



“Talbro's Automotive Components Limited
H1 FY2019 Earnings Conference Call”

November 14, 2018



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Moderator: Good day ladies and gentlemen and welcome to the Talbro's Automotive Components Limited H1 FY2019 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. The statements are not the guarantees of future performance and involved risks and uncertainties that are difficult to predict. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal the 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 H1 FY2019 earnings call. On the call today, I am joined by Mr. Navin Juneja, our Director & Group CFO and SGA, our Investor Relations Advisors from Mumbai.

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. Let me give you quick run up on our performance till date post which Mr. Juneja will take you through the financial performance of the company. We are extremely pleased with our performance for H1 FY2019. We continue to deliver based on the premise that we have been mentioning for the last several quarters that we are very hedged automotive player supplying to various product segments across all platforms of the automotive OEMs. We maintain our yearly guidance.

The automotive industry is facing a challenging year with pressure from rising input cost, higher crude prices, strengthening of the dollar, etc. Despite this overall production in the auto segment grew by 13.32% in H1 of this financial year. The growth was primarily led by the CV segment which saw 49% growth and the two-wheeler segment which saw 10% growth, just to re-remind you Talbro's is a prominent player in the CV and the two-wheeler space domestically. As I mentioned a little bit earlier our strategy to be a hedged auto component player has paid off during these times. As your diversified price customer base, domestically 26% of our revenues comes from two wheelers, 28% of the revenues comes from commercial vehicles and 24% comes from the PV segment. Our business is broadly divided into our standalone business, gaskets and forging and our three joint ventures with global auto component leaders for gaskets, suspension, chassis and anti-vibration components.

Let us talk a little bit about the gasket and the forging business first, which constitute the main standalone part of our business. In our gasket business, we still dominate the market, we continue to hold 40% market share domestically. We are working very aggressively on the BS-VI engines, which will start in the early part of next financial year, we continue to invest in technology and we are very confident in per content vehicle by our gasket business will go up tremendously when the BS-VI engine start. We have also if you look our performance for the last few quarters you will see that our domestic market share has been increasing in the gasket business because by



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investing in technology, we are moving ahead of the competition with domestic players. We continued to work very closely with our large buyers such as Cummins, such as Bajaj, Tata Motors, and Volvo Eicher to make sure we meet all their technical demands when the BS-VI is going to happen. In addition to the domestic business, we are focusing a lot on the contractual OE export business. We have secured some orders from Cummins, UK, USA, Zetor Tractors (Czech Republic) and nonautomotive conglomerate in Austria. However, the orders that I have been talking to you for quite some time now to come in the maturity it takes about 18-24 per month because validation cycles are bit longer. Just to highlight a few points, I was in the US recently and we have participated in the Las Vegas APEX show, which is predominantly an aftermarket show for our gasket business, the response is very, very positive and seems okay. We also focused towards increasing our utilization of our post-coating line, which is installed. This would help us to reduce our imports and result in cost saving. We have secured an order from Tata Motors for post-coating, we started getting some of our replacement massive gaskets also in post-coating and with the key players in the country for the BS-VI we have actually offered them the post-coated gaskets to reduce our dependency on imports and move with the new technology, which will help us use localized steel vis-a-vis more imported steel. Heat shields as a product, which we have been working on is witnessing traction especially from the global OEMs, we have received orders worth about \$2 million in AHU segment from very key players both in the US as well as in UK.

The forging division has continued to perform extremely well, showing a growth of almost 80% over last year compared to H1. We have good orders from both domestic and international markets. We have recently won new orders for both domestic and international markets worth Rs.20 Crores. Under this division, we are looking to move into higher weightage parts as we are already in a process of installing a 2500 tonne press, which would be ready by the end of this financial year, or latest by Q1 next financial year. This is again linked to our strategy as we mentioned in the past, we want to move up the value chain into higher parts because our current customers both domestically and internationally want higher weightage parts from Talbro's.

