

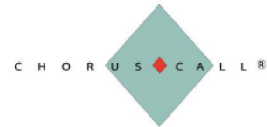


“Talbro's Automotive Components Limited Q3 & 9 Months FY2022 Results Conference Call”

February 10, 2022

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Talbro's Automotive Components Limited
February 10, 2022

Moderator: Ladies and gentlemen, good day and welcome to Talbro's Automotive Components Limited Q3 and Nine Months FY2022 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 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 Talbro's Automotive Components Limited. Thank you and over to you Sir!

Anuj Talwar: Good afternoon everyone. A very warm welcome to our Q3 and nine months ended FY2022 earnings call. I hope you all are staying safe and healthy. On the call today, I am joined by Mr. Navin Juneja, our director on the board and our group CFO. We also have SGA our investor relation advisors on the call. The results and the presentations are uploaded on the stock exchange and the company website. I hope everyone had a chance to look at it. Before I move into the industry outlook and what is happening, we are happy to announce a robust set of numbers for Q3 amongst the chaos in the automotive world.

I will give you a quick update on the industry and the economy as well. Auto OEMs reported blended numbers across segments especially two-wheeler segments faced the most challenging situation due to subdued demand in the domestic market. The sign of recovery especially in the entry level two-wheeler segment might be prolonged. Passenger vehicles continue to face the brunt of the semiconductor shortage. There is demand but there are supply issues that we have to deal with both in the domestic market and also the international markets. However, with the governments push on infrastructure and the recent announcement of 25,000 kilometers of new highway, the CVs have shown a very positive sign and will continue to do so where Talbro's is a very significant player in commercial vehicles. This will help us going forward as it did in Q3. The quarter was challenging not only restricted to the semiconductor shortage, but the massive inflation across commodities such as steel, etc., was difficult and weighed on margins. OEMs are trying hard to keep this increase at their level, but some have also passed this on to the end users. The performance of the auto industry for nine months according to SIAM as the data published by SIAM in the Q3 of FY2022, sales of passenger vehicles in Q3 has been the lowest in five years while the two-wheelers has been the lowest in nine years. Only the heavy goods segment in commercial vehicles have shown a positive growth compared to Q3 of previous two years. Sales of buses and three wheelers continued to be a concern with COVID and Omicron with



Talbro's Automotive Components Limited
February 10, 2022

different variants of the virus coming along. Barring 2020, the sales of commercial vehicles in Q3 have been the lowest in the last five years and sales of three dealers barring 2020 have been lowest in 13 years. There are signs of improvement of chip shortage. We are hopeful that the situation should come to terms in the next six months. We also expect recovery and demand from all markets especially that we are seeing a decline in COVID cases in the country. From now onwards, we see a sign of recovery and increase of production schedule of OEMs going forward.

Now I would like to highlight on the Talbro's standalone and the joint venture business structure. We are a diversified auto company player with presence across two wheelers, passenger vehicles, commercial vehicles and farm equipments. Our business is broadly divided into a standalone business. Gaskets and forgings and three joint ventures with global auto giants for gaskets, suspension and rubber components. In gaskets we continue to be a market leader with having a market share of over 50% as I have repeated in my various calls. We have done a lot of investment in R&D and this is the reason that we are ahead of our peers. Our forging business continues to perform well. We have had a bit of a hiccup in Q3 due to some export businesses being hit by the chip shortage, but it is a very strong business moving forward. In the forging business line, we are already supplying to the electric vehicle space in the global market. Our joint ventures with Marelli and Marugo, which are basically for suspension components, chassis components and rubber components are linked directly to passenger vehicles in the domestic business and now also some exports globally. We will be supplying EV parts worth about Rs.25 Crores in India and global OEMs in FY2022. As I mentioned to you earlier, forging already supplying to electrical space and even in our JV with Marelli we are supplying to large Indian OEM in all the electric vehicle spaces. During the nine months FY2022, our domestic sales 27% was contributed by two and three wheelers, 28% was contributed by passenger vehicles, 28% by our commercial vehicles and 9% by the agri space. As we have always mentioned to you and stated earlier we remain to be a head auto component supplier which helps us in delivering margins and growth rates and not linked only to a particular segment in the auto sector. Our export portfolio continues to do well. We have had a bit of a setback in our forging business line in Q3 due to chip shortages but still almost 25% of our revenue comes from exports. Now I request Mr. Juneja to take you through the numbers and the financial performance of 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 of FY2022 our standalone gasket sales were Rs.101 Crores as against Rs.84 Crores in Q3 of FY2021. Total revenue on Nippon Leakless was Rs.20 Crores in Q3 of FY2022 as compared to Rs.26 Crores in Q3 of FY2021. It is a combination of two factors. One is the



