



“Talbro's Automotive Components Limited Q3 FY20 Earnings Conference Call”

February 14, 2020



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Moderator: Ladies and gentlemen, good day and welcome to Talbros Automotive Components Limited Q3 FY20 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 the date of this call. These statements are not the guarantees of the 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. If you need assistance during the conference call, please signal an operator by pressing '*' then '0' on your touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Anuj Talwar – Joint Managing Director of Talbros Automotive Components Limited. Thank you and over to you, Mr. Talwar.

Anuj Talwar: Good afternoon, everyone. A very warm welcome to our quarter three and nine monthly earnings conference call.. On the call today, I am joined by Mr. Navin Juneja – our Director of the Board of Talbros and our Group CFO, as well as SGA, our Investor Relations advisors. The result and the presentation are uploaded on the stock exchanges, and the company website. I hope everyone has had a chance to look at it.

Let me begin with a few updates on the industry. 2019 was the toughest year for the Indian automotive industry. Overall, automobile sales tumbled by 14% in 2019, due to numerous reasons like liquidity crunch, slowdown in the economy, weak consumer sentiments, as well as pricing going up to almost 40% in the last three years due to BS-III to BS-IV, BS-IV to BS-VI, new safety norms, new insurance packages, that's been a true impact on the vehicle by about 40% plus of the last few years. As I mentioned to you, that even the slowdown was further levered by new BS-VI norms that are coming into force from April 1st onwards. And all vehicle manufacturers are trying to liquidate their BS-IV inventory with discounting.

As per latest auto numbers published by SIAM, the PV sales dropped 16% year-on-year, commercial vehicle dropped 21% year-on-year, and we would like to add some of our biggest customers here like Tata Motors and Cummins, Volvo and Eicher declined by almost 35%, which impacted Talbros significantly because we are single source to several OEMs in CV space. Two wheelers declined by 16%, three wheelers declined by 3%. The declining sales thus show low respite to the ailing automotive industry. You may have seen today that all the big automobile giants such as Pavan Goenka, Rajiv Bajaj, Mr. Bhargava, are now trying to tell the government for increased relief measures for this industry before it's too late.

To add fuel to fire, the outbreak of the coronavirus can impact the expected recovery of the auto industry, because China is the largest supplier of automotive components. However, this does not affect Talbros automotive in any which way. Yes, it can affect the car makers or vehicle makers who are importing electronics, but we are not affected at all. And in fact, I see it as an



opportunity going forward if we can try and go to some of our customers overseas if we can help them on their lines with forging and gaskets.

As per SIAM, the Indian automotive industry is expected to witness a revival which can possibly see only second in half of 2021, because April, May, June, BS-VI price will come into factor. People have already bought their vehicles this year with this higher discount on BS-IV. So, the true picture will only start in September of this year. However, if the Vehicle Scrappage Policy which is around the corner, comes in, it will add some boost for sure to the CV space. The Vehicle Scrappage Policy is basically a policy that aims at the moving forward and taking polluting vehicles off the roads, thereby boosting demand for new vehicles. The policy if finalized, will give a much required boost to the demand and help the sector recover from the slowdown.

As you are aware that Talbros Automotive is a hedged Autocom player, with diverse product portfolio, and association with strong partners. Our focus has been towards increasing our export business, which we have been talking about for the last several quarters and we stand by it. And that is one of our areas that we are constantly focusing on. Cost rationalization is something that you will see in the balance sheet, and maybe Navin will touch upon that also in his speech. We have managed to reduce fixed expenses and also increase our operational efficiencies and also worked on with materials, and the good savings has come about in our P&L numbers. We have also managed to reduce breakeven levels across our plants by over 20%.

Further, our endeavor is to increase wallet share of existing clientele and to add new clients, that will diversify our revenue stream, ensuring stable performance over the long run. Further, with the implementation of BS-VI, we are very optimistic and upbeat about this for our products. But let me highlight one point out here. Your company, Talbros is working very, very hard with all the OEMs on the BS-VI product lines. And we are proud to say that we are totally ready for the BS-VI launch. And with this, especially for our gasket business, our revenue per vehicle will actually go up by 2.5x on some vehicles and we are ready with this product line. So, this actually favors our gasket in business.