Regarding joint ventures Magneti Marelli Talbro's, which is 50:50 joint venture with Sistemi Sospensioni S.p.A. Italy formed to design and develop complete chassis for OEMs, has recently secured an order from a major OEM in excess of Rs.30 Crores per annum. Also, the good news is that Bajaj has finally started procuring the RE60 from us and we are looking at in various meetings with Bajaj heads of procurement starting from calendar year next year procuring about 2500 numbers per month. This will be a big boost to our Magneti Marelli JV. The JV has started delivering as per promises made and looking at a better growth in the quarters to come, and to mention we did growth in excess of 40% also in the joint venture. Talbro's Marugo Rubber is JV with Marugo Rubber Industries, which caters to OEMs for the anti-vibration components, rubber components and hoses. Our JV has also turned the corner, which Mr. Juneja will talk to you obviously in details with the financials, but we are now receiving more and more business from other OEMs such as SML Isuzu, we have got business from the new Ertiga as well as our buyback to Japan is also increased. The hose division, which has been



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dragging us has witnessed an improved volume during the year and the JV has been profitable for H1 FY2019. Considering the order book position within all our product segments we are confident of continuing to consistently deliver such performance in the coming quarters and we also maintain our yearly guidance given to you. Now request Mr. Navin Juneja to update you on the operational and the financial performance of the quarter.

Navin Juneja:

Thank you Anuj. Coming to the gasket division including Nippon Leakless Talbro's. For H1 FY2019, our standalone gasket sales recorded a growth of about 22.3% on the back of growth in commercial vehicle segment. Also, two-wheeler growth remains strong during the year. Nippon Leakless witnessed sales volume growth on the account of sales to Honda Motorcycles. The revenue from standalone gasket business was at Rs.169 Crores and NLK was Rs.26.5 Crores for H1 of FY2019. This segment saw a combined EBITDA of almost Rs. 25 Crores. The revenue from standalone gasket business was Rs. 85.2 Crores and Nippon Leakless was Rs. 30.6 Crores for Q2 of FY2019. This segment saw a combined EBITDA of almost Rs.13 Crores. Coming to our forging division, there was 85.8% growth in revenues in H1 FY2019 on a Y-o-Y basis from Rs. 47.3 Crores in H1 of FY2018 to Rs. 88 Crores in H1 FY2019. On quarterly basis, the revenue grew by 68% from Rs. 27.3 Crores in Q2 of FY2018 to Rs. 46 Crores in Q2 of FY2019. The sales we have gained from the execution of new orders, which we have received.

Coming to Magneti Marelli Talbro's Chassis Systems Private Limited. i.e. MMT saw a 38.4% revenue growth in H1 FY2019 because of higher volumes. Total exposure of revenue to TACL in H1 of FY2019 was around Rs. 33.8 Crores. On a quarterly basis the revenue grew by 39% from Rs. 13 Crores in Q2 of FY2018 to Rs. 18.1 Crores in Q2 of FY2019. Improved margins on account of increased volumes. The volume growth came from phase 2 for Maruti Suzuki for their two flagship models named Brezza and Baleno.

Now coming to Talbro's Marugo Private Limited. TMR provide 35.6% revenue growth in H1 of FY2019 over H1 FY2018. Total revenue share attributable to Talbro's was at Rs. 12.9 Crores. On a quarterly basis, the revenue has grown by 40% from Rs. 5 Crores in Q2 of FY2018 to Rs. 7 Crores in Q2 of FY2019.

Now coming to the consolidated financial performance of the company, first I will talk about H1 of FY2019. Total income including other income stood at Rs. 253.3 Crores, a growth of 38.4% over the corresponding period last year. EBITDA including other income stood at Rs. 29.9 Crores, a growth of 56.5% over the corresponding period. The margins stood at 11.8%, which saw an expansion of 140 basis points, which is primarily due to increase in volume and successful negotiations with OEMs for passing on the increase in RM cost. We expect further pass through in the coming quarter on account of RM increases. PAT stood at Rs. 13.8 Crores in comparison to Rs. 7.5 Crores in H1 FY2018, which is being adjusted for one time gain on sale of asset in Q2 of FY2018. Now coming to Q2 FY2019, total income including other income stood at Rs. 129.2 Crores, a growth of 27.2% over corresponding period. EBITDA including other incomes stood at Rs. 15.6 Crores, a growth of 46.7% over corresponding period. The margin



