“Talbros Automotive Components Limited Q3 FY2018 Earnings Conference Call”

February 15, 2018

MANAGEMENT: **MR. ANUJ TALWAR – JOINT MANAGING DIRECTOR – TALBROS AUTOMOTIVE COMPONENTS LIMITED**
MR. NAVIN JUNEJA – DIRECTOR AND GROUP CHIEF FINANCIAL OFFICER - TALBROS AUTOMOTIVE COMPONENTS LIMITED

Moderator: Ladies and gentlemen good day and welcome to Talbros Automotive Components Limited Q3 FY2018 Earnings Conference call. This conference call may contain certain forward-looking statements about the company, which are based on the beliefs, opinions and expectations of the company as on the date of this call. The statements are not the guarantees of future performance and involved risk 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 an operator by pressing "*" followed by "0" on your touchtone phone. Please note that this conference is being recorded. I am now glad to hand the conference over to Mr. Anuj Talwar, Joint Managing Director of Talbros Automotive Components Limited. Thank you and over to you Sir!

Anuj Talwar: Thank you so much. Good afternoon everyone and a very warm welcome to the Q3 FY2018 earnings call. On the call today, I am joined by Mr. Navin Juneja, our Director and Group CFO, SGA, our Investor Relations Advisor.

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. I am also happy to report that Talbros Automotive has reported its highest quarter in terms of revenue and margins. This Mr. Juneja will walk you through in the later part of the call.

The Indian Auto Industry has witnessed significant growth in the Q3. Indian Auto Industry grew at 16% in Q3; however, our company Talbros grew at 28% for the quarter. We have also our confident that whatever numbers we have given to you for the financial year will be achieved as Q4 is also seeing a lot of demand from the auto sector. Furthermore the business statement that we have given to you over the course of next two years 2020 will be achieved.

The performance of auto sector was mainly on the back of good monsoons, improved rural sentiments, increased production of BS-IV compliant vehicles. The above factors and the upcoming BS-VI emission loan and safety norms helped sustained a growth in the coming years. Just to let you know the Talbros division is already BS-IV compliant and also ready with BS-VI products. Recently SIAM has raised its final sales estimates for the current fiscal through March expecting passenger cars to grow between 7% and 9%, commercial vehicles at 13%, two-wheeler 12%.

Industry report suggests the business environment on commercial vehicles, two-wheelers, three-wheelers and LCV has stabilized, which is in the favor of Talbros Group where we have exposure to all these segments.

We are very pleased with the performance for nine-months FY2018 and we have almost achieved a bottomline in nine-month this year which is comparable to the bottomline of the entire last year financial performance. This itself speaks volume and initiatives taken to strengthen our profitability.

Our business is broadly divided into our standalone business, gaskets and forgings and our three joint ventures with global auto component leaders for gaskets with Nippon Leakless, for suspension chassis with Magnetti Marelli and with Talbros Marugo Anti-Vibration Product and Hoses.

In our standalone gasket business, we continue to hold 38% of the market share domestically. The sales in our most profitable segment aftermarket had witnessed sequential growth over the last three quarters. The GST had introduced to 18% from earlier 28% in November of this year and we started witnessing the benefits from the same.

Our focus on OE export business has helped us secure orders from Cummins, USA, Zetor Tractors – Czech Republic and as well from non automotive conglomerate in Austria for gasket business. Our other business initiatives for cost savings such as installation of post coating line and localization of raw materials are on track.

The Forging business continued to perform well. Our focus on domestic OEM business had been playing out well in the last three months. We have also seen some interests on few premium OEM customers and hope to close the deals in the coming months. In the forging business, we have increased the manufacturing and sale of mechanical components and heavy components. Further, we have also proactively working on away in technologies and looking at possible tie-ups with a few companies in Japan.

Regarding our joint venture with Magneti Marelli, we have 50:50 joint venture with Magneti Marelli Chassis Systems, a Fiat Group company based in Turin Italy with the scope to design and developed complete chassis for OEMs.