I will give a small brief about our company. Our business is broadly divided into a standalone business, gaskets and forging; and three joint ventures with global auto giants in gaskets, suspension, chassis and anti-vibration component forges. Of our domestic sales, 40% is two wheelers, three wheelers, 30% is PV, 20% is commercial vehicles and 7% is heavy off-rovers, and 5% is others. This depicts our diversified client base and wide product range.

Let me give you some details on the segment wise business. Gaskets, in our standalone gasket business, we continue to hold 40% market share domestically. If I add our joint venture Nippon Leakless Talbros, our market share is 50% India. Our focus over the last two to three years has been on getting BS-VI ready for the Indian automotive industry, which we have. And as well as, focus majorly into exports. We have secured some good orders and interest from the export



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market, from the US as well as Europe. We have won some business opportunities of about \$2 million to \$2.5 million in our gasket division, both in heat shields as well as in gaskets.

We have been talking about strategic alliance with some of our partners like Lydall for materials in the country. This is going live finally, after all the testing that has taken place at Bajaj. And we should be able to source materials worth about \$1.52 million next year locally. In addition, the post-coating line which basically relies on local material is also live now, and all the BS-VI variants of Volvo, Eicher, Tata Motors are going with this post-coating. Regarding heat shields, I mentioned to you that heat shields is a product of the future, and we have secured business about \$1.5 million to \$2 million from a European OEM, and this has already started suppliers from January.

Our forging business continues to perform well. We had a slowdown in the forging business because Europe went down, and our major supplies are to Germany and Italy, and also as a factor, normally October, November, December, the quarter three which is their quarter four is normally a slow quarter. However, we are able to see green shoots in quarter four of 2021, which is their quarter one, and here there is a lot of traction happening in our forging business line. With the higher exports as I explained to you, we are now moving towards heavy value machine components which will improve our margin trajectory. We have completed the installation of a 2,500 tonne press during the quarter. With this, we have a player for forging plus machining between 750 tonnes to 2,500 tonnes.

Coming to our joint ventures. Magneti Marelli Talbros has actually outperformed the industry and outperformed all our divisions. The company in fact had a growth of about 2% to 3% in the nine months, and the reason being is that it has committed supplies to European OEM, which started in quarter two and quarter three of last year. The JV had posted positive performance in quarter three and nine months FY20, at a 15% growth in PAT compared to last year numbers. So, this is definitely an outlier.

Talbros Marugo is the rubber division. Our JV with Marugo Rubber Industry with Japan caters to OEM such as Maruti and Tata for our components and hoses. Any price settlements with domestic customers has impacted our profitability, along with the decline in top-line. However, we have secured orders worth \$2 million from our JV partner for export to Japan because the news that Maruti is not launching diesel vehicles, we will lose about \$1 million to \$1.2 million of sales, starting April 1 of next year, because we were making diesel hoses. So, to offset that, we have basically spoken to our partner and they have agreed to buy up to about \$1.5 million. This will also come into effect sometime in September next year.

We have revised our revenue profit guidance during the previous quarter. But we are confident to achieve our revised guidance for FY20.

Now, I request Mr. Navin Juneja to take you through the financials of the quarter.



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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 our JV Nippon Leakless Talbros, for nine months of FY20, our standalone gasket sales were Rs. 203 crores, as Rs. 259 crores in nine months of FY19, a decline in sales due to declining sales to OEM segment by about 26%. Aftermarket by about 40% has resulted in the decrease in overall sales for the division.

The revenue of NLK was Rs. 32 crores in nine months FY20 versus Rs. 38 crores in nine months of FY19. This is primarily on result of drop off sale of approximately 15% to 16% by Hero MotoCorp and Honda Motorcycles, and Honda Cars who has had a decline of 36% Y-o-Y basis. The segment saw a combined EBITDA of almost Rs. 31 crores for nine months of FY20.

Now coming to our forging division. The revenue in nine months of FY20 was at Rs. 101 crores as against Rs. 129 crores in nine months of FY19. EBITDA for nine months of FY20 was Rs. 10 crores, versus Rs. 16 crores in nine months of FY19.

Now coming to Magneti Marelli Talbros Chassis Systems Private Limited, our share of total income for nine months of FY20 stood at Rs. 51 crores, versus Rs. 50 crores in nine months of FY19 on a Y-o-Y basis. EBITDA stood at Rs. 5.5 crores in nine months of FY20 versus Rs. 5 crores in nine months of FY19. This segment posted a positive performance as there was growth in sales of top five of the segment.