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stood at 12.1%, which saw an expansion of 160 basis points. PAT stood at Rs. 7.6 Crores in comparison to Rs. 4.8 Crores in H1 of FY2018, which is being adjusted for one time gain of sale of asset in Q2 of FY2018. This is all from our side and I would now like to open the floor for questions and answers.

Moderator: Thank you very much. We will now begin the question and answer session. The first question is from the line of Jayashree Ram from Karvy Stock Broking. Please go ahead.

Jayashree Ram: Good afternoon to you and congratulations on a good set of numbers. My first question is once the BS-VI is implemented what kind of realization increase you see in terms of gasket and do you see any margin expansion by that?

Anuj Talwar: Good afternoon. As I mentioned earlier in the call as well with the BS-VI in the gasket business the increase per car goes about 25% to 30% in the revenue side predominantly in the CV space and obviously margin will expand further on this.

Jayashree Ram: How much are you importing from your raw materials?

Navin Juneja: Raw materials we are importing about Rs. 80 Crores per annum.

Jayashree Ram: Rs.83?

Navin Juneja: Rs.80 Crores per annum at existing volumes.

Jayashree Ram: How much was it the previous year?

Navin Juneja: Previous year it was approximately the same in the rupee terms because of you know that Dollar and Euro has gone up by 6%-7% so in rupee terms it is same.

Jayashree Ram: WLTP testing norms was going on that is happening in the Europe and do you see any delay in your export order execution because of that?

Anuj Talwar: No, we do not.

Jayashree Ram: And I see almost your borrowings have gone doubled so are you having any additional capex and what is your maintenance capex?

Navin Juneja: Yes, you are right, my borrowing has gone up primarily because we used to have buyer credit for the imports. In March the buyer credits were stopped by banks. We borrowed a loan of Rs. 40 Crores to pay out all my buyer credit that is the only reason for major and subsequently my creditor also has come down by same amount. Buyer credit goes to be reflected in the **Sundry Creditors** now we have paid all the buyer credit, , we have borrowed short-term loan for two



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years is reflected in the borrowing. For working capital, I have borrowed Rs.10 Crores, Rs. 12 Crores to support the increased volumes

Jayashree Ram: Rs. 12.5 Crores?

Navin Juneja: Approximately Rs.12 Crores in the working capital I have borrowed, there are two borrowings, one is term borrowing and one is working capital borrowing. Term borrowing basically is for paying of buyer credit, we have borrowed Rs.20 Crores for a period of two years to pay out my buyer credit, we have paid all buyer credit and this Rs.20 Crores will be up in two years. On the working capital side, we have borrowed an initial amount of Rs.12 Crores to support my increase operations.

Jayashree Ram: This is around half year, are you having any trouble in generating operating cash?

Navin Juneja: No.

Jayashree Ram: What is your maintenance capex and what would be your additional capex this time?

Navin Juneja: In this moment, the total capex in the gasket will be around Rs.12 Crores, which includes addition by both increasing capacity and maintenance both. In forging it will be about Rs.18 Crores out of which we have already incurred approximately about Rs.10 to Rs.12 Crores. If we combine total of Rs.30 Crores in standalone business Rs.12-13 Crores we have already incurred.

Jayashree Ram: Rs.12 Crores already incurred, okay sir I will come back in the queue for more questions. Thank you.

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

Arun Agarwal: Good afternoon Sir. In the presentation, we see that we have won a total new order worth around Rs.60 Crores so could you just help us out when will these orders be executed what would be the timeline when we will start executing these orders.

Navin Juneja: Yes, coming to the first we won order of Rs.37 Crores it will be start inputting from the balance sheet, already some portion has started executing, the major will be started from the next financial year.