We have recently secured an order from Maruti Suzuki to supply control arm assembly for the tractor suspension with estimated annual revenue of Rs.24 Crores per annum. I have also started supplied for orders received from a large European car manufacturer for real suspension.

Our new joint venture with Marugo Rubber Industry in Japan, which caters to antivibration components and hoses. Our antivibration products continued to perform well. We have received increased business from SML ISUZUfor moulded hoses. We continue to enjoy in both the joint ventures the success of the Baleno and Breza and the S-Cross where we are present both in Marelli as well as Talbros Marugo. We have also started supplies of hoses to Japan Mitsubishi.

Favorable macroeconomic conditions and the stabilization post GST coupled with healthy order books with a focus on localization, we are committed to achieve numbers for this financial year ending. Also as I mentioned earlier in the call the demand in Q4 is looking very positive and this will help us achieve our numbers. I now hand over the call to Mr. Navin Juneja who will update you on the operational and the financial performance for the quarter.

Navin Juneja: Thank you Anuj. Now coming to our Gasket Division including Nippon Leakless Talbros. For the quarter our standalone gasket sales recorded a growth of about 22.37%, which was because of improved rural demand festive season and low vehicle financing rates. There has been improved sales performance to commercial vehicle segment. Nippon Leakless witnessed sales volume growth on the account of sales to HMSI . The revenue from standalone gasket business was Rs.74 Crores and NLK was at Rs.10.9 Crores during the Q3 of financial year 2018. This segment saw combined EBITDA of almost Rs.12.3 Crores. The revenue from standalone gasket business was at Rs.209.92 Crores and NLK was at Rs.35.3 Crores for the nine-months of FY2018. This segment saw a consolidated EBITDA of almost Rs.33.6 Crores during this nine-month.

Now coming to our Forging division, there was 54.3% growth in the revenues in Q3 of FY2018 on a Y-o-Y basis from Rs.18.9 Crores in Q3 of FY2018 to Rs.29.15 Crores in Q3 of FY2018. On nine-month basis, the revenue grew by 45.42% from Rs.51.9 Crores in nine-month of FY2017 to Rs.75.42 Crores in nine-month of FY2018. We have gained from lower fuel charges and execution of new orders.

Coming to Magneti Marelli Talbros Chassis System Private Limited. MMT saw a 27.81% revenue growth this quarter because of higher volumes. Total portion of revenue to TACL in Q3 of FY2018 was around Rs.13.6 Crores. On a nine-month basis the revenue grew by 28.96% from Rs.29.5 Crores in nine-month of financial year 2017 to Rs.38 Crores in nine-month of FY2018. Improved margins on account of improved volumes achieved from the sales to Maruti Suzuki.

Now coming to Talbros Marugo Rubber Private Limited, TMR saw a 41.16% revenue growth in Q3 of FY2018 over Q3 of FY2017. Total revenues share attributable to TACL was at Rs.5.2 Crores. On a nine-month basis, the revenue has grown by 18.33% from Rs.9.99 Crores in nine-month of FY2017 to Rs.13.3 Crores in nine-month FY2018.

Now coming to our consolidated financial performance of our company for Q3 FY2018 total income for the quarter as for Indian GAAP was Rs.134.48 Crores; however, the same as per Ind-AS is Rs.103.98 Crores. The difference is on account of consolidation of share of revenue for JVs, which has not been taken into account in Ind-AS. EBITDA as per Indian GAAP was Rs.17.1 Crores during this quarter with a margin of 12.71%; however, the same as per the Ind-AS is Rs.13.09 Crores, which does not include the share of JV.

Adjusted PAT for the quarter was at Rs.6.40 Crores as per Indian GAAP and as per Ind-AS it is Rs.5.67 Crores. The adjusted PAT margin improved from 4.9% in Q3 FY2017 to 5.45% in Q3 of FY2018.

Now coming for the nine-months of FY2018. Total income for nine-months of FY2018 as per Indian GAAP was Rs.377.45 Crores; however, the same as per Ind-AS is Rs.287.02 Crores, the difference is on account of consolidation of share of revenue from the JV.