Talbro's Automotive Components Limited
February 10, 2022

Hero sale was down by 30% and the Honda sale was down by 20% in Q3. Secondly in this financial year, we had developed a new gasket for 100 cc engines for Hero with the localized team the sale price of which is approximate 25% cheaper as compared to the older version that is why a drop in sale is there, but the EBITDA margins are being maintained at a healthy level. This segment saw a combined EBITDA of Rs.20 Crores in Q3 of FY2022.

Coming to the forging division, the forging business is consistently performing well. The revenue in Q3 FY2022 is Rs.49 Crores as against to Rs.50 Crores in Q3 of FY2021 as Anuj explained because of the chip shortage and closure of all the export facilities in the month of December impacted our sales a little bit. Coming to Marelli Talbro's Chassis System Private Limited the total income for Q3 of FY2022 stands there Rs.43 Crores versus Rs.41 Crores in Q3 of FY2021.

Now coming to Talbro's Manigo Private Limited total income of operations for Q3 FY2022 stands at Rs.13 Crores which is same as the last year. The above mentioned revenue numbers are all of all our joint venture businesses, our total revenue including our share of business.

Now coming to the consolidated financial performance of the company, on slide number 10 of our investor presentation we have reported consolidated revenue based on Ind-As. Total income including other incomes stood at Rs.151 Crores in Q3 of FY2022 as against Rs.132 Crores in Q3 of FY2021 a growth of 14% Y-o-Y basis. On nine month basis, revenue stood at Rs.435 Crores versus Rs.293 Crores in nine months of FY2021. The financial for the period reflects strong business performance and execution of multiyear orders received in the past years with the additional count of new product lines goes well in expanding our order book.

Now EBITDA including other income stood at Rs.21 Crores in Q3 of FY2022 is the same versus Q3 of FY2021. On nine months basis our EBITDA stood at Rs.60 Crores versus Rs.40 Crores in nine months FY2021. EBITDA margins stood at 14% for the quarter versus 16% in last year's Q3 of FY2021. Majority of the commodity pricing steel high by more than 20% to 30% on Y-o-Y basis followed by hike in salaries of all the categories employees lead to overall dip in margins. We have recovered the major portion of our steel price increases for major OEMs, but steel price increase in the month of October 2021 which is Rs.5.60 per kg has not been recovered yet. We are in the process of recovering the same from each customer and the recovery should happen by March 2022. Also Rupee appreciated versus Euro as you know that our forging exports is 90% Euro based which has affected our forging sales and the margin in turn adversely to some extent. Our PAT stood at Rs.11 Crores in Q3 FY2022 with the same at Q3 of FY2021. On nine months basis PAT