Arun Agarwal: From the start itself or it is in the second half?

Navin Juneja: Financial year, this year it will be about Rs.7 to Rs.8 Crores will be executed this year, next year full Rs.30 Crores plus will be executed approximately and regarding these forgings Rs.8 Crores price order will be reported from next financial year, already somewhere we have started going because it is a export order, so approval required for there side. Heat shield it will start from the



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calendar year from January it will start on a slow pace it will pickup in the next financial year and coming to the Marugo, Marugo will also start from the next financial year.

Arun Agarwal: Sir could you also just update on the other orders we had won from JLR and BMW earlier, so how those have been, we have already reached the full order pace of Rs.25 Crores kind of thing or we are still ramping up those orders?

Navin Juneja: Yes, we have won the order of BMW in last financial year, it is running on annual basis, we are selling approximately Rs.27, Rs.28 Crores of BMW on annual basis in this financial year. We won the second big order from Indian OEM.

Arun Agarwal: We heard about the BMW order of Rs.27, Rs.28 Crores that we are doing.

Navin Juneja: As we got the other order, we got recently in the financial year with joint venture of US company in Pune, it has been already started, that order we have I think has reached at the level of approximately Rs.1.75 to Rs.2 Crores per month so we expect this to be, but end of financial year to be fully executed on an annual basis of Rs.20 Crores per annum.

Anuj Talwar: Also, just to add to you, we have given a few highlights here. When we are constantly working with other OEMs also in the country and getting order book from them. So this number of Rs.60 Crores you may consider done 99%, right, over the course of the next year or next quarter, in addition to this without tell you too many details of how much customer, how much order and all this is going to happen plus we are working on more as per in line with domestic OEM and international OEM.

Arun Agarwal: Sir the Dana Spicer order, which we have started, or we will start next year?

Navin Juneja: I was talking about this Dana Spicer order we are talking about, we have already started the price of approximately Rs.1.75 Crores per month from them, I think the volume will reach further but end of the quarter it should be around Rs.2 to Rs.2.5 Crores per month.

Arun Agarwal: Alright Sir. Sir on the raw material cost we talked that we have taken some price increases with the OEMs, so how much that have been passed during this quarter, and how much would have been left may be in the expense, just give some numbers on the percentage side.

Anuj Talwar: In forging we have received 100% and in gasket I think we have received about 60%, 40% customers we will receive in the next two months, but on the annual basis I think by December we will see from everybody six months, three months, some OEMs involve automatic corrections 5% happens automatically, but in the annualized business it will neutralize.

Arun Agarwal: Alright and Sir my last question is on the RE60 order that we talked about, so there you talked about we will be doing 2500 units per month from January onwards?



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- Navin Juneja:** Our expectation we had annual general meeting, I think last month we have met them and since Magneti Marelli is also planning to set up a facility somewhere in Western belt, so we are discussing with them and they have shown approximately about 2000 to 2500 per month from may be later by April next year.
- Arun Agarwal:** April not January?
- Navin Juneja:** Yes, January order starts but, we are taking it from April onwards we will have to budget 2500 numbers per month in our P&L. We need to break facility for that, so have to set up facility to that level, we are already 500 or 700 pieces per month, for that level we will need to add some capex for that also.
- Arun Agarwal:** Right and sir the value of these suspension system that we will be providing would be some Rs.7000 per set, right?
- Navin Juneja:** Absolutely right.
- Arun Agarwal:** Thank you Sir. That is all from my side.
- Moderator:** Thank you. The next question is from the line of Deepen Shah, an Individual Investor. Please go ahead.
- Deepen Shah:** Thank you and congrats for an excellent set of numbers. Out of the few questions some of them have been already answered. I just wanted brief overview on overall scenario like, you are being supplier across vehicles and across types of vehicles if you can give us some insights into how is the next six-month order book looking, are there any changes, which have been suggested by the OEMs is looking at the demand, something on the macros side, which you can now give us some insight into how the next three to six months can pan out if at all you can give us some insight into that?
- Navin Juneja:** As we mentioned earlier because we are working with various OEMs across all segments our export market also pretty closely, we are okay as far as our guys is concerned, we have no issue.
- Anuj Talwar:** At present the order book is as good as it was two months before. So we are not thinking about the budget also in the PV segment we are in these models such as Brezza or Baleno, which have got a good demand, the orders have small dips on a quarter, on a sentiment, on share, or election you keep having this, but for the whole annual year we do not see an impact in our company because we have been personally met with some OEMs across the segment, CV demand yet to remain, two-wheeler demand yet to remain.
- Anuj Talwar:** Industry grew at about 13% for H1, 10% for Q2 it might go 9%, 8.8%, but our endeavor is to keep adding to get new and new models.