EBITDA as per Indian GAAP was Rs.45.58 Crores with the margin of 12.08%; however, the same as per Ind-AS is Rs.32.21 Crores, which does not include the share of JVs. Adjusted PAT for nine-month of FY2018 was Rs.15.58 Crores as per Indian GAAP and PAT was Rs.13.19 Crores as per Ind-AS.

This is all from our side and I would now like to open the floor for questions and answers.

Moderator: Thank you very much. Ladies and gentlemen we will now begin the question and answer session. We will take the first question from the line of Nitin Kapoor from Individual Investor. Please go ahead.

Nitin Kapoor: Good morning. Mr. Talwar congratulations on a great set of numbers once again. During the last concall you had indicated that we are trying to reduce the working capital so what is the situation in that?

Navin Juneja: Of course, we are trying to reduce the working capital. Of course we werenot able to do it 100% because the GST was increased to 28% in our gasket division. So working capital went up, but however for November 2017 government has reduced that the GST rate to 18%. Now it has resulted in the deduction of working capital, which would be you will see at the end of March.

Nitin Kapoor: Okay and what are the future plans we could be here more interest?

Anuj Talwar: We have also secured large contract from BMW for forging division as well as Jaguar Land Rover for our Magnetti division so automatically working capital cycle goes up in the case of export orders; however, on two strategic initiatives that we have done in our company one is post coating line, which has got established in the month of February will help reduce imports as well as our strategic disinvestment of our materials plant in Sona to India based materials USA which will get live by June of next year so you automatically start seeing savings from Q1 of next year on working capital and we remain committed the same.

Nitin Kapoor: Great and considering new order that could add to about Rs.25 Crores per annum to revenue so could revenue increase now as you won new order in couple of space?

Anuj Talwar: Yes from the Magnetti Marelli. The other is from Forging India so Magnetti Marelli is the order we mentioned in the call that is from I think in the year 2019 so there we continue dominate our share of the business in the control and same as Maruti and Tata so 2019 however, BMW has already started and there is a big surge in forging business, which in this quarter only it showed growth of 54% of course Rs.2 Crores a month is already happening from the forging business, also in Marelli which has shown a growth of 28% for the quarter, Jaguar Land Rover business which is roughly about Crores and half a month has also been successfully implemented.

Nitin Kapoor: Okay understood. That is great news for your investors. Are there any new orders in pipelines something like once for Marelli any other?

Navin Juneja: Yes, we have some in pipeline, but Maruti being the new platform, let us see how it moves. Whenever it is finalized we will come back to you and in the forgings business we arealready in talks with major OEMs and another very large Tier-1 in India We have also send you estimates of certain global OEM contracts for our gasket business from Cummins as well as Zetor Tractors, Czech Republic. So as we committed earlier that they we are going the OE wayfor global business, it is on track.

Nitin Kapoor: Thank you so much.

Moderator: Thank you. The next question is from the line of Ankit Merchant from SMC Global. Please go ahead.

Ankit Merchant: Good afternoon. Thank you for taking my questions. Sir just few questions on the domestic front Sir how is the order book, are you seeing using any improvement in the order book from domestic OEM, specifically from CV manufactures?

Anuj Talwar: Like I mentioned to you in the beginning of the call SIAM has already given its figures for this financial year ending whether CV repeating under 13% growth, two-wheeler is 12% and passenger car at about 9% growth and we know Talbros in very hedged auto component player is supplying to all this segments. CV and two-wheelers from gasket business, CV from forging business, two-wheelers from Nippon Leakless pretty much 90% and passenger car from Marugo and Magnetti Marelli. Now coming to your question of demand from CV of course there is extra demand from CV in this quarter.

Ankit Merchant: Sure and Sir can you give us some insights about your order from Cummins, USA and when is the production likely to start from?