Talbro's Automotive Components Limited
February 10, 2022

stood at Rs.32 Crores versus Rs.12 Crores in nine months of FY2021. Our gross debt at the end of December 31, 2021 including working capital stood at Rs.97 Crores. For the quarter of Q3 of FY2022, we incurred a capex of around Rs.8 Crores. We continue to witness strong momentum and benefits of our hedge portfolio and accordingly we see highest ever profitability in FY2022. This is all from our 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 Sanjay Awatramani from Envision Capital. Please go ahead.
- Sanjay Awatramani:** Good afternoon Sir. Thank you for giving me this opportunity. Sir the margins which we are expecting in the future or in the coming quarters or in next quarter if you can highlight some points on that, that will be great Sir?
- Navin Juneja:** We expect the margin of around of 14% in the last quarter that I can say around 14%.
- Sanjay Awatramani:** Okay Sir this will EBITDA margins right?
- Navin Juneja:** Yes EBITDA margin I am talking about.
- Sanjay Awatramani:** Anything on the FY2023 I mean If you can give us something Sir?
- Anuj Talwar:** FY2023 we will avoid giving at this moment because lot of chip shortages world over is there. We would like to do that in our next call for the financial year and then when we meet in the month of May we will definitely like to give at that time.
- Sanjay Awatramani:** Thank you for this Sir and any capex plans next year for FY2023 if you can guide us for that?
- Navin Juneja:** The continuous capex plan will happen. It will happen in another gasket we will do a capex of around Rs.8 Crores to Rs.10 Crores definitely and forging we will also do about Rs.8 Crores to Rs.10 Crores capex in next year.
- Sanjay Awatramani:** Okay Sir and this is the total for whole year right Rs.8 Crores to Rs.10 Crores?
- Navin Juneja:** Each. Jointly it will be around Rs.16 Crores to Rs.20 Crores jointly both for standalone business.
- Sanjay Awatramani:** For full year right?



Talbro's Automotive Components Limited
February 10, 2022

- Navin Juneja:** Yes FY2022.
- Sanjay Awatramani:** Thank you Sir. This answers my questions. I will come back in the queue. Thank you so much.
- Moderator:** Thank you. The next question is from the line of Ravi Naredi from Naredi Investments. Please go ahead.
- Ravi Naredi:** Sir a very fantastic result you have given. Sir how many months order do we have in hand and can we hedge this commodity price which orders we are in hand?
- Navin Juneja:** So commodity prices hedging is not possible here because first of all my off take is not very, very high number one. Second some raw materials we are importing. The factories do not want to give us the fixed price for a certain period. Of course we are trying to do little bit but not for more than one month we cannot hold them. One month we can have the own price but after that no. There is a huge gap between demand and supply you know that. When the supply is little and demand is more so you know that what happens.
- Ravi Naredi:** This profit from joint ventures are low level when compared to last year these are also on commodity reason?
- Navin Juneja:** No this is not commodity reason because if we see the joint ventures Nippon Leakless is an OE supplier to Honda and Hero only. In this quarter Hero was down by 30% and Honda was down by 20%. This is one of the reasons and both Marelli and Marugo. The Marelli is 60% based on Maruti and Maruti was down by 12% and balance is export to JLR which was affected last quarter because JLR was in bad shape last quarter so it was as limited pipeline. In Marugo, Marugo is 75% Maruti based number one plus the price increase we have launched with Maruti has not been received till now. We expect to receive this in this month only and next quarter you will see a better picture definitely.
- Ravi Naredi:** Definitely. Yes Sir up to which time inflation on commodity may continue? Can you give some time line?
- Anuj Talwar:** Sir we do not even know but we try our best to recover the prices from the customer but maybe another quarter. No one really knows but our attempt is that in some of business we have already got the increase from the customers. Some are delaying tactics but over a quarter lag we get it but we cannot predict how long it will be on for. Nothing appropriate lies so hopefully it should get better. Whatever goes up comes down also in life so let us see.