Now, coming to Talbros Marugo Private Limited, our share of total income for nine months of FY20 stands at Rs. 18 crores versus Rs. 20 crores in nine months of FY19. EBITDA during nine months of FY20 stood at Rs. 1.4 crores as against Rs. 1.8 crores in nine months of FY19.

Coming to the consolidated financial performance of the company. Total income, including other income, stood at Rs. 299 crores in nine months of FY20, and Rs. 97 crores in quarter three of FY20. EBITDA, including other income, stood at Rs. 34 crores at nine months of FY20, and Rs. 12 crores for quarter three of FY20. EBITDA margins for nine months FY20 stands at 11.5% and four quarter three of FY20 stands at 12%. Our margins have not been impacted adversely, despite the tough industry environment. This is an outcome of our relentless efforts on improving efficiencies and keeping a tight control on our cost. PAT stood at Rs. 12 crores in nine months of FY20 and Rs. 4 crores in quarter three of FY20.

This is from my side. I now I would like to open the floor to question-and-answers. Thank you.

Moderator:

Thank you. We will now begin the question and answer session. First question is from the line of Shikha Mehta from Equity Capital. Please go ahead.



- Shikha Mehta:** I just have a couple of questions. We have mentioned that the industry scenario started on positive note in the second half of FY21. So how do we expect our numbers to look considered our order book etc. for FY21?
- Anuj Talwar:** Yes. FY21, I think we will be in a better position, because still OEMs have not given any indication, but this is our personal assessment. And so far, we are concerned, quarter four definitely is better than quarter three of this current year. Once BS-VI will be implemented, I don't know how the market will react, when the Scrappage Policy will come, whether it will have any impact. We are still not very sure about 2020, next financial year. But for this financial year, whatever guidance we have given, I think we should be near to that.
- Shikha Mehta:** Right. So, are we already starting to witness some BS-VI traction and impact in our sales?
- Navin Juneja:** Yes, little bit. Forging is doing quite better in this quarter; we can see a good growth in forging division. And in gasket, of course, it will be better than quarter three. And how fast OEM will start manufacturing the BS-VI engines, we have to see that. Our main new business with wire harness with Cummins will start from April, and it will give a good boost to our top-line numbers.
- Anuj Talwar:** All I can add to what Navin has said to you, BS-VI will add some more revenues because our revenue potential increases per vehicle. And also, some export like what we did last two years, we already started Magneti Marelli joint venture, we started our gasket business also, forging we are going to do well. So, we will start, maybe we are doing a little bit better than the industry probably April onwards. But like you said, it's really a tricky call, if they launch the vehicle scrappage policy, things can get much, much better. I think our country is more based on sentiments and natural facts. So that we can't predict it right now, we can't even answer today.
- Shikha Mehta:** Okay. And sir, you gave some guidance on our raw material as the coronavirus situation affected, and if our raw material crises are anything?
- Navin Juneja:** TACL has nothing to do with China. No impact at all. We are not affected. Just that OEM electronics is not available to them, maybe it may affect their production. But TACL forging, gasket, Magneti, nothing is being affected, we are not importing a single piece from China.
- Shikha Mehta:** Right. But I think certain raw material prices were getting impacted due to the demand and supply situation in China. But we aren't facing anything of that sort?
- Navin Juneja:** There are opportunities for Talbros, that some of the customers overseas buy from China and they have been affected. Maybe we can enter and say we can supply you in the interim. That's what I meant.
- Shikha Mehta:** Right. But I mean from a raw material point of view, it is stable for us, as of now, right?
- Navin Juneja:** Nothing at all. Nothing to worry about.