Anuj Talwar: This is the first order that we received from Cummins, USA it is under validation, it is not very large order, but it is beginning. It is about Rs.4 Crores and it should start in the year by September quarter of this financial year or not to trigger domestic business coming over to Rs.42 Crores. We are still in the process of winning some new orders from Cummins this is beginning. We are in a position of two or three model coming up from Cummins USA

Ankit Merchant: Sure and can you also give us some light on the product wise margin because I could see that your margins have improved and they have improved substantially as well so which product segment has been doing really well for you or what led to the margins improvement?

Anuj Talwar: Our gasket business in Q3, our margins went up to 13.31% of Q3, up from 12.7% last year quarter. This is again because the topline has grown substantially from Rs.62 Crores last year. It was about Rs.74 Crores this year. In forging business, the margins had gone up on 9.5% last quarter of last year to 11.7% this year. This is on account of our product mix going 55 towards export 45 towards domestic. Regarding the one mutual company Nippon Leakless continues to dominate at about 19% at EBITDA margins, in Magnetti Marelli on better capacity utilization as well as exports on JLR have jumped to 7% for the quarter an EBITDA versus 5.6% in last year same quarter. Talbros Marugo has also shot up to 7.39% for the EBITDA versus 2% of the last quarter, which is again due to better capacity utilization as well as our order books increasing in the hose division by orders from Maruti Suzuki as well as Japan. So that is why you see 12.7% EBITDA for Q3 on a consolidated basis.

Ankit Merchant: Sure so that was very helpful. Are you seeing any input cost pressure considering that most of the commodity prices have now gone up?

Anuj Talwar: Of course, today there is a little pressure from on our raw material cost; however, in aftermarket we have increased our selling price by 4% from January and we are going to all OEMs to get price increase of raw material and we are hopeful to get the same very shortly. As you know in Rubber that the shortage worldwide for rubber products short up, but we are hopeful recover some of the prices in the aftermarket, may not increase with your OEMs, but the management will get upon the OEM from next financial year.

Ankit Merchant: That is it from my side. If I will have any questions I will come back on the queue. Thanks.

Moderator: Thank you. The next question is from the line of Awanish Chandra from Centrum Broking. Please go ahead.

Awanish Chandra: Good morning Sir. Congratulation on a great set of performance once again. You have hit a very strong margin profile so and you have talked about one post coating line also, has that started contributing to the margin profile?

Anuj Talwar: Not really it is under finishing stage, I think within the next week or 10 days it will start.

Navin Juneja: The line has been installed. Our first orders to Tata Motors have already commenced so you will see.

Anuj Talwar: Everything will come from the next financial year.

Awanish Chandra: Sir you have talked about working capital advantage due to post coated technology apart from that what kind of benefit one can have, if you can elaborate in terms of numbers how much it can contribute to expansion in margin from there onward?

Anuj Talwar: Like we mentioned to you it is a new technology. It will take time for the Indian OEM to adopt this technology. Instead of importing rubber coated steel from Germany or from Europe we will use Indian steel and will coat the rubber on it wherever required to seal the engine so this is new concept. We just won the first order on Tata Motors. It is very good for us. I cant tell you right now that what will be the savings, but on a project basis we can say about 15% to 20% to the OEMs and to service as well and also not to mention that there is a major reduction in working capital because of reduction in your imports and inturn localising materials and foreign currencies as well.

Awanish Chandra: Okay got the point and Sir one more thing on the margin front you have mentioned reduced power cost within the forging segment so it is related to technical thing or did we get some?

Anuj Talwar: This I am saying apart from PSU, using HFO power now we are using grid power and we have already started the process of solar power, which should be available to us from next financial year so as far the percentage, but percentage which used to be 18% to 19% of our topline power cost. It has come down 10%.

Awanish Chandra: Okay these advantages will be there in the coming year so as we earlier?

Anuj Talwar: Yes definitely another 0.5%, which could come down by 0.5% to 0.1%.

Awanish Chandra: Okay and Sir you talked about fully asbestos free manufacturing facility to provide opportunity for export so what are export market we are targeting exactly, which global OEMs, we are targeting for this asbestos free gaskets?

