



## “Talbro's Automotive Components Limited Q4 FY2021 Earnings Conference Call”

June 09, 2021

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**MANAGEMENT:**

**MR. ANUJ TALWAR – JOINT MANAGING DIRECTOR –  
MR. NAVIN JUNEJA – DIRECTOR & GROUP CHIEF  
FINANCIAL OFFICER**

**Moderator:**

Ladies and gentlemen good day and welcome to Talbro's Automotive Components Limited Q4 FY2021 Earnings Conference Call. This conference call may contain forward-looking statements about the company, which are based on the beliefs, opinions and expectations of the company as on date of this call. These statements are not the guarantees of future performance and involve risks and uncertainties that are difficult to predict. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal for 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 Talbro's Automotive Components Limited. Thank you and over to you Mr. Talwar!

**Anuj Talwar:**

Thank you so much. Good afternoon everyone. A very warm welcome to our Q4 and FY2021 earnings call. I hope you are all staying safe and healthy. On the call today, I am joined by Mr. Navin Juneja, our Director & our Group CFO, SGA, our Investor Relations Advisors. The results and the presentation are uploaded on the Stock Exchange and the Company Website. I hope everyone has had a chance to look at it.



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Let me begin with a few updates on the industry. After deep slowdown in the Indian auto mobile industry, this fiscal has been comparatively better off as compared to the past few years' performance especially H2 when we all saw a V-shaped recovery and a pent up demand. With respect to the overall performance in the Indian auto component industry in FY2021 would be still a negative growth. However, it is little bit better than that of vehicle manufacturing sector. In FY2020, the Component Industry, declined by 12% from USD 57 billion to USD 50 billion. While in FY2021, the degrowth is expected to be in single digit. As per the report published by SIAM, (Society of Indian Automobile Manufacturers ), in the financial year FY20-21, there was a de-growth in sales of all segments compared to the previous years. -2.2% for PV vehicles with sale of 2.7 million units, -13.1% for two-wheeler with the sale of 151 lakh units, -21% to commercial vehicles with the sale of 5.69 lakh units and -66% three-wheeler at 2.16 lakh units sale.

Let me give you brief about our company. Our business is broadly divided into our standalone business, gaskets, and forgings and three joint ventures with global auto leaders for gaskets, two-wheeler, suspension, chassis components and the other products. We are very hedged auto component company with sales across all segments and even strongly export market.

A small break up about domestic sales. In FY21 37% of our revenue came from two-wheeler and three-wheelers, 26% of revenues from passenger vehicle, 22% from commercial vehicles and 11% from agri.

We already mentioned in the past two calls that our focus is on the domestic OEM business as well as getting market share in the domestic business with very successive tide wave of the BS-VI product line that is been done with and we will focus a lot on exports. I am very, very happy to share that exports revenue percentage last year reached 25% which was the highest ever.

Let me just deep dive into the segments. Let me start about gasket business. In our standalone gasket business, we continue to hold a healthy market share domestically and also making inroads globally. Our focus on OE export business has helped us secure order and established international clients across the globe. Along with our joint venture, our market share is 50% in the country for gaskets. We are clearly the leader in the segment. As mentioned earlier our strategy here is to help OEM adapt with BS-VI technology. With the BS-VI technology, we increase our value addition for gaskets.

We are constantly working on reducing cost by reducing imports and making inroads from the past many, many quarters. A new product line which is very futuristic in nature is the heat shield now getting momentum in India. We have a tie up with Sanwa which is from Japan for Light Weight Aluminium Heat Shields. we are now making inroads with Indian carmakers for this technology. It is a product which gets fitted on the engine, on the exhaust, under body, with a product hybrid vehicle for ICE engines to reduce weights and performance of heat management. The forging business has been an outlier in terms of growth predominantly led by the track business good quality forging house in the North India and with good exposure with domestic in



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agri and exports. Here our exports of this particular division had 50% very, very healthy product of forging business.

Let us come to the joint ventures. We have a joint venture with Marelli and this is a 50:50 joint venture for chassis components. Here we are supplying lot of products to Tata Motors, to Maruti, to Mahindra, and also exports are about 16% with a very leading carmaker from Europe. We are also a leader in these kinds of components in the space of India.

Talbro's Marugo is another joint venture with 50:50. This is a joint venture for rubber components and forges. Here also we cater to OEMs like Maruti predominantly and now also exporting that into Japan. These two joint ventures Marelli and Marugo have got immense, immense operative growth. We are now seeing new OEMs such as Ford, GM, Japan, it is established product portfolio and are having current relations with customers, we will definitely go much more than these levels, we would go product wise.

As I mentioned earlier that we are very well leveraged company today and we are in the cusp right now to capture larger share both domestically and internationally. With improvement in opening of economy, we expected we would do FY2020 performance in FY2022; however, at this juncture we would like to refrain from giving any guidance of FY2022 and due to recent surge which has happened in the second wave of COVID-19. May has been very muted month for the auto industry with second wave which is more severe, which can hit us, but we will have more clarity about FY2022 may be after Q1.