Talbros Automotive Components Limited
February 10, 2022

- Ravi Naredi:** Thank you very much Sir for giving me the opportunity to ask something.
- Moderator:** Thank you. The next question is from the line of Akhil Hazari from RoboCapital. Please go ahead.
- Akhil Hazari:** Good afternoon. Sir I just wanted to know in the EV segment are you the sole supplier of EV parts to the Tata companies?
- Anuj Talwar:** Yes for the JV Marelli Talbros where we make suspension control arms. It is a product which is basically for the suspension which connects the steering wheel to the power train so we are supplying single source to the EV vehicle of Tata Motors from that JV.
- Akhil Hazari:** So that will make you the sole supply in the EV segment so overall you will not be the sole supplier of any other parts to the Tata Companies right?
- Anuj Talwar:** We sell to Tata Motors with various components like for example from our gasket business also we are supplying gaskets to Tata Motors to Tata Cummins single source. We are supplying suspension components from our JV so various products we supply to them heat shields, but electric vehicles of Tata Motors like what they have come up with we are supplying through the JV right now.
- Akhil Hazari:** Fine great and Sir going forward also you will not be able to give any revenue guidance for FY2023 also right?
- Anuj Talwar:** I think it is better to wait this quarter. We are confident of our order pipeline but I think it is better to just wait for this quarter because there is so much uncertainty with the chip shortage no one really knows. We are confident of a good show that much I can tell you so let us wait till this whole uncertainty to settle.
- Akhil Hazari:** Fine great. Thank you so much. That is it.
- Moderator:** Thank you. The next question is from the line of Vikram from DBS. Please go ahead.
- Vikram:** Mr. Navin first of all congratulations for such a fabulous result for the nine months. It is good to see in spite of challenges in auto segments. Talbros I believe is doing such a good job. Just one question going ahead the focus on EV with EV coming into picture what is the focus of the company in developing products with respect to EV market?
- Navin Juneja:** As Anuj just told before in the call that we are through our JV we are supplying to Tata Motors and through our JV we are also supplying to JLR. All the new vehicles of JLR EV



Talbro's Automotive Components Limited
February 10, 2022

vehicle our component will go there and we through our forging division through GKN we are supplying to Volvo our EV components so plus as you are aware we have developed heat shield business which is going. It will go to all the vehicles out there the EV and non EV, CNG based, etc., and we are hopeful that this portion will grow over the period of next couple of years both.

- Vikram:** Any capex plans for this EV expansion next year?
- Anuj Talwar:** No capex for EV no. It is whatever components we are supplying to IC engines we are also supplying some to EV so nothing in specific. It is not like a separate capex no.
- Vikram:** Thank you Sir.
- Moderator:** Thank you. The next question is from the line of Nidhi Khanna from Isha Securities Limited. Please go ahead.
- Nidhi Khanna:** Sir my first question is that what should we expect from the JVs in the next quarter and FY2023 if you could share some color? I know the semiconductor supply shortage is continuing and you have emphasized on that but if you could give some color?
- Navin Juneja:** I can say about this quarter only. The performance should be better as compared to Q3 because number one Maruti is commenting that chip shortage had been controlled little bit as per their guidance so the performance should be better. In Magnite Merilli and Marugo Rubber and Nippon Leakless it depends on how the Hero and Honda performs. I think they are performing not very good till January. Let us see in the next couple of months but it will definitely be better than this quarter because we are expecting a price increase in Marugo which will be validated so it will be definitely better that I can say.
- Nidhi Khanna:** Alright my next question is that what is the capacity utilization that we had in the last quarter?
- Navin Juneja:** In the last quarter in the gasket division my capacity utilization was 85% to 90%. In forging it was 75%. In Magneti Merilli it was 70%, in Nippon Leakless it was 60% to 65% and Marugo Rubber in anti-vibration it was around 70%, in my other business of hose it was 30%.
- Nidhi Khanna:** Lastly I want to understand if we have applied for the PLI scheme and are there any plans to apply in the coming period?