Anuj Talwar: As long as we are aware, we have mentioned earlier also that we are approaching all OEMs for exports. We are talking to Cummins in a big way. We have been approved by Governments for outsourcing. We are talking to Iran Isuzu Motors and to North European, non-automotive player in a big way. We have already supplied to Volvo and Ducati so and we are talking to Polaris of US for export. These are some names I can mention to you.

Awanish Chandra: Sir one last question you had mentioned Heat Shields contribution to raise so to what level we are today and what kind of expectation we are having from the Heat Shields contribution especially after BS-VI norms?

Anuj Talwar: We are still in the process of developing this product for the car market; however, we have already supplying Heat Shields to the commercial vehicle like Volvo and Daimler at about Rs.4 Crores to Rs.5 Crores per annum and we are still attempting to make indoors with Hyundai and Maruti's of the world; however, the good news is that we received a lot of RFQs of from global player for Heat Shield whether it is Cummins, whether it is Polaris and we are working in that direction of the moment.

Awanish Chandra: Okay Sir. Thank you very much for this opportunity. All the very best.

Anuj Talwar: Thank you.

Moderator: Thank you. The next question is from the line of Sunil Kothari from Unique Investments. Please go ahead.

Sunil Kothari: Thank you very much Sir. Congratulations for good numbers. This lower profit from associates, which is Rs.1.6 Crores in this quarter compared to Rs.2.2 Crores in Q2 any specific reason because as Mr. Talwar was mentioning all the JVs are at higher margin now so why it is lower?

Navin Juneja: Because I am telling you our sales of the JV is lower in this quarter because of the dependency on Maruti, Hero and Honda. All these companies had their plant closed for 10 days in the month of December. Hero was closed for 10 days for New Year and Christmas and plus annual maintenance, Maruti was closed for 10 days, Honda was closed for 10 days, Cumminswas closed for 10 days. So with the result these companies did make the sale but the production was less during this period, that is the only reason.

Sunil Kothari: Sir this Nippon has very good customers like Hero, HMSI, Maruti and we are on run rate of around Rs.11 Crores-Rs.12 Crores per quarter, do you see any scope to grow higher in this Nippon Leakless Gasket Division?

Navin Juneja: Sir Nippon Leakless scope of JV is only for Japanese trans plant. He is working only for Hero. He will work only for Honda and Yamaha.

Sunil Kothari: Right Maruti also seems to be our customer?

Navin Juneja: No Maruti is a customer, but now they are not considering Maruti because Maruti gives us low margin, so TACL is working towards Maruti.

Sunil Kothari: Okay. Yamaha, Hero, HMSI is the major customer and these customers also growing well and if you look at their numbers?

Navin Juneja: Hero MotoCorp has grown very well as Honda, but when gives you Hero we have given certain cost down to Hero, which has impacted the turnover from the Hero side to maintain the status quo in terms of market share and we are right now working with our local material suppliers to reduce dependence on imported content for Nippon Leakless Talbros growth. So Hero as you know or may not know Hero has gone on a drive took cut costs across the board not only us every person whether it is Omax Auto, whether it is Talbros, Hero is on the drive to cut cost because sales were status quo for sometimes now they gone up and hit these margins that is the main reason also.

Sunil Kothari: So we prefer to cut the cost or cut the price and increase our margins , Since we area small player compared with Hero?

Anuj Talwar: Because we are not big or small. We are not small players. I think, my friend, we supply up to Rs.60 Crores to Hero and there are competitors also who are trying to spoil the rate also. They are giving offer for cheaper rates without realizing that it can affect other person, but normally we are under control there. We have developed some cheaper raw material also. It will stay. Our margin will not come down. Do not worry about that.

Sunil Kothari: Sir gasket aftermarket is also not growing that relevant? Quarter-on-quarter it has grown, but after this GST lowering how do you see those segments going ahead?

Anuj Talwar: You are right because when the GST was launched the rate was 28%. You are right GST 28% for gasket, but with the statement coming from the Finance Minister we are looking into the rates, etc. There was not much pickup from the distributors. From November 18, I think they announced the reduction in rate to 18%. Now that things have turned around and I think we are at track now.