Overall, if I have to give you some glimpse of Q1 in terms of operations. In April, in our Gasket business, we were operating by 90%, forging business we have done about 75% with the lockdown restrictions and the JVs went down to 51% in the month of May again because of JVs are basically supplying to domestic OEMs whereas in Gasket business and Forging business exports have a larger share in the product portfolio. Before I pass on the call to Mr. Juneja to give you the numbers, I would like to say that last year numbers are the reflection of our strategy of exports, hedge portfolio and a very strong cost cutting price that we have done across all our plants.

With that I request Mr. Juneja to give you an update.

**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 FY2021, our standalone gasket sales was Rs. 287 Crores as against Rs.265 Crores in FY2020, a growth of 8%. Total revenue on Nippon Leakless was Rs.83 Crores in FY2021 as compared to Rs.106 Crores in FY2020. This segment saw a combined EBITDA of Rs. 50 Crores for FY2021.

Now coming to forging division the forging business is consistently performing well. The revenue in FY2021 is Rs.170 Crores as against Rs.134 Crores in FY2020, a growth of 27% which is the highest growth among all the products segments.



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Now coming to Magneti Marelli Chassis Systems Private Limited, total income for FY2021 stood at Rs.124 Crores vis-à-vis Rs.137 Crores in FY2020. Now coming to Talbro's Marugo Rubber Limited; total income from operations for FY2021 stands at Rs.41 Crores vis-à-vis Rs.46 Crores in FY2020. The above mentioned numbers of all joint ventures are 100% basis including our share of business.

Now coming to consolidated financial performance of the company. We had reported consolidated financial performance on Ind-AS. Total income including other income stood at Rs.453.2 Crores in FY2021 as against Rs.391 Crores in FY2020. This is in spite of the washout in Q1 of the year. We managed to show a growth in this fiscal that too in double digits. In Q4 FY2021 company reported Rs.160.4 Crores of revenue as against Rs.92.5 Crores same period last year with the growth of 73.5%. All the segments including JV have performed well during the quarter. EBITDA including other income stood at Rs. 64.6 Crores in FY2021 as against Rs.43.1 Crores in FY2020 making 50% growth on Y-o-Y basis. We are improving our margin profile in all segments gradually.

Financial cost reduced to Rs.13.5 Crores in FY2021 from Rs.16.1 Crores in FY2020, a reduction of Rs.2.68 Crores owing to repayment of debt. We have reduced our debt including term loan and working capital by about 50 Crores during the year. PAT stood at Rs.39 Crores in FY2021 as compared to Rs.12 Crores in FY2020. FY2021 PAT includes Rs.14 Crores of gain on sale of Chennai property. 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 my side and I would now like to open the floor to question-and-answers. Thank you.

**Moderator:** Thank you very much. We will now begin the question-and-answer session. The first question is from the line of Amit Shah from Ace Securities. Please go ahead.

**Amit Shah:** Congratulations on the good set of numbers. I have couple of questions; one would be while our gasket business performed well, the performance of Nippon Leakless Gasket business was weak, can you throw some light on that?

**Navin Juneja:** I would like to do that. Because in the Nippon Leakless, we have two customers, one is Hero, and one is Honda. As you are aware that in the initial four months the Hero and Honda were very weak and the Honda was continuously to be weak during the whole year because of the lower demand of scooters. Honda has basic scooter. That was because of low activity, nothing was there, no schools were there, so the demand of two-wheeler in scooters especially was weak. Second is that the topline has come down, one of the reasons. We have developed for the BS-VI gasket for Hero, the gasket called ACV gasket is for the BS-VI engines. That gasket in old days in the previous year four gaskets was an imported material and the selling price of that gasket was Rs.46, now we have developed a gasket which are made of Indian steel and Indian raw material, Indian paint but price of that gasket is Rs.37 but the margin is very, very good as



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compared to earlier gasket. So, our topline has come down and started supplying from February. So, the topline has little bit come down because of that only but in future you will see very good margins going forward but if you see the EBITDA of last quarter, is fantastic. I can tell you EBITDA of the last quarter of this JV. In Q4, the EBITDA was similar. The EBITDA of this JV in the last quarter of January to March despite of lower sale is 21.31% as compared last year of 15% and 17.93% in Q3FY21.

**Amit Shah:** That was helpful. My next question would be we have achieved 25% export level which is a jump of 4% from last year FY2020 levels, so going forward what are we expecting on exports?

**Anuj Talwar:** I think during the current year, i.e. 2021-2022, our target is to take it to around 27%-28% level.

**Amit Shah:** Okay, in the current year?

**Navin Juneja:** Over a period of time, you can see the reflection of that from every quarter it will keep on increasing. We will see the reflection. We have strong order book with us and with the new order book, we are quiet, quite hopeful and we will achieve this to 27%-28%.

**Amit Shah:** Sir my last question current year Rs.39 Crores profit is inclusive of capital gains, so can we expect to achieve normalised profit in this range in the next fiscal year?

**Anuj Talwar:** Our full intention is to do that. Let us see how the sales moves in the market because something is not in our hand like COVID second wave, people are talking of third wave I do not know, nobody knows about that. We have a strong order book, but they are all external factors like lockdown and COVID, but I think in next call, we will be in better position to give guidance.

**Amit Shah:** Thank you so much Sir.

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

**Shikha Mehta:** Congratulations on a great set of numbers and I hope all of you are healthy. I just had a couple of questions, what is our outlook on capex for the next couple of years? I know you have said that we have some outsourcing capacities as well but are we planning any major capex over the next two years to three years?