Talbros Automotive Components Limited
February 10, 2022

- Navin Juneja:** Madam as of today whatever the components we are having or we are in the process of having does not qualify in the PLI. It does not qualify in the PLI.
- Nidhi Khanna:** Sir EV components also?
- Navin Juneja:** EV components go in EV vehicle. The suspension go in an EV vehicle. The forgings go in the EV vehicle but I do not think it will be BLIR which will require special capex, etc., because I can make this component in the existing equipment which I am having. I do not have to plan for a new setup. I am not making a new motor or something that qualifies or battery or whatever it is.
- Nidhi Khanna:** Understood Sir. This is helpful. Thank you for taking my questions.
- Moderator:** Thank you. The next question is from the line of Priyanka Shah from NM Securities. Please go ahead.
- Priyanka Shah:** Thank you Sir for taking my question. Sir how was the demand in the month of January and what is the visibility for an overall Q4 at domestic and global level as Indian OEMs are commenting on activities to pick up in Q4?
- Navin Juneja:** I think on the global front the demand is better as compared to Q3 that I must say that but on the export front still it is a little better not much on that export front. Of course I think in the Q4, I should do better than Q3.
- Priyanka Shah:** Okay Sir one more question. Can you please discuss Q3 FY2022 performance across all segments of two-wheeler vehicle and other segments?
- Anuj Talwar:** So we gave you that breakup that in our domestic business about the time about 27% came from two wheelers, 28% came from Passenger vehicles and about 28% came from CV and 9% came from the tractor and heavy industry of our domestic business.
- Priyanka Shah:** Thank you Sir.
- Moderator:** Thank you. The next question is from the line of Bhaskar Chaudhry from Entrust Family Office. Please go ahead.
- Bhaskar Chaudhry:** Sir sorry if some of these questions are basic, but I am just looking at nine month numbers and the other expenses line has increased quite significantly so compared to the previous nine months there should have been some more operating leverage why has that not really flown through?



Talbro's Automotive Components Limited
February 10, 2022

Navin Juneja: First of all in the other expenses 70% expenses are variable consumer stores, processing charges, and power and fuel. We are all part of other expenses, freight and as you are aware exports freights have doubled in last one year. That is the major reason for increase in that. Of course we got the price increase. This has been reflecting in the top line so if you see my top line also is also gone by 20% as compared to the nine months of last year and 70% expenses just want to share with you are variable in nature. Last year there was no travel nothing was there. Now some people have started moving and some business promotion expenses are also happening. This comprises of because the stores, labor and processing charges, power and fuel, repair to building, repair to plant and machinery, insurance, travelling convenience, sale promotion, and packing freight and forwarding. Packing freight and forwarding last year was 226. This year it is 850. Like my travel, tour and expenses last year was 71. Now it is 146. Similarly my consumption of stools and spares because turnover has gone up by 20%, it was Rs.7.52 Crores. Now it is Rs.9.84 Crores so these are the major reasons for that.

Bhaskar Chaudhry: Understand Sir. I am sorry I joined late so please excuse me if you covered this earlier. Sir for the nine month number what is the value growth and what is the volume growth?

Navin Juneja: Volume it is very, very difficult to calculate because the components are in lakhs so I can give you the value growth only. The gaskets there are small gaskets and big gasket it is very difficult to calculate the volume over there. It is in lakhs. In forging also it is thousand lakhs volume over there so we do not have the figure of volume.

Bhaskar Chaudhry: Understand Sir and one last question again a little bit of a basic question and slightly more strategic so in terms of your current product portfolios Sir how much of it moves from the IC engine phase to the EV kind of era seamlessly and what kind of other products are you looking to launch for the broader EV space? How much overlap is there and what are the new products you are looking at?

Navin Juneja: Sir new products we are only in the existing range like we usually do the booking for the EV space. The special components we have already increased the order from JLR in a big way for EV which is as soon as the vehicles will start manufacture of the vehicle it will be supplied there. As Anuj told you earlier because the Tata Motors all the EV vehicle we are supplying the suspension components. If the number goes up our number will go up. Of course we are the sole customers for that also. In our forgings, we are in ev-space of the BMW vehicle and the Volvo vehicles and we are getting new parts. I think some customization now. It will be realized in the next three to four months and much of the volume will come within one year in that so it is happening day by day. Whatever the demand is there we have production capacities, etc., we are doing that.