Sunil Kothari: Sir do you feel any major growth in aftermarket on the gasket side?

Anuj Talwar: Next year we are looking at growth of 20% minimum.

Sunil Kothari: 20% minimum?

Anuj Talwar: That will be aftermarket.

Sunil Kothari: Great and Sir last question broadly looking at the opportunity auto segment is providing say many new products or new components are now added to this latest cars or vehicles any commercial vehicles like many more electronics products, some sensor, some pollution removal or lowering pollution equipment? Are we thinking out on aiming for another phase of growth, any new products, etc., any futuristic just indication about growth segment?

Anuj Talwar: We are looking at a few areas. One is that in our gasket business only, we are looking to go a little bit modernize in gasket. We are adding some electrical. I cannot diverge much right now. We are working with a global giant on the same. We are working with our forging business to get a TA from a Japanese company. I know it is taking some time, but that will help in light weighting and more precision machining. We have also started engaging with Maruti on the future supply chain that how we can be a part of the future supply chain. So that is already happening on the sidelines.

Sunil Kothari: Thank you very much Sir. Wish you good luck. Thank you.

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

Arun Agarwal: Sir congrats on good numbers. Sir on your Cummins, US order you talked about you have received an order of Rs.4 Crores right?

Anuj Talwar: Yes for Cummins.

Arun Agarwal: Cummins USA, so it is a onetime order or it is an annual order?

Anuj Talwar: It is an annual order and this is only the first order we have received and many more to come hopefully in the future. The only thing with gasket is that the lead-time to test the product is long, but we are on the right course and this will be 4 Crores per annum. Obviously we will start by September of next year and there is much more in the pipeline.

Arun Agarwal: Sir for Zetor Tractors what would be the order size you have received?

Anuj Talwar: Zetor Tractor is Rs.1 Crore very small order, but it is a start. Initial order is small order. The new OE will give us additional order, small order to test it, how we deliver, how is the quality, and then they will open up.

Arun Agarwal: Sir for this Maruti supply for the MMT, JV we have received the supply to control arm assemblies for suspension, so this is for a new product or for one of the existing products?

Anuj Talwar: It is a new car.

Arun Agarwal: New this thing right?

Anuj Talwar: New segment new platform.

Arun Agarwal: That would start Sir when did you say that it will start?

Anuj Talwar: August 2019.

Arun Agarwal: August 2019?

Anuj Talwar: Yes, but at the same time right now we are working with Jaguar Land Rovers let us see hopefully there will more things to come.

Arun Agarwal: Sir in the Talbros Marugo Rubber that is a TMR JV did we start supplying hoses to Marugo Rubber Japan or is it going to start?

Anuj Talwar: Yes, we started.

Arun Agarwal: When did we start the same?

Anuj Talwar: Q3 was the main commencement. Q4 will be there and I think export will around Rs.9 Crores to Rs.10 Crores next year, on a turnaround of Rs.55 Crores next year.

Arun Agarwal: Sir given the kind of growth that we are expecting mainly in your gasket standalone business the MMT JV and the forging business how do our capacity stand? What sort of capex requirement would be for us going ahead?

Anuj Talwar: As ofnow all the businesses except for some of the business where we are up to 80% plus now. We are now in the phase of expanding our capacity to approximately Rs.28 Crores to Rs.30 Crores per month. For that we are in the process of finalizing our special plant, which will be finalized by the month of March. Maybe we require Rs.10 Crores to Rs.12 Crores for that. In the forging business, we have just put up a facility of press 700 tonnes last month. A 1000 tonne press will be operational this month and after that my capacity will be around Rs.12 Crores per month by putting addition machining lines up, four or five machining lines. It will be around Rs.12 Crores per month that I think next year we are looking at a growth of another 25% to 30% growth. For that we may be requiring small investment of may be Rs.4 Crores to Rs.5 Crores and coming back to this is my standalone thing. Now Nippon Leakless, Nippon Leakless has a spare capacity line in Uttaranchal. I am sure now with the GST coming in everything we can manufacture anywhere so they will expand there in Uttaranchal. It is not major capex there. It will be Rs.1 Crore or Rs.2 Crores. In Magnetti Marelli yes we are looking for the capex for Jaguar and Maruti. We are expecting capacity of Rs.8 Crores to Rs.9 Crores. We have now taken this small facility to carry out the requirement of Maruti for the new platform. We are taking up a small facility in Manesar and we are putting up some robotics welding machines there. That capex of a total presses and robotics will be around Rs.8 Crores to Rs.9 Crores. Rs.250 Crores will take care of the Magnetti Marelli and Marugo Rubber we have the capacity of up to Rs.20 Crores in hose business, so no capex there, but in Anti-Vibration, we require Rs.2 Crores to Rs.3 next year. That is the total core business.