**Anuj Talwar:** Yes, I can say one and half year at present. In the gasket division, we are planning the capex of around 15 Crores for our heat shield because what we are foreseeing the demand of heat shield we would need to do some major capex in the presses and the nimbus machines which is around 15 Crores. This is for heat shield plus normal gaskets capex of 8 Crores to 10 Crores will happen in the gasket division. In the forging division we need to build a shed and we need to add one or two presses of machining line, so we are expecting a capex of around 10 Crores to 12 Crores in the next 15 months in our forging business. As regard to JV, I think nothing major will happen.



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Expect MMT to do a capex of 4 Crores to 5 Crores going forward and Marugo will do a capex of Rs. 2 Crores to 3 Crores and Nippon Leakless will do a capex of only 2 Crores to 3 Crores in next 15 months approximately.

**Shikha Mehta:** Okay and this capex will allow us to reach what revenue? How much growth can we see on this capex?

**Anuj Talwar:** At gasket we can see a topline of Rs. 400 Crores with this capex and in the forging, we can see a topline of around 250 Crores approximately and the rest is in the Magneti Marelli, we can see a topline of 200 Crores and with Marugo Rubber we can see a top line of 80 Crores. This is about it.

**Shikha Mehta:** That is really helpful. There is a semiconductor shortage because of which assembly has been slow for most OEMs etc., so are we seeing any repels of that I mean we have a very robust order book where has execution been slower for us, anything on that?

**Anuj Talwar:** Yes, looking at our customer's base, we are not supplying to Kia or Hyundai etc. Our export customer in Europe is suffering some problem because of this semiconductor but they are assuring us that this problem will be resolved by end of June or they are saying by latest by August it will be resolved, so they are ramping up the production every month. The order book is very, very solid, so I hope so by September this problem will be resolved with them, only major customer to whom we are supplying who is facing the problem is on this one.

**Shikha Mehta:** Okay and Sir again congratulation on the export for a very sizeable growth. We have been reading about logistics costs increasing. So, have we faced anything what are we seeing moving forward?

**Anuj Talwar:** Logistic cost was one off reason last quarter and because of Suez Canal issue also there is a lot of shortage of container was there and our customer, we are single source to them. We had to do a lot of air shipment to them to maintain their lines working and it will continue till June, major expenses have been incurred, some minor expenses will be there till June, after that I think things will fall in line. We are also increasing our capacity something we have done here also I mean keep the stock beyond that level.

**Shikha Mehta:** Okay, so my understanding is that Q1 would see some signs?

**Anuj Talwar:** But the major is over.

**Shikha Mehta:** Yes, they are one off thing. Alright Sir and if you could shed some light on our vision for the next five years, what we will expect for Talbro's and from which lines of the segments will achieve that growth?

**Navin Juneja:** It might be too early for five years.



**Anuj Talwar:** I think strong growth, keep adding global OEMs in a export market product portfolio. I think forging, Marelli and Marugo will be the strong growth drivers going forward. Gaskets will continue to perform well because of the BS-VI product portfolio, heat shield is a new line of light weight in aluminium to hybrid vehicles for ICE engines happening out here, so for us we cannot give a five year guideline at the moment but same energy, the same passion and same momentum will be seen at Talbro's. Like you see the last year in a pandemic year I mean we still grew, and we cut down debt, so the focus was very clear and in the last few calls aim was to work on return ratios and that is what we ended up doing going forward.

**Shikha Mehta:** Right and Sir domestically have you been facing any supply side issues due to COVID or it is normalising now?

**Anuj Talwar:** No. In the month of April and May, we faced the issues in our forging because of steel and because of oxygen shortage the steel production was halted, and we have to pay heavy prices to meet our customer demand but now we are seeing that problem is getting over now.

**Shikha Mehta:** Thank you. That is all from my end. I will come back in the question queue.

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

**Apurva Mehta:** Congratulations on a great number. Sir, just wanted to ask about this new heat shield business where do you see in next three years this heat shield business, what kind of traction you are getting, new order kind of thing and are we seeing increase in customer enquiries from this side?

**Anuj Talwar:** In the current year we are expecting a business of around 18 Crores to 20 Crores in the heat shield business, which we expect within next three years will touch 50 Crores, for that we are incurring a capex of 15 Crores.

**Apurva Mehta:** Can you throw some light on the supplies to Cummins which we were doing earlier, how is the order book there and how is the traction from Cummins earlier?

**Anuj Talwar:** Cummins is very good. We have already started there, small machines are running, so whatever they produce we are supplying to them but of course there was a little dip in the month of May but now from June, they are back on track and by July-August they will do in full force and we are the only source and we have given them, there is no quality problem then no problem with that.

**Apurva Mehta:** What will be the current run rate per month in supplying to Cummins, any delta?

**Anuj Talwar:** Yes, if I talk about March-April, it was around 7,000 but in the month of May it came down to 4,000 but now again back to 6,000 but their demands will go up ultimately, everything will be normal, it will go up to 11,000 in September.



