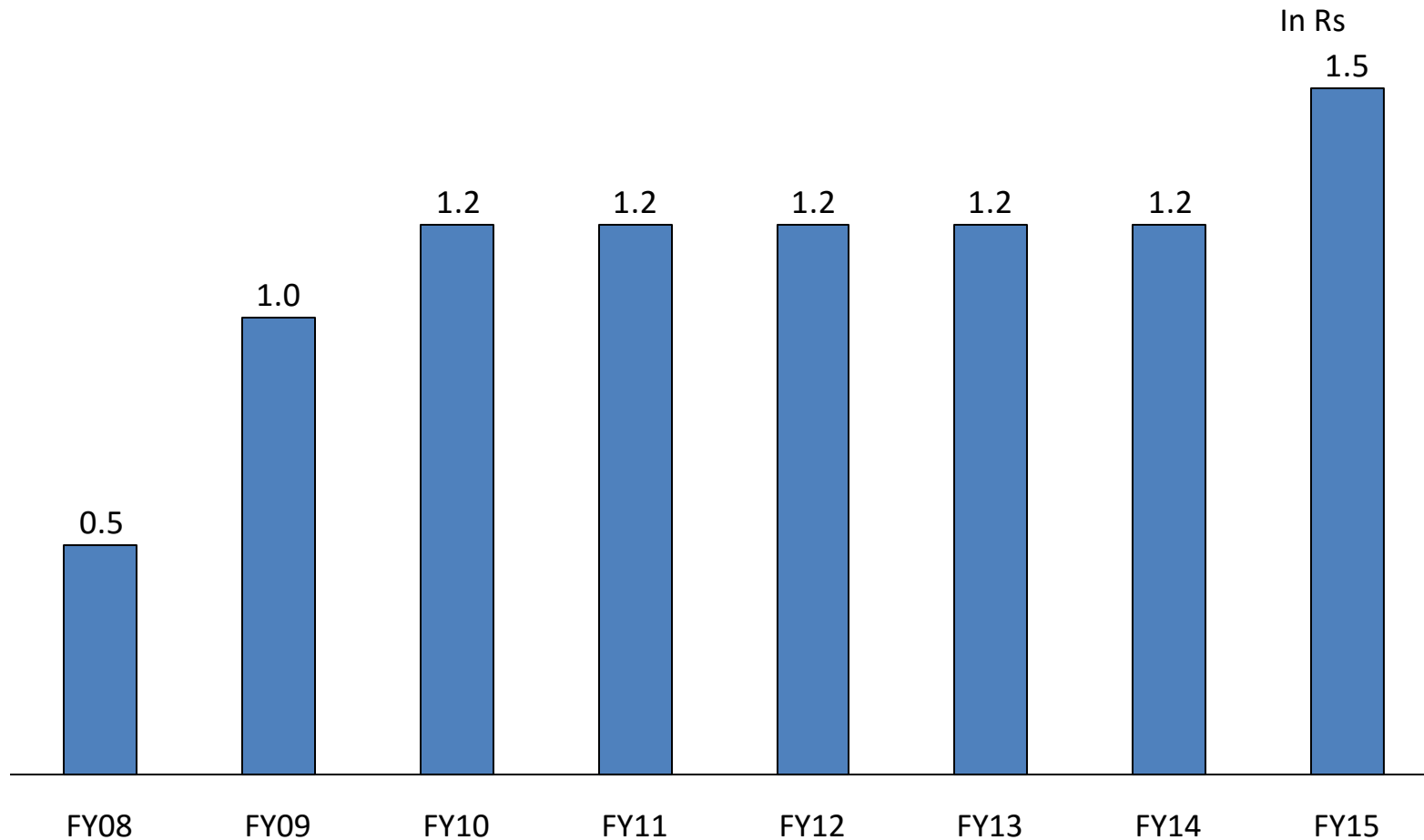
Consolidated Balance Sheet

Rs. Cr	Sep15	Mar15
Shareholders Fund	131.8	127.1
Share Capital	12.3	12.3
Reserves & Surplus	119.5	114.8
Total Non Current Liabilities	34.7	40.8
Long Term Borrowings	25.3	31.8
Other Long Term Liabilities	9.4	9.0
Total Current Liabilities	224.7	215.6
Short Term Borrowings	92.1	85.1
Trade Payables	95.6	92.4
Other Current Liabilities	37.0	38.2
TOTAL EQUITY & LIABILITIES	391.3	383.6