Navin Juneja: We have a very good export also, in forging, MMT and Marugo also started exporting, we do not feel any major impact.

Deepen Shah: That is encouraging, thank you and all the best.

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

Shikha Mehta: Could you give us details on export growth?

Navin Juneja: Last year 2017-2018, there are some direct export, there are some deemed export, what is the deemed export is forging division supplying to BMW through machining company is deemed export, we do not supply directly because we supply through machining company is a deemed export. In 2017-2018 including deemed export we did export of approximately Rs.84 Crores on a consolidated basis I am telling you, on taking 100% above at joint ventures. In gasket we did export of Rs.30 Crores, forging of Rs.53 Crores, MMT we did highly export of Rs. 1.3 Crores and Talbro's Marugo we did export of Rs.1.6 Crores. Now in this financial year we are expecting gasket to be around Rs.36 Crores export, forging of Rs.100 Crores, MMT of Rs.4 Crores and Marugo will do of Rs.3 Crores, so Rs.145 Crores export I am looking at this financial year and we did acquisition for next financial year, this figure we will cross approximately Rs.200 Crores, so this is the export we are talking about. Export, which I am talking about deemed export it is showing as local sales in forging, it has not shown as export we are not selling directly there, but in my figure, it has shown as export.

Shikha Mehta: Sir, if you could talk a bit on the margin front because I am assuming raw material costs have gone up and do, we pass that on, can you explain where the margin expansion is coming from?

Navin Juneja: Yes, margin expansion is coming from, of course the raw material cost have gone up, through our cost cutting measure activities, we are doing in our own products in a straight way because, if you see my employee cost it has come down from last quarter and this quarter, if you have seen that plus activities we are doing VA VE activities in our plants plus in the export side exchanges helped us a little bit increase our margins plus all the orders we have, now we have negotiating all the orders with our new conversion cost, also we have got some new conversion increases from OEM business also that is a major contributor plus volume growth is there.

Anuj Talwar: Just to highlight you as per accounting standard our man power cost was 13.1% six months last year, it converts to 11.8% in the six months this year. This is an example and in Gujarat margins we have actually increased by 140 basis points, compared to H1 of last year, these are the major reasons.

Shikha Mehta: Alright. Thank you, Sir.



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

Ankit Merchant: Hello and good afternoon. First of all I would like to thank the management for, it has been a really good performance in this particular quarter, most of my questions are also answered, you know it is really important for me to understand what is raw material as such because in most of the raw material cost of the companies in the auto ancillary spaces have gone up and ours has not gone up as much I was expecting and as we understand there is Rs.80 Crores of import also of raw materials, I would like to understand going forward how could be the scenario for us on the raw material front, second I would like to understand this personal cost, as we know that it has come down will the same trend continue and third is the finance cost now that we have raised some near about Rs.40 Crores at what cost it has come to us, that will give me a good idea about how going forward how the performance could be looking for the next few quarters?