- Apurva Mehta:** The MMT side we saw that the margin on EBITDA levels is now close to 23%. Is it any one-off things or these are because of the economies of scale and your target?
- Anuj Talwar:** EBITDA in Magneti Marelli?
- Apurva Mehta:** Yes.
- Anuj Talwar:** Magneti Marelli or Nippon Leakless?
- Apurva Mehta:** So, MMT what are the margins seen in Q4?
- Anuj Talwar:** Q4 was 10% around.
- Navin Juneja:** 10%, it cannot be 27%.
- Anuj Talwar:** We did an EBITDA of 9.85%.
- Navin Juneja:** Yes, this quarter is around 10%.
- Anuj Talwar:** It is Q4 right, I have got the numbers.
- Apurva Mehta:** I am talking about Q4.
- Navin Juneja:** Yes, I am saying Q4.
- Anuj Talwar:** It is 10%. This percentage will go up further with the increase in export to UK customer, which is lying low in the last quarter, now it is picking up, you can see after second quarter you can see the improved margins in this plus some price increase.
- Anuj Talwar:** In the presentation we see figure of 10.8%, it looks like an error.
- Navin Juneja:** It is 10.8 Crores, not percentage. It is in rupee term. I am looking at the presentation and we can see in Q4 EBITDA is 10.8 Crores, rupee it is not percentage. There is an error in the presentation and Q4 EBITDA amount is Rs. 4.6 Crores while FY21 amount is Rs. 10.8 Crores.
- Apurva Mehta:** When you are talking about export going up, what is the reason behind this because domestic also is going to be well and still we are telling that our export will go up to 27%-28%, any reason behind any orders new wins?
- Navin Juneja:** Yes, as you are aware we got various orders in the pipeline. They are matured. We told you about export orders of heat shields etc., which will now start maturing one by one, number two, Forging, our customers in Europe and Italy etc., business are matured, now the business will start, it will start exporting. Now in MMT we have already announced that we have got order from European customer for BIW parts worth of Rs. 14 Crores per annum that supply will start





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moving from September-October so all these projects will fall in line. Marugo Rubber, their major buyback etc., will start coming in, so we expect the growth will be there, good growth will be there. EBITDA for Marelli was 9.87% for Q4, 8.7% for full year.

**Apurva Mehta:** Thanks a lot and wish you all the best.

**Moderator:** Thank you. The next question is from the line of Varun Bajaj from Quant Mutual Fund. Please go ahead.

**Varun Bajaj:** Thank you for the opportunity. I am attending the con call of Talbro's for first time, so I do not have sense of the coverage of it right now, so just wanted to ask in this pandemic year, how we have been able to achieve our growth in topline as well as improvement in margin and scope for the heat shield business if you could elaborate on that?

**Anuj Talwar:** As you are aware by now that we are total hedge company. We are in all segments of auto be it two-wheeler, four-wheeler, agri, off loader, LCV, MCV, HCV, plus with a good product mix of good blend of exports. What happened when last year the lockdown was opened in May we have got some backlog of export orders which we started dispatching them in the month of May and June then by that time the agri sector was moving, so we supplied to agri sector in a big way and in the month of June – July, Maruti etc., started opening and two-wheelers started moving, and then the V-shaped recovery. So, we followed that and there was recovery in the export segment also, in a big way because Europe etc., opened early and that has helped us in achieving that plus BS VI orders which we developed and my contribution per vehicle has also gone up in BS VI and these are also resulted in increasing my topline and bottomline we keep very strict control on all the expenses and it has paid off in that, that is the major story for that.

**Varun Bajaj:** Okay, and about the Heat Shield business, Sir?

**Anuj Talwar:** Yes, Heat Shield is a new product we started making Heat Shield two years – three years back but these were conventional heat shields, now lot of the Japanese OEM require a special technology of the aluminium Heat Shield or nimbus heat shield for that we acquired that technology from our partner Sanwa and we are quite proud to announce that we have won the order from Hyundai. For the heat shield we have two orders from Maruti and we are expecting more orders from them on this light fitting technology, so that is the way we expect this business. Now, this technology is being accepted by all OEM's and they will grow multifold in that plus we are getting very good traction in export from our old customers in this market in Heat Shield business.

**Varun Bajaj:** Okay, and any other Indian player into the same line?

**Anuj Talwar:** No major player. I think we have found out from the others and I believe we are the number one in this at this moment.