Arun Agarwal: The numbers that you have mentioned for your JV is your share of this thing or the overall capex?

Anuj Talwar: 100% share 100% JV.

Arun Agarwal: 100% JV and Sir these two supplies to JLR and BMW we have also started, so did they start? We had a full quarter or Q3 supplies or did we start somewhere in mid Q3?

Anuj Talwar: JLR no. JLR is just tip of iceberg hardly 40 to 50 lakh that is all but BMW full.

Arun Agarwal: BMW we had full?

Anuj Talwar: BMW supply of 2 Crores per month.

Arun Agarwal: We will see the full impact of JLR supplies happening in Q4?

Anuj Talwar: Q4 and next financial year it will be 100%.

Arun Agarwal: We will have full there?

Anuj Talwar: Yes.

Arun Agarwal: Thank you so much. That is from my side.

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

Shikha Mehta: I was just wondering if you could throw some light on the other income?

Anuj Talwar: Other income is basically operational income, some from scrap sale and one the exchange gain or losses, exchange gain is there and export incentive these are the income.

Shikha Mehta: Sir if I remove the other income in this quarter then your EBITDA margins look close to 10.8% to 11%?

Anuj Talwar: You cannot remove other income. It will be part of operational income.

Shikha Mehta: What EBITDA level are we looking at for FY2018?

Anuj Talwar: We have given a statement that we are looking at 0.5% to 0.75% increase in the EBITDA margin going forward.

Shikha Mehta: Sir at an absolute level what numbers would we be looking at?

Anuj Talwar: We have given our results statement already. You can see from that totally what we are looking for.

Navin Juneja: We have given you a vision statement that by 2020. we will be between Rs.675 Crores to Rs. 725 Crores and I think we are in line with that.

Shikha Mehta: Thank you Sir.

Moderator: Thank you. The next question is from the line of Ankit Merchant from SMC Global. Please go ahead.

Ankit Merchant: Thank you. Just a followup question Sir, what are the utilization levels right now for gasket and for forging?

Anuj Talwar: I have given it to you just at the last four quarters, I gave the it, gasket is 80% plus we have added and forging is running same like 85% to 90% level and MMT also 80% plus and my Nippon

Leakless is about 70%. My Talbros Marugo Rubber in the Anti-Vibration it is 80% to 85% and 30% around is my Hose division that is the margin.

Ankit Merchant: With the current order book in your hand, so what is the capexwhich you are planning?

Anuj Talwar: We are looking for a capex of Rs.10 Crores to Rs.12 Crores in gasket, Rs.5 Crores to Rs.6 Crores in forging, Rs.8 Crores to Rs.9 Crores in MMT, and Anti-Vibration Rs.2 Crores to Rs.3 Crores, and in Marugo Rs.2 Crores to Rs.3 Crores for next year.

Ankit Merchant: Sir any plans to increase your stake in your joint ventures?

Anuj Talwar: No plans.

Ankit Merchant: Thank you.

Moderator: Thank you. As there are no further questions, I now hand the conference over to Mr. Anuj Talwar for closing comments.

Anuj Talwar: Thank you all for being on the call today with us. We are committed to our numbers for this financial year and also for vision statement, the demand in the auto sector is robust and we should be in line with what we have committed to you as said earlier. Thank you so much.

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