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- Moderator:** Thank you. The next question is from the line of Arun Agarwal from Kodak Securities. Please go ahead.
- Arun Agarwal:** Sir, my first question is, now since given the uncertainty you are guiding on the growth for FY21, but could you help us out which are the new businesses that will start in FY21? And what sort of revenue can we get from those businesses next year?
- Navin Juneja:** Yes, wire harness gasket has been technically approved by Cummins, samples have already been dispatched, already approved. The bulk supply will start from April. And as for the early indication given by Cummins, this business can see a revenue of Rs. 18 crores to Rs. 22 crores in this financial year. And for gasket we are also in the final stages of passing the test etc. And we can see a volume of around Rs. 7 crores to Rs. 8 crores of that starting from July, August.
- Arun Agarwal:** Sorry, I didn't get it. This Rs. 7 crores to Rs. 8 crores are from?
- Anuj Talwar:** Some other gaskets, Cummins, export gaskets
- Navin Juneja:** These are under the process and we can see from July and August the supply will start will create a revenue of Rs. 7 crores to Rs. 8 crores of new revenue. We are in talks with Jaguar for the new generation of heat shield business also, I think which should be closed by the first quarter of next financial year. And we can expect the supply to commence from January of 2021. And in forging business, we have won a new order from our European customer, that supply will be started very soon, and it is around Rs. 8 crores to Rs. 10 crores order. We are negotiating, I think good orders from our export customers. And something should come by the first quarter, some good business should come in the next financial year because of that. These are two broad things I can say. In Marugo Rubber, as Anuj just told you, we have got order of approximately Rs. 8 crores to Rs. 10 crores from our buyback from our joint venture partner, the supply will start from July, August, September onwards. For that it will be there. And now Maruti is also working on hoses for diesel cars, because now they said that they will not make any diesel BS-VI vehicle. But now they are considering that looking into the competition etc., because the competition prices in diesel vehicles has not gone much, 5% to 6% increase is there. And they have started working and of course we are the only choice for them. I think by the year end we should start Maruti new diesel hoses business also.
- Arun Agarwal:** And anything on the heat shield, any new business that's going to start on heat shield this year?
- Anuj Talwar:** We are talking to a few customers. I mean, as you know that JLR will start, should be about Rs. 15 crores this year from the calendar year.
- Navin Juneja:** Obviously it will be a Rs. 15 crores JLR business which is around Rs. 1 crore or Rs. 2 crores this year.



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- Anuj Talwar:** We are in talks with other big players in Europe, where we can see a tech review go ahead. So, if get tech review go ahead, that means they want to develop with you. So, give us some more time, I can't give answers today, maybe if you ask about another 30 days I will have a more clarity, but we are on track. And as Navin mentioned to you, we are looking at a little bit of an explanation heat shield business also from the car makers. So, in another 30 more days we will have more clarity.
- Arun Agarwal:** Okay. So effectively what we are talking about is getting close to somewhere say Rs. 35 crores to Rs. 40 crores of additional revenues in gasket from new businesses that we are going to start?
- Anuj Talwar:** Yes.
- Arun Agarwal:** And I think last time it was some Rs. 333 crores of gasket revenue and this year may be a bit more. So, this is irrespective of whatever volume growth we get from the industry revival, this is something that...
- Navin Juneja:** No, this year it should not come down from last year, that is only thing.
- Anuj Talwar:** So, let's wait another 30, 40 days for this whole Scrappage Policy. If that happens, then we can relook at our numbers, what's coming along.
- Arun Agarwal:** But do you foresee any probability of delays in starting of these orders which you talked about right now?
- Navin Juneja:** No.
- Arun Agarwal:** Okay. And sir my other question is on the margins, we talked about cost cutting initiatives that we have taken. Now this quarter the gross margins saw an exceptional increase, so could you highlight what exactly the reason could be for that? Your raw material cost actually came down significantly this quarter.
- Navin Juneja:** There are two, three reasons for that. One is the product mix, number one. The product mix is more favorable towards us, as compared to OE and export and aftermarket, this is more favorable. Number two, because we have got all the price increases, the effect really, we can see now of that. You can see slowly the effect of that, we are negotiating all the prices increases which we are working on that has been completed 100%, it's somewhat effective because of that. But I think we have negotiated some material prices because of the CRCA coming down, etc., which we have not passed on to anyone. So, one is effect of that. And the Euro price also cooled down a little bit because we are importing some stuff, and that price also came down for that. So, one-time discount more focused towards, year-end discounts from overseas customers, that has also been incorporated in this.
- Arun Agarwal:** Okay. So actually, it should increase going forward?