- Varun Bajaj:** Okay, great and sir what about the debt profile are we looking at reducing that cutting off more debt?
- Anuj Talwar:** Yes, if the cash flow remains like this, we will further reduce our debt going forward in the normal way, now this year one time for the sale proceeds also it was there but going forward my focus is to reduce my interest cost further down by reduction of that or by reduction of interest cost whatever way is that.
- Varun Bajaj:** Okay, many thanks Sir, all the best.
- Moderator:** Thank you. The next question is from the line Sunil Kothari from Unique Asset Management. Please go ahead.
- Sunil Kothari:** Thanks for opportunity, Sir. Broadly two major questions, one thing I wanted to convey since last three year – four years I am tracking this company, I am an investor. I am very positive about Mr. Talwar and Mr. Juneja, whatever you say and commit that is happening and you are fulfilling those commitments in terms of bringing cash flow to the balance sheet of a land which was not used for so many years, then you are reducing your debt, you are improving your margin, you are increasing your exports. So, really thanks a lot because it is very difficult for long time to commit something and fulfil those things and my thanks.
- Anuj Talwar:** Thank you Sir, thank you for your support. Thank you so much and I think we ourself are very keen to keep growing.
- Sunil Kothari:** No, you have increased the people's confidence in yourself a lot, and Sir just wanted to have your larger view on JV's because what I understand is standalone we already reached Rs.150 Crores capability in a quarter, so I am hopeful whatever timeframe you will be able to reach Rs.600 Crores with this same capacity and we are increasing some capex, so hopefully there will be some growth. But looking at the JV's what is the scope of all 3 JVs, if you can talk qualitatively or quantitatively?
- Anuj Talwar:** I will talk, let me take, MMT. MMT on the topline of course something happened, COVID happened which is based on Maruti and some export customers the European because of COVID, everything else remains well. Believe me this company will be a Rs.300 Crores company in three years. Believe me. They have order book in hand and going forward this is a 100% they will achieve that. Margo Rubber, Margo Rubber can be Rs.100 Crores Company in next two and a half years, from Rs.40 Crores last year. We have businesses. We have closed lot of business when we meet personally, we can explain to you. It can be Rs.100 Crores Company easily with good EBITDA of around 14% - 15% easily. In some quarters we will see the reflection of that. Regarding our Nippon leakless do not go by the topline, topline will not grow that fast because the pricing issue, we use localization because initially we used to import lot of material from US, paying duty, FCs, etc., now we are starting indigenizing and my margin are going up with that. So, you see the bottomline of that company going forward only do not talk about top line they



cannot be Rs.200 Crores sorry, it maybe 8% - 10% growth every year meaning bottomline will be fantastic.

**Sunil Kothari:** Sir, looking at your style of improving tenancy with reducing debt, it seems there will be really remarkable improvement going forward in terms of ROCE, do you have any objective or target maybe reasonable time frame two year – three years?

**Anuj Talwar:** Right now, we will go in steps, but it all depends on how the business goes, how much cash generation it does. Our wish is within three years we should reach ROI, return on investment of 17-18%. We are thinking on those lines but let us see. Return on Capital employed should be 18%, Return on Equity should be 15%, Debt to equity I think it should come down to 0.25 in next two years – three years.

**Sunil Kothari:** Great Sir, you are doing great job. Thanks a lot and wish you good luck.

**Anuj Talwar:** I think also for the first time we have seeing a 0.44% debt equity ratio which is helping.

**Navin Juneja:** I do remember you are my old investor four five years back my interest used to be Rs.16 Crores per annum now it has gone to this level.

**Sunil Kothari:** Yes, no great Sir, great. You are doing great job we are with you for a very long time. Thank you.

**Moderator:** Thank you. The next question is from the line of Nitin Kapoor an Individual Investor. Please go ahead.

**Nitin Kapoor:** Sir, thank you very much for a great number for Talwar ji and Juneja ji. Couple of questions, Sir basically we did about Rs.453 Crores, revenue standalone of this year, so how much can we do in the next two year to three years, can we do somewhere about Rs.700 Crores to Rs.800 Crores?

**Anuj Talwar:** Your voice is not very, very audible. I am sorry for that it is split.

**Nitin Kapoor:** I was just asking we did about Rs.453 Crores revenue this year, so it seems in the future in next two year to three years which we can partially predict, what sort of revenue target are we expecting, can we scale up to Rs.700 Crores to Rs.800 Crores, revenue?

**Anuj Talwar:** Sir, first of all my Ind-AS shows only the standalone topline, I want to just clarify that. If you see my presentation on the first page my real revenue is Rs.705 Crores, including full JVs. This consolidated if I talk about that only, note that within next three year – four years it should be Rs.1000 Crores.

**Nitin Kapoor:** Yes, I understand I have been a shareholder for the last four years, so I understand because of Indian accounting standards balance come in those?

**Anuj Talwar:** IND-AS is only standalone, it does not talk about JVs at all.



- Nitin Kapoor:** Correct, that is shows in the bottomline, yes so on the here it has.
- Navin Juneja:** Yes, because if my JV grows it is only affecting the bottomline fine, but it is not affecting the top line. That is why if I apply topmost my 100% share on all JV etc., etc., last year we did Rs.688 Crores this year Rs.705 Crores, our target in next three years it should be around Rs.1000 Crores, minimum.
- Nitin Kapoor:** Excellent, and Sir this quarter we did EBITDA margins of around 15.5%, so how much can that do up till next two to three years around 17% to 18%, so that is reasonable?
- Anuj Talwar:** Yes, I think that EBITDA cannot, how much what you said how much EBITDA?
- Nitin Kapoor:** About 17%?
- Anuj Talwar:** Sir, I think because our business the margins are not that good as 17% in next three years it should be around 16% plus. This quarter we have achieved the EBITDA Because there was no increment, no travel etc., in the last year, in the last quarter also. So, going forward next three years when we go with the locals and this year we will try to but it is there for the people, so I think between 16% to 17% we should do not more than that depend on quarter-to-quarter, depend on the product mix everything lot of stuff like that.
- Nitin Kapoor:** Okay, great Sir, it is good news and Sir, our net debt to equity ratio it seems the bank balance what is around 0.3% is it right?
- Anuj Talwar:** It was 0.44%.
- Nitin Kapoor:** I was just asking debt equity ratio in the next two year to three years, you said it should be somewhere around 0.25%?
- Anuj Talwar:** Around 0.25% it is not 0.44% we will be targeting 0.25%.
- Nitin Kapoor:** Okay great, and Sir going forward looking at the EV space and even the hybrid space are we looking for some orders, I just read a material of Mr. Talwar couple of months ago wherein he said he is in talks with Tesla any plans around that?
- Navin Juneja:** Nothing at this moment.
- Anuj Talwar:** But we are supplying to Electric Vehicles, we are supplying to European car maker from our forging and our chassis unit where we are already supplying to this EV vehicles. There is a small percentage like small revenue. Tesla there is nothing much happening at the moment. Yes, we were looking at but nothing has happened there but yes, we are supplying to Electric Vehicles in that global space, and we will be a part of every power play possible.