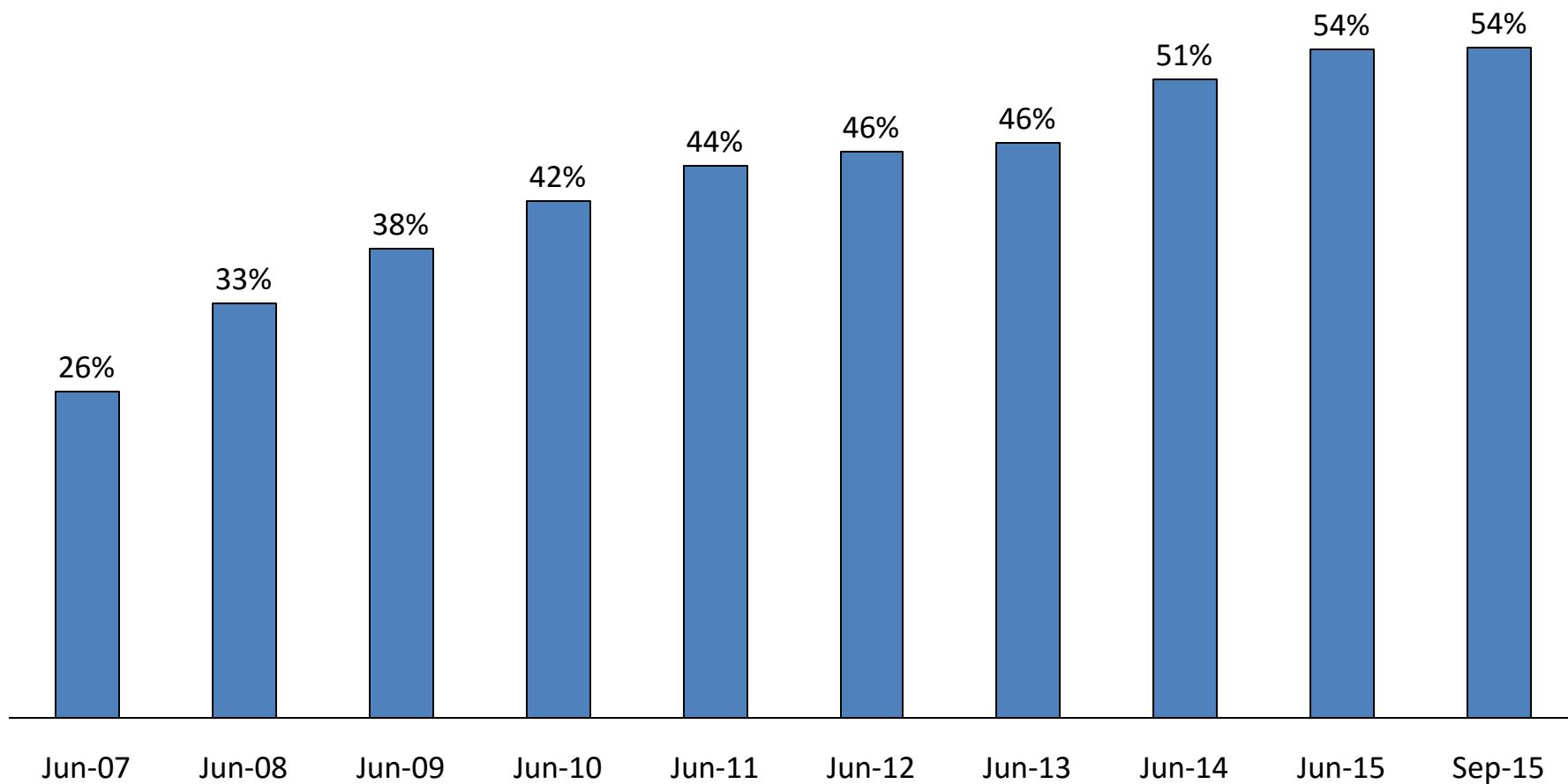
Rs. Cr	Sep15	Mar15
Total Non Current Assets	143.0	142.4
Fixed Assets	123.7	123.4
Long Term loans & Advances	12.4	12.7
Other Non Current Assets	6.9	6.2
Total Current Assets	248.2	241.2
Inventories *	133.0	127.6
Trade Receivables	75.3	73.8
Cash & Cash Equivalents	11.2	10.2
Short Term loans & Advances	28.0	28.7
Other Current Assets	0.7	1.0
TOTAL ASSETS	391.3	383.6

* Inventories include: Goods in Transit of Rs 5 Crs as of Sep 15 and Rs 9 Crs as of Mar 15
Tools of Rs 21.7 Crs as of Sep 15 and Rs 16.2 Crs as of Mar 15

Consistently paying Dividend for the last 50 years



Promoter Shareholding



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