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- Navin Juneja:** Not drastically.
- Arun Agarwal:** Yes, but some increase should be there, because one thing we talked about is a material price negotiated which you have not passed on. So that could be one thing and the year-end discount factor.
- Navin Juneja:** That is before other customers aftermarket and exports that did not....
- Arun Agarwal:** And sir, but the other expenses have seen a good increase if I look from second quarter, it was Rs. 18.5 crores to Rs. 22 crores
- Navin Juneja:** Other expenses is a mix of lot of other stuff. We are here because of some of accounting entry also there. Because we are manufacturing tools for the customers, so some customers pay us BS-VI tools. We have sold those tools and all material of it was absorbed in other expenses. That will clear in the next quarter, it is an aberration of sorts which will get corrected.
- Arun Agarwal:** So, broadly, what sort of margins are we looking at going ahead?
- Navin Juneja:** I can talk about last quarter only; I cannot comment on the next year because we have not finalized the next year. I can say my EBITDA for the last quarter should improve by 0.25 to 0.5 I think so.
- Arun Agarwal:** Okay. But do we expect some improvement going forward in the next year, or looking for similar sort of margins what we have done this year?
- Anuj Talwar:** It really depends on the volumes and the portfolio mix also BS-6 impact and the product mix, it all depends on that.
- Navin Juneja:** I think in the next call we should be able to give a very clear picture for that.
- Arun Agarwal:** Sir, could you also talk on your exports? I think that's one thing you were highlighting in different divisions, how are we seeing the growth, I mean, how things are shaping up in exports?
- Navin Juneja:** I think for the nine months on a Group basis it is around 21% to 22% of our total business, if I talk about. And our target is to take it to 25% over the next two to three years. I think we are right on the track and you will see next year this 21% going to above 22% plus minimum. We are quite confident. Our target is three years 25% of our total business from exports.
- Anuj Talwar:** We will again can get past also.
- Arun Agarwal:** Okay. And how that would stand in gasket and forging separately?
- Anuj Talwar:** We are about 12% in gasket; it will be about 15% to 17% within next three years. In forging it will be around 50%, 48% around which is the already there. The export will increase in Magneti



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Marelli and Marugo Rubber. Two years back the export was practically zero this year end up about 22% to 23%

Navin Juneja: I think we will go around (+25%). Marugo, it is hardly less than 10%, it will go around 15% minimum.

Arun Agarwal: And last question, could you help us out with your CAPEX this year and next year? And your debt levels?

Navin Juneja: CAPEX, at present we are not talking about major CAPEX. At present we are only doing the CAPEX required for the BS-VI because they require some building should be dust proof, etc., plus our wire harness business we are doing CAPEXs. In the forging business, the CAPEX will depend on the type of the product we get the order for, if some specific machine is required for machining that component, we will buy that. Otherwise, we have enough capacity to drive it.

Anuj Talwar: If you look at what is happening in the auto industry, we have got spare capacity right now with us of at least 25%. So, our first endeavor should be to utilize that capacity, that is the first endeavor. Sweat the asset as we keep talking about whether forging we can touch Rs. 180 crores, Rs. 190 crores, gasket we can go to Rs. 350 crores, that is the first thing to get done.

Arun Agarwal: And the debt levels as of this quarter end?

Navin Juneja: Debt level is a little bit less than last December. I don't have the figures readily with me. Of course, by the March end it will be definitely lesser than 30th September that I can say.

Moderator: Thank you. The next question is from the line of Apoorva Mehta from MInvest. Please go ahead.

Apoorva Mehta: So, wanted to know about Q4, when we are talking about meeting the guidance, means we are guiding about Rs. 435 crores to Rs. 475 crores. So, are we looking at robust Q4, means what is our target for Q4 roughly?

Navin Juneja: Q4 bottom-line we will maintain our target. PAT, of course, we will maintain our target, don't worry about that.

Anuj Talwar: That we will get too.

Navin Juneja: Top-line maybe we will be up by may be 2%, 3%, 4%, 5%. But bottom-line we will maintain.

Apoorva Mehta: And can you throw some light on the next year what can be our forging turnover coming? Can we reach around what we have envisaged of Rs? 170 crores, Rs. 175 crores next year? Can we see such type of forging coming in next year?

Navin Juneja: If we consider the fourth quarter then we should be able to do that. We have not finalized our next year to be very fair to you. But this quarter, Jan, Feb, March quarter is quite good in forging,



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business is there. And I think in the next call we should be able to give you very clear picture of our next year.

Apoorva Mehta: Okay. So, roughly new businesses which are there are close to around Rs. 50 crores which will be coming next year, that is Rs. 20 crores of wire harness, heat shield about Rs. 15 crores, export of other gaskets around Rs. 8 crores and forging of around Rs. 8 crores to Rs. 10 crores. This are the new business; this are the sure shot business other than the domestic by?