- Nitin Kapoor:** Excellent, so you do see yourself some orders in the next two year to three years in that space Hybrid and EV?
- Navin Juneja:** No hybrid we are already there and EV as well.
- Nitin Kapoor:** At percentage to the sales do you think it would improve in the next two year to three years?
- Anuj Talwar:** We cannot tell in percentage, but my gasket will go in hybrid, my chassis and forging will go in electric. So, it is very, very difficult to give that percentage they are still going in the EV for the European car manufacturers we are supplying to EV cars which they are making.
- Nitin Kapoor:** Okay, and Sir just a last question, what is the outlook for the conventional space, the things we are doing in the next two, three, four years does it look okay considering the fact EVs are coming, so what is the outlook for the conventional?
- Anuj Talwar:** I think the car makers in India today you might see that Tata Motors with this electric vehicle with the penetration is very low today like 2% or 3% whatever, right. So, even in today the carmakers whether it is I do not be quoted but you are largest carmakers in that country which have a 70% market share are still giving us enough guidance on the internal combustion engine. It is there to stay. There is nothing going to happen overnight. Yes, you are going to see these two wheelers like Ola is putting up a plant and Amazon might come tomorrow and say I want two wheeler, but intricacy like what we call economical Amazon, Flipkarts, scooters you will see the first penetration the cars, trucks are the long way, that is long-long way.
- Navin Juneja:** Yes, and recently two days back Prime Minister announced that they are looking for the new blended fuel which will be made in India. I think their target I read a mail, Anuj sent me some clip of some channel that is saying that by 2022 – 2023, 25% all two wheelers will be using new fuel which is made in India, cheap and less emission will be there. So, again that fuel engine will be there, so we do not see a major threat.
- Nitin Kapoor:** Great answer, and just a last thing, apart from the Chennai land sale any other non-core assets we have which we are looking to sell to improve the balance sheet?
- Anuj Talwar:** No, we do not have any vacant properties. All are occupied.
- Nitin Kapoor:** Excellent Sir, so congratulations and all the best for the future. Thank you.
- Moderator:** Thank you. The next question is from the line of Ravtej Singh from Malabar Investments. Please go ahead.
- Ravtej Singh:** Congratulations on a great quarter Sir. I have few questions, I am sorry if this has already been covered I joined the call a bit late. Could you elaborate on the Heat Shields opportunity a bit



more and what sort of revenue traction do you see, not now, not even for the next year but say over the next three year to four years. How large can the opportunity potentially get to?

**Anuj Talwar:** This year we are targeting a turnover of Rs.18 Crores–Rs.20 Crores in Heat Shield business, today morning we got one new order from European carmaker for the Heat Shield, so just for your information, and going forward we are expecting, we are definite we have won that two – three big orders from Hyundai and Maruti for various Heat shields and keeping in view the traction and order book in hand and which is going to be there which we are expecting and within three years and not this year another three years we can touch about Rs.50 Crores easily in this at present maybe this figure will improve further after six months when we talk.

**Ravtej Singh:** Okay, so Rs.50 Crores is basis the order book that we already have then?

**Anuj Talwar:** Already have and more or less 90% is secured out of this.

**Ravtej Singh:** Okay, got it. So, is this constrained by capacity or is it constrained by our ability to do?

**Anuj Talwar:** No, it is constrained by development time.

**Ravtej Singh:** Okay, got it. So, what is the outlook in five years or six years down the line, whether in ultimately the lower end?

**Anuj Talwar:** Our internal target is let us see us touch Rs.50 Crores and after that let us see us touch Rs.100 Crores in that.

**Ravtej Singh:** Okay, got it. Understood, and my next question that is, the Rs.1000 Crores, revenue target that you have given, can you break down a little. I am sorry if I am covering this again?

**Navin Juneja:** I am not giving you the break down, I am just talking about three years. It was three years our target. I do not know what will happen and how will we reach, of course we will work towards that. My forging will be Rs.250 Crores, broadly is Rs.250 Crores to Rs.300 Crores for forging and gasket should be Rs.450 Crores to Rs.500 Crores, gasket along with heat shields etc., and my MMT should be around Rs.250 Crores to Rs.300 Crores, my Marugo is around Rs.100 Crores and Rs.110 Crores – Rs.120 Crores is my Nippon, it will be more than Rs.1000 Crores by the way.

**Ravtej Singh:** Yes, it is coming to more than Rs.1000 Crores that is exactly what I was talking to?

**Navin Juneja:** I am just giving a band.

**Ravtej Singh:** Okay, got it. On the gasket side, just want to understand the product little better, is there any uses for gasket in our vehicle without an engine so say EV or if kind the gasket basically result zero usage. Gaskets are mainly used in the combustion engine or maybe too much?