Talbro's Automotive Components Limited
February 10, 2022

- Bhaskar Chaudhry:** Understand. Thank you.
- Moderator:** Thank you. The next question is from the line of Pratik Kothari from Unique PMS. Please go ahead.
- Pratik Kothari:** Good afternoon. Thank you. Sir just one question on the forging part that some components that we supply on the hybrid side what would those parts be?
- Anuj Talwar:** Those are basically they are called bushes they work around the motor electric motor so for the electric motor. There are some bushes that are made. It is high end machine products.
- Pratik Kothari:** And these are the parts that we earlier used to supply to IC vehicles also or currently we are also doing that?
- Anuj Talwar:** There is no replacement of product. It is a new product by itself. It is addition to the line. It is not replacement.
- Pratik Kothari:** Fair enough. Thanks and all the best Sir.
- Moderator:** Thank you. The next question is from the line of Amit Shah from Ace Securities. Please go ahead.
- Amit Shah:** Sir I have two questions. One is Sir, can you please discuss about our foreign exchange hedging policy as we are increasing our export business?
- Navin Juneja:** We do minimum 25% to 30% our export is hedged minimum and balance we need to keep it open. Sometimes if the rates are good we go up to 40% like when the Euro was around Rs.87 to Rs.88 we did about 40% export hedging in that.
- Amit Shah:** Sir in EV business how is our margins differential in EV business as compared to non EV business?
- Navin Juneja:** The same.
- Amit Shah:** It is same?
- Navin Juneja:** More or less same. It depends on the customer. BMW gives us good margin so margins are good. Tata Motors you know that how they work so a little bit. Not much value added. Between domestic and export margins the same margin.



Talbro's Automotive Components Limited
February 10, 2022

- Amit Shah:** Understood. Thank you.
- Moderator:** Thank you. The next question is from the line of Nisha Desai from Raga Securities. Please go ahead.
- Nisha Desai:** Good afternoon Sir. Thank you for taking my question. Sir I have a few questions so I wanted to understand what is the peak revenue of our orders received in the last year?
- Navin Juneja:** I did not understand the question.
- Nisha Desai:** What would be the peak revenue which we can achieve for the orders which we have received in the last year?
- Anuj Talwar:** It is a massive ongoing thing. We have declared about \$30 million odd orders declared over past year and it is coming into phases so does not come in one go but about 10%, 15%, 20%, and 30% comes on a regular basis so we cannot decipher that. What we can say that this order that we have won with only give us a good growth rate in our topline for all our divisions going forward.
- Navin Juneja:** But it again depends on the end customer. Their production should also go up according to that order.
- Nisha Desai:** In our non-EV business what is the progress on the orders for the upcoming year? Can you give a broad idea for next two to three years?
- Anuj Talwar:** It remains a very, very strong across all segments. There is no issue at all. We are still predominantly sublimed to the IC engine with some EV thrown in but very strong because we are supplying to heavy commercial vehicles, passenger vehicles, tractor industry so it is still very, very strong. Export also in a big way.
- Nisha Desai:** Sir my next question is do we meet all of our global order requirements from the domestic production?
- Navin Juneja:** We supply to the factories in India yes is that your question.
- Nisha Desai:** Yes?
- Anuj Talwar:** We do.



Talbro's Automotive Components Limited
February 10, 2022

- Nisha Desai:** Do we have any plans of investment at the international location with the increasing export in place?
- Navin Juneja:** I think the cost of manufacturing is much, much lower here as compared to overseas you know that and our plants are all approved by the overseas customers better to supply from here. We do not have any plan to put up a manufacturing facility outside India. Of course we have warehouses all over the places. We have two warehouses in Italy, two in UK and one in US so we have warehouses. In Germany also we have warehouse.
- Anuj Talwar:** Warehouses and sales we can explore outside but manufacturing we will do in India. Everything is here.
- Nisha Desai:** This was very helpful. Thank you so much Sir.
- Moderator:** Thank you. The next question is from the line of Apurva Mehta from AM Investments. Please go ahead.
- Apurva Mehta:** Sir congratulations on a good set of numbers in this uncertain environment. I just wanted to ask about the heat shield side? This quarter what was the turnover from heat shield and what is the outlook for maybe Q4 and maybe next year?
- Navin Juneja:** Heat shield we are already developed the samples for Maruti and Hyundai. The samples have been given to our collaborators for their validation. I hope so by the end of this year or by early April we will start the commercial supply to Maruti and Hyundai and I expect next year these two will give us a very good additional revenue of about Rs.15 Crores and plus there are other others we are expecting more from KIA, etc., Jaguar Land Rover. Let us see how it goes further.
- Anuj Talwar:** Our commitment to you about heat shields in the next two to three years still remains.
- Apurva Mehta:** Sir the target of around Rs.50 Crores to Rs.75 Crores in the next two to three years is achievable?
- Navin Juneja:** More than five years Rs.75 Crores definitely.
- Anuj Talwar:** When travel thing open up there is a lot of opportunity aboard also. It is just that every time my guys want to travel out some variant comes out. There is a lot of opening out there. They are working with some global customers. We are talking to them but we need the interaction with the R&D team to go and present. That is taking a little bit of a setback but do not worry the goal will be achieved.