Anuj Talwar: Yes. But also, don't forget, we will update you a little bit later, some gaskets which are at the end of the life approximately Rs. 5 crores to Rs. 10 crores will not come next year. From this turnover almost about Rs. 10 crores business will go away because the end of life of those product lines. So, we will explain this a little bit in detail once we will get a little bit process planning but first thing we want to say when Mr. Gadkari comes out with Scrappage Policy it is high time they stop penalizing the automotive industry.

Apoorva Mehta: Okay. And any new talks which are going on for export of gasket and maybe where we were providing a lot of things that we were talking to Polaris and?

Anuj Talwar: We are talking to a lot of people. In fact, just the other day we went back on the drawing board, okay, let's see the how we can increase our forge. We went to our customers whether it is Volvo in Sweden, Daimler in the US, whether it is our aftermarket customers going to USA going back knocking hard, I have put my agents back into work in the US with this whole virus issue. Suppose every supply chain issue from China can I step in, so we are working on that completely. We are working with Fiat in Italy, Citroen we are working with, Japan you have seen the reality of almost \$1 million or \$2 million. So, work is on. It is just a matter of time as you know a ceiling takes two years to approve, each is much faster. So, all the work is on. So, I think we will be right there.

Moderator: Thank you. The next question is from the line of Pankaj Jain from Mahavir Investment.

Pankaj Jain: Sir, my question would be regarding our JV, the JV of Talbros Marugo Rubber which has been incurring losses over the last two quarters. So, any specific reason behind that? And when do we expect some positive green shoots in this year?

Navin Juneja: Because Talbros Marugo was set up for imports of future parts for Maruti. My prime customer is Maruti. Since the Maruti business has come down drastically, my volume has come down for the business. This business had two divisions, anti-vibration and hoses. The hoses were setup on the request from Marutis for diesel vehicles. And as diesel has become a bad word after that a ban by Supreme Court for a few months in the NCR now the diesel preference of customers has also come down so the business of diesel has come down. On the top of it, Maruti has stopped making diesel vehicles for BS-VI. So that has impacted us adversely. But not to worry,



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we have told our joint venture partners and they have given us business, and they will buy Rs. 7 crores to Rs. 8 crores worth of hoses from next financial year. Plus, Maruti also gave assurance that they have started giving some business for fuel hoses, etc. And they are talking to us, now they are considering manufacturing diesel vehicles, and or that they are talking for the hose business. I will assure you that in this loss are minimal, they are not heavy. May be on 100% basis, Rs. 30 lakhs to Rs. 40 lakhs per annum, not more than that. But next year, definitely it would be in black.

Pankaj Jain: So, we can see some uptake from Q1 onwards, can we expect that?

Navin Juneja: Q2.

Anuj Talwar: What will happen in this business if the business closes, about Rs. 50 crores, Rs. 47 crores to Rs. 48 crores this year, if our 20% business goes away on April 1st, because no diesel vehicles, so we will see a drop in quarter one. So, anticipating this, we started working with our JV partners almost a year back. Give us some business, which will compensate this loss. So, quarter two is normal and we are very, very, very confident about our joint venture. Given two to three years, we will see very, very good margins here.

Navin Juneja: The losses are not high, they are nominal.

Pankaj Jain: Sir, my second question would be, are you looking out for any other JVs which are in pipeline or which other segments should be there, are we planning something like that?

Anuj Talwar: Yes. In the short term our first endeavor is to sweating the capacity because we have almost 25% free capacity, to look at newer geographies of markets, maybe US and Europe, Japan. And always we have to look out for new product lines, sampling with EV, electronics, light weighting, plastics, we already are in high level talks with aluminum forgings for our forgings business. So yes, those are under lookout.

Navin Juneja: Nothing concrete at this moment.

Pankaj Jain: Anything which can be capitalized in the next year or something like that?

Navin Juneja: May be.

Moderator: Thank you. The next question is from the line of Ankit Agarwal from ARC Capital.

Ankit Agarwal: Sir, I have a question on the EBITDA margin actually. So, if you see our top-line hasn't grown that much, but our EBITDA margins have been able to maintain. So, I mean, can you give some flavor on the cost or something that you have been able to optimize?