**Anuj Talwar:** No, it is only engine of course they are in exhausts also, okay. When there is exhaust there is gasket will be there, basically engine.

**Ravtej Singh:** Only in engine, okay so basically, we would not be selling to EV's then?

**Anuj Talwar:** No, but our product if you look it at our company product portfolio today, 50% of revenues comes from gaskets. However, gaskets also we are predominantly supplying to commercial vehicles, agri and two wheelers. We are not that much in cars, for cars to offset that threat EV trend we are moving to heat shield product line which is aluminium light weight kind of portfolio is going to be there plus as already mentioned from our chassis component, chassis company as well as we are there. So, whatever may be the power frame we will be a part of it.

**Ravtej Singh:** Understood. No, I appreciate the diverse portfolio that you built up. I just want to understand what is the value of revenue which is basically at risk out of this EV production, so just a value of the two wheelers, gasket could may be very small?

**Anuj Talwar:** Very small at the moment, in the next two years to three years if I look at the gasket business the only threat as I told you is coming from maybe scooter, motorcycles are not going electric, they are still there for personal mobility, they are there for rural, they are there for transportation. In India if you look at the two-wheeler space maybe of the scooters 5% - 10% by 2025 may go to the electric. It just means why a nominal number believe me Bajaj is not talking about EVs.

**Ravtej Singh:** No, that is fine. I am not taking three years perspective, right I am taking more for a ten years perspective on this which is why I just want to understand the numbers a bit better. So, roughly Rs.100 Crores of revenue would be from two-wheeler gaskets, right?

**Anuj Talwar:** No, I will again, out of that Rs.100 Crores, revenues scooters would be maybe about Rs.15 Crores or Rs.17 Crores, Rs.18 Crores, balance is motorcycles.

**Ravtej Singh:** Okay, got it. I think some of the percent by every fancy.

**Anuj Talwar:** No, I think motorcycles are not going electric if you look at the worldwide phenomena mostly scooters of that very, very expensive e-bikes for biking which are at Rs.4 Lakh – Rs.5 Lakh, Rs.7 Lakh. The bulk of two wheelers in our country is motorcycles which will remain.

**Ravtej Singh:** No, I agree but see even if 50% go electric but even then we are looking at say only Rs.40 Crores – Rs.50 Crores revenue in the electric side which will be more than heat shields. So, that all whole thing will get.

**Anuj Talwar:** For the heat shield we constantly aware of the EV's because it is very cool looking business we understand that, that is why our focus is on very heavy IC engines the comments of world, the caterpillar work and owner consider a big heavy engine, freight movers, industrial engines, and these trucks, marine we are there and our other components like chassis or JV or forgings they



will continue in any ways, aluminium reworking models. Well, I cannot give you any guidance at the moment but what I can commit is that we will be powertrains which are used in the role we are there.

**Ravtej Singh:** Got it, that is great to hear and strategically speaking, how we are looking at our product pipeline going forward, right are we looking to increase the value content per car, if so, from where does that come in. Just what to understand your strategic thoughts around it?

**Anuj Talwar:** It is coming from both ways, value of course in BS VI we have increased the content per car, Magneti, we will be adding more products per vehicle, of course we are talking of full chassis now instead of on the control car we are talking of full suspension plus of course with the addition of new customers is combination of both, it is not one thing.

**Ravtej Singh:** No, I just want to understand your strategic thoughts around, what sort of products are we looking to add or are we just good for now or we are just going to stick to the product portfolio that we already have?

**Anuj Talwar:** No, in gasket of course we are talking about heat shield, it will gasket will be there and heat shield will be there in one car. BS-VI of course we agree the number of gaskets my companies will rely in more gasket, we are adding that also. In Volvo we have added one more gasket in BS VI. So, with the heat shield coming in the same vehicle and with the gasket coming in the same vehicles I will add my components, in Magneti Marelli, we used to supply a small tag control of now we are talking about the full chassis and we are adding more components in that, so that in forging, I am supplying one or two component more per vehicle so that way we are adding that more product lines. In Margo we have started with the rubber suspension which now we are adding moulds tomorrow we will do engine moulds will add more products of that.

**Ravtej Singh:** Got it, understood. Fair enough. So, I have two final questions, I am so sorry to stretch in this. Our Heat shield is also maybe to the engine or I mean are they everywhere?

**Navin Juneja:** Under body, exhaust, Formula-1 cars for example that what heat shield all under the body of the makers, so there is huge application worldwide the revenues of heat shields are not at about 22% – 25% or as today.

**Ravtej Singh:** That is huge market which sort of makes a Rs.50 Crores, estimate looks kind of pale but?

**Anuj Talwar:** Sir, we are starting now, we have seen where we reach. But we will not stop.

**Navin Juneja:** No, we will do the validation, there is testing, there is investment, so we are starting with the India carmakers though it has not happened in many years and we have been already supplying to only to carmakers in Europe and we are not stopping there. Let us say it is a coordinated outlay for that.