Talbro's Automotive Components Limited
February 10, 2022

- Apurva Mehta:** And any new orders in pipeline which we are negotiating? Any sizeable orders we can foresee?
- Navin Juneja:** We are expecting a big order from Marugo Rubber and in our forging business we are negotiating two big orders. I think hopefully it will mature within this three to four weeks maximum.
- Anuj Talwar:** By March we will have better picture. The orders are in the pipeline. That is the better time to talk about that yes. That is work in progress.
- Apurva Mehta:** Any side on the gasket because any replacement when the world must be closing lot of gasket units because of progressing in EV so there is an opportunity for us to grab that market where they are closing down and any tie ups Sir we are taking or are we seeing such thing happening globally?
- Anuj Talwar:** No gasket will continue to work on the export front because there is a huge opportunity out there so we are talking to our customers you know who are there and we probably become a dominant supplier even in the overseas market so it is an opportunity in fact like you rightly mentioned. We are working on that.
- Navin Juneja:** Just for your information in the first nine months of this year our export in gasket business, I will just give you some numbers for that. Our gasket export is up by 58% in this year as compared to nine months of last year export
- Apurva Mehta:** Sir how much in value terms?
- Navin Juneja:** Last year it was Rs.28 Crores in the first nine months. Now it is Rs.45 Crores in nine months.
- Apurva Mehta:** Next year it would be much better?
- Navin Juneja:** 100%.
- Apurva Mehta:** How is Cummins progressing over the period and are you seeing accelerated traction coming from EV?
- Anuj Talwar:** Cummins is going on well. If you look at the growth rate of the domestic market for nine months the growth rate is basically 51% over last year. This also is predominantly linked to the commercial vehicle space where we are going to have high value addition and even



Talbro's Automotive Components Limited
February 10, 2022

exports are coming along well, but it takes times. It is a little slow but next two to three years it should be a bump up for us.

Apurva Mehta: Any chance to export for this gasket that we are making for Cummins India for Tata Cummins any scope of export for Cummins International?

Anuj Talwar: We have already starting it is to come in at a million dollars but this can easily go up to about \$3 million to \$4 million in the next couple of years.

Apurva Mehta: On the margin front when we were looking at the volume side the margins have substantially gone down so I think there must be?

Navin Juneja: Sir do not look at one quarter please. It is based on many factors. My product has changed there. Now last quarter export is 44%, it is not 54% because of the chip shortage export has come down as the plant was closed in the month of December. On the other hand in the last year was around 87 to 88. In the last quarter it was around 84 to 85, it is also because of steel price increase. It has not been recovered fully. Freight has not been recovered fully, of course it will be recovered. On yearly basis the long term it should become the same level 14% to 15%.

Apurva Mehta: Q4 we can see some recovery coming on that side?

Navin Juneja: Export some recovery is there but not 100%. It will take six months to get back to normal.

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

Moderator: Thank you. The next question is from the line of Kunal Patel from Equilligence Capital Advisors. Please go ahead.

Kunal Patel: Thanks for the opportunity just couple of questions. First one is a book keeping question if you can just give a breakup of our revenue in our gasket division between automotive and industrials?

Navin Juneja: Industrials is small. I think 4% to 5%. Exports is about 18% and the rest is domestic.

Kunal Patel: In our exports in the gaskets are we supplying significantly on the industrial side or it is predominately automotive?

Navin Juneja: Predominately automotive.