Navin Juneja: Yes. I think someone in the call also asked. EBITDA margins maintained because of better product mix, number one. Number two, the measures we have taken to reduce our cost, be it



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manpower, be it other expenses like travel etc., first we are able to see softening of some metal prices in the last quarter in the forging which is still with us. We have not passed on to anyone. Plus, of course, cost cutting measures we have taken, All this stuff has added to that.

Ankit Agarwal: So, if you see like an increase in the top-line in the future, you can see an increase in the margin as well?

Navin Juneja: Yes, it should be. But of course, it will not be in the same proportion. My breakeven goes same way as my turnover goes

Ankit Agarwal: Sir, I have one more question, this is regarding the BS-VI implementation. So, we were very optimistic about the increase in demand of our product post the BS-VI implementation. So, how do you see that outlook like in March, April?

Navin Juneja: Yes, whatever BS-VI requirement also OEs are just starting manufacturing BS-VI engines. OEs are ready, but what I understand, OE is not ready fully not only my component of gear there are other 50 component go in gear its not only me Volvo has just started BS VI Tata Motors has just given small volume, they have not given huge volume. Maybe March we will get a demand, but not very heavy demand for BS-VI. And even Hero is also a ramping slowly.

Moderator: Thank you. The next question is from the line of Atul Kothari from Rockwell Securities. Please go ahead.

Atul Kothari: Sir, we have received some good number of orders in different segments. Can you throw some light on the same, as to when can we expect to commercialize these orders?

Navin Juneja: I can do for gasket. Why don't we start from gasket onwards, which is the business of Rs 15 crores to Rs. 20 crores annually. And the export gaskets to US is under validation I think the supply will start from the end of September of next financial year. And the volume is Rs. 6 crores to Rs. 7 crores for that. Heat Shield, it is next year. This year, the European customer to whom we are talking about heat shield, this year it was marginal Rs. 1.5 crores to Rs. 2 crores because of the limit, next year it is about Rs. 15 crores.

Anuj Talwar: This business is won already.

Navin Juneja: And in the forging, European customer the business was started from July-August, last year business was around Rs. 8 crores to Rs. 9 crores, net sales about Rs. 18 crores, Rs. 20 crores. The new business we are talking about forgings of Rs. 8 crores to Rs. 10 crores will start from June, July of this year. Marugo, the export we are talking will start, Rs. 7 crores to Rs. 8 crores export will start from August, September onwards. Magneti Marelli, the European customer to whom we export, last year it started for July, August, September, this year it will be full year. And Maruti order is also is there, we already started in low volume, full year impact will be there next year.



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- Atul Kothari:** Sir, especially coming to the forgings segment, so have we received any orders after the installation of our 2,500 tonne press?
- Navin Juneja:** Yes, yes, we have started receiving the orders from European customers. Already the samples are being under validation.
- Atul Kothari:** Okay, but we have not received any order as such, right, after installation?
- Navin Juneja:** There lot of things are under progress for that.
- Anuj Talwar:** Same customer we have seen orders
- Navin Juneja:** From 15 December to 15 January they were close all the four customers are closed so we commenced the press only in Diwali only So once the enquiries are there, we will quote, prices, and then production will start.in this quarter we will 4 months I see good traction on that for orders.
- Atul Kothari:** Okay. And sir, what is our export contribution currently?
- Navin Juneja:** It is around 21%, 22% on our total group business.
- Atul Kothari:** Okay. And so, can you give any guidance in terms of how it is likely to go ahead in the forthcoming year? Is it likely to increase or it will remain the same?
- Navin Juneja:** Export business you are talking about?
- Atul Kothari:** Yes.
- Navin Juneja:** Export business, I just told our target is to do 25% in three years, our total turnover.
- Anuj Talwar:** Minimum 25% should be export in the next two to three years at a higher top line.
- Moderator:** Thank you. As there are no further questions, I would now like to turn the conference over to the management for closing comments.
- Anuj Talwar:** Thank you so much for joining the call. We are doing the very best what we know to do is to manufacture lean, manufacturing efficiently, save our costs, at the same trying catch global businesses, get ready for BS-VI technologies. We are in the right path, it's just a matter of time, every automobile industry faces cycle, it happens every five, seven years. This has been a little bit longer than anticipated. But India is still a place where you will buy cars, you will need trucks, build highways. So, we are still very, very confident about the long-term. And with that, thank you so much for being on the call.
- Moderator:** Thank you. On behalf of Talbros Automotive Components Limited, that concludes this conference. Thank you for joining us, and you may now disconnect your lines.