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- Ravtej Singh:** Got it and the final question is a bit more financial. Three years out we are looking to hit, I mean less than three years out we are looking to hit a Rs.1000 Crores topline with about a 16% EBITDA margins, so net, net are we looking at about a Rs.120 Crores odd PAT, is that work out to Rs.120 Crores – 130 Crores PAT, just want to get the numbers, right?
- Anuj Talwar:** This is on proportionate basis we added on the 100% basis?
- Ravtej Singh:** Proportionate basis?
- Anuj Talwar:** I do not think so it will be that much. I do not think so 100 Crores. Of course, it will be a handsome number. It should be double from this level that I can say, minimum in next two years. In four five years of course it will go up, I have not made that detailed plan as of today. I cannot. Anyway we will touch base on this in quarter one.
- Navin Juneja:** On the topline we work on the same on the bottomline, year-on-year we keep on, next two years we work, not more than that because things change very, very fast you know that.
- Ravtej Singh:** No, we have already had a Rs.50 Crores run rate, right from basis Q4?
- Anuj Talwar:** Run rate you know that every year first quarter is the best quarter for the auto industry because everyone has start etc., etc., and now first quarter it was washed out, you know that April to bit May was washed out June is now opening up etc., etc., so this quarter is little good, then how the economy if the economy goes up of course it will be fantastic and which continues then we have no problem, because of this COVID etc.
- Ravtej Singh:** Yes, absolutely as is this from two year – three years perspective that effectively we can potentially to get to say on Rs.80 Crores – Rs.90 Crores PAT then, Rs.90 Crores PAT?
- Anuj Talwar:** Yes, there will be no disruptions, everything remains good, order book is there, we will achieve more orders, there is no problem at all.
- Ravtej Singh:** Thank you.
- Moderator:** Thank you. The next question is from the line of Dipen Shah an individual Investor. Please go ahead.
- Dipen Shah:** Thank you very much for the opportunity. Mr. Talwar, Mr. Juneja, congratulations on a very good set of numbers and as Sunil Kothari, said you have been achieving whatever you have been promising over the last two, three years, and debt reduction also gives quite a bit of confidence to us about the future prospects of the company. Sir, most of the questions have been answered, I just had one question which was left out in terms of the new aluminium heat shields which you have written about in the presentation. If you can just give us some more insight how different



are they from the current one if at all and what should be the potential for that particular product over the next one, two years. That is the only limited question which I have?

**Navin Juneja:** Sir, regarding the technology Anuj will answer because Anuj is already with other products, Please.

**Anuj Talwar:** Basically it is light weighted product and in aluminium there are several layers will go into make so the current heat shield we are supplying, the original one were in only steel, when they steel in aluminium simple, the steel simple in aluminium stand things. These are corrugated sheets, so they have got three sheets in one, what they do is they are light weighted, they are more robust, they are able to handle the engine managements, the heat, it is much better, should be very, very complex for that to put into heat shield and we have a tie with our partners and future tie up today we have with us and this is one which in terms of technology, three layers, corrugated, more displaceable area it covers in an engine. So, potential is pretty achievement and leading carmakers today for Maruti or Hyundai and Toyota these are now finally going to be using this, where we have the capex for long, long times but the cream which is now we are going to use this product line.

**Navin Juneja:** Now, coming for business volume you want to talk about, in this of course now we have the capability to make all types of heat shields, steel heat shields with our steel, aluminium, more than it will be dimple okay, if I could put on through the roller and it have dimple we have that technology. Now, we have Nimbus, Nimbus is a top end of the heat shield, we have now all the technology which is going forward. In my overseas European customers they are giving in steel, someone is taken in aluminium but all this Japanese manufacturere slightly Korean-Japanese, they use Nimbus and we have got the order from Hyundai already, Maruti has given us two heat shield we are talking about the third one with a new models we are talking about Toyota, of course we will get in next one or two years because someone is supplying out there which we recognize. So, once we enter in one heat shield then there may competitors then they will open the door for us, then are all imported at present.

**Dipen Shah:** Thank you Sir and other thing is about the raw material cost there has been an increase in the commodity prices. So, how soon will we be able to pass it on?

**Navin Juneja:** Sir, it depend on customer-to-customer, 99% we recover but sometimes it takes one month, sometimes it takes two months, but we will recover.

**Dipen Shah:** You spoke about increasing air freight cost in the last quarter this probably will go down in the current quarter?

**Navin Juneja:** Yes, but it will not be there after June, that I will say.

**Dipen Shah:** So, if you can quantify it how much was the impact in the last quarter?



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- Navin Juneja:** Last quarter it was more than 1.5 – 1.7 approximately in this quarter it should be around 7 to 5.
- Dipen Shah:** Okay, so we should gain about Rs.1 Crore in that?
- Navin Juneja:** Yes, hopefully but material prices also here and there.
- Dipen Shah:** Thank you so much and all the very best, Sir. Thank you.
- Moderator:** Thank you. Ladies and gentlemen, as this was the last question for the day, I would now like to hand the conference over to the management for closing comments.
- Anuj Talwar:** Thank you so much. I hope we were able to answer your questions whatever limited time we had. As said earlier we are looking at growth, we are looking at the return ratios, we have to see Q1 to see what is going to happen with the lockdown and COVID and we are very, very positive in our outlook, yet we would be cautious to this COVID around us. Thank you.
- Moderator:** Thank you. On behalf of Talbro's Automotives Components Limited that concludes this conference. Thank you for joining us. You may now disconnect your lines.