Talbro's Automotive Components Limited
February 10, 2022

- Kunal Patel:** Sir second question have we lost any customers in the last couple of quarters say in regard especially on the export side?
- Anuj Talwar:** No. We gained customers in exports in OEMs and export in after market replacement market. We only gained and will continue to gain.
- Kunal Patel:** We have gained significant business from DANA Italia in the last one year or so, so do you see these relationships expanding over the next couple of years or do you see we have reached peak revenue here?
- Navin Juneja:** Of course we have expanded our relationship. We are working new part of Tata and new part for JLR, new part for BMW.
- Kunal Patel:** Sir last question is regarding which is one of your clients which is Comar industries so have you lost any business there?
- Anuj Talwar:** In which company?
- Kunal Patel:** Comar?
- Navin Juneja:** I think Comar schedule has come down.
- Kunal Patel:** Thank you Sir.
- Moderator:** Thank you. The next question is from the line of Mayur Liman from Profitmart Securities. Please go ahead.
- Mayur Liman:** Thank you for the opportunity. I just want to ask in the forging business we received the Rs.25 Crores order so could you please give some detail?
- Navin Juneja:** We have not said we have received. We are negotiating. It is in the final stages.
- Mayur Liman:** No issue. Thank you.
- Moderator:** Thank you. The next question is from the line of Kunal Patel from Equilligence Capital Advisors. Please go ahead.
- Kunal Patel:** Thanks for the opportunity again. So I just want to understand is there any revenue that we are expecting to flow from next year onwards that is FY2023 onwards and which can be a significant growth to us?



Talbro's Automotive Components Limited
February 10, 2022

- Navin Juneja:** I got the question. First of all we are expecting heat shield business to start for new heat shield supply to start from April to Maruti and Hyundai of approximately Rs.14 Crores to Rs.15 Crores for the next year. Number two, Merilli JV and Jaguar orders will start supply from next financial year. Business has started. The major will come from next financial year. Marugo of course we got lot of stuff this year. We have got Maruti and it will start next year and plus in the forging side we have small quantities are going. Next year it should be very, very high so these are the major thing and Cummins we are expecting to close some good orders for the next financial year, which will start by next year also.
- Kunal Patel:** Sir another question was regarding our forging business so how is the average realization of our forgoing parts from our last couple of years and do you see it increasing over the next couple of years?
- Navin Juneja:** Couple of years of course it is increasing, the more utilization on the high presses which we are going to do which will grow.
- Kunal Patel:** And because we are seeing the margins in our forgings division this quarter has gone up while the revenue has declined so is it largely because of better value products that we are supplying or better margins that we are supplying?
- Navin Juneja:** I just explained. One is the product mix. Products mix in the last quarter were around 53% to 54% export. Now export has come down in this quarter 46% number one. Domestic has gone up. The margin in export is always better than the domestic. Euro has hit us badly because all the exports 95% are in Europe and Euro prices I think a year back was Rs.88. Now it is Rs.84 and Rs.85 last quarter. The freight has gone up. We are still to recover the freight increases which should have come up in the earlier quarter, which we are expecting to receive in this quarter. Steel price increase of Rs.5.60 paisa which happened we are still to recover. It will recover in this quarter so on the overall you have to see the picture. Do not look at this quarter. This quarter of course is bad.
- Kunal Patel:** Sir is it safe to assume that similar things would have impacted our margins in our export side of gasket business as well? Is my assumption right on that one?
- Navin Juneja:** No on the gasket exports is okay.
- Kunal Patel:** As we expect forgings margins to again go back to 18% to 19% over the next couple of years?
- Navin Juneja:** It will come back.



Talbro's Automotive Components Limited
February 10, 2022

Kunal Patel: Thank you so much Sir.

Moderator: Thank you. As there are no further questions from the participants I now hand the conference over to management for closing comments.

Anuj Talwar: Thank you so much for being on the call today. I hope we have been able to answer your questions. If not you can get in touch with SGA our IR investor company in Mumbai and stay safe and thank you so much.

Moderator: Thank you. On behalf of Talbro's Automotive Components Limited that concludes this conference. Thank you for joining us and you may now disconnect your lines.3