Navin Juneja: Coming to the first you talk about the increase in RMC. Yes of course, RMC cost has gone up because there are some of the OEM customers, we have formula, every quarter they compensate us for the RMC cost. For some of customers we have launched the price increases along with the conversion cost, although we have not taken the conversion cost for the last five years and the guidance were kind enough to give us, that because they have to stand in fact plus there are some internal efficiencies also, which are helping us to mitigate the increase in the RMC like reduction of my rejection on the forging division we are working very hard, we have been very successful in doing that plus volume of speed is there, we are getting very good because of the export basically in Europe in the forging division it has helped me to mitigate the risk of import in gasket business to a great extent, so combined these we have able to mitigate that increase, etc. of raw material and dollar increases. Number two, your question was on the employee cost structure, you can see some more improvement out of increased sales in future quarter not in all quarter because we did some restructure, which is more or less over, we do not have any further plan of any further restructuring so now the volume growth will give us a benefit because of topline grew by 20% the Marugo will grow by 20%, so we will get the benefit of that. Thirdly a few question on finance cost, what was that. initially before March it was buyer credit, buyer credit will use to have a cost also of 2% to 2.5% depending on the currency and the period we take back, now buyer credit will need to pay, the buyer credit would took all the currency loan worth Rs. 20 Crores at 3% and which will be paid in two years, we start paying installment is approximately Rs.80 lakhs per month of that, we will be paid in two years, already repayment has started for that, by the end of next financial year it will be zero and working capital borrowing is my average cost of volume is around 8% because for that I am getting working capital term loans at 8.5% to 8.8%, on the other hand I am getting foreign currency packing credit at 6.2% to 6.3%, so if you see in spite of high borrowing my finance costs have not gone up much, it is marginally as compared to first quarter, if you see second quarter marginally up, so I do not foresee any much increase in the finance cost. there is no increase in the working capital for the full financial year there will be zero increase in the one capital because a part of generation money is coming to take care of my increased turnover in the parallel six months, but



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on the term loan I will borrow some money for the capex purposes plus I am repaying some term loan also, but there is no major impact on that.

Ankit Merchant: Sure, and did I hear it right that is borrowed from, it is in foreign convertible bond or something we have raised money through, foreign currency bond?

Navin Juneja: In March 2018 my buyer credit was reflecting in Sundry Creditors. There is no buyer credit we have taken the money from which shown in borrowing that is already there.

Ankit Merchant: And coming to Marugo Rubber we were expecting some part of business coming from Marugo so has it been started now?

Navin Juneja: Yes, it started this year is approximately Rs.4 Crores.

Ankit Merchant: And any expectations that when will it start contributing on the bottomline?

Navin Juneja: In this half year we made a profit about half a million, Rs. 5-6 million.

Ankit Merchant: In the new forging press, which was supposed to be installed over, has it been installed by now?

Navin Juneja: No, this year first 500 tonne press we have taken one for Musashi business it is already installed, it will start working for next month, the 2500 tonne press will be installed I think by end of Q4 FY2019 or by the June of next financial year.

Ankit Merchant: Sure and related to the growth prospect there has been a lot of negative news, which has been going around in the industry that growth has falling off from the peak, but coming to CV as such we believe that it is going to be continued at a such pace, but two-wheelers are where we see problem so it is that the reading right away two-wheeler growth is likely to taper off more from you?

Navin Juneja: I think to be honest with you as I said earlier also we are still maintaining our yearly target of growth, CV I believe completely till elections it is going to be up and BS-VI will happen, pre-buy do not happen, so CV we do not see it yet, even two wheelers could be a temporary kind of a dip, but eventually long term perspective it is okay, I cannot even answer quarter-to-quarter I cannot predict magic, but I know about the fact annualize we are okay, we are on our target, do not worry about that.

Ankit Merchant: Sure. Thank you so much for it. Thanks.

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



Sunil Kothari: Congratulations for a very good performance and very detailed explanation on the issues. I want your view on the recent some right up by ACMA that because of this trade war between China and US the potential from the auto component point of view the products name what they mentioned, which has very potential is gasket, forging and rubber products, so any view from your side that you see any major opportunity in this segment because of currency also and because of export competitiveness Indian manufacturers?

Anuj Talwar: As Navin mentioned to you and we have heard earlier our export are increasing from almost from the year 2017-2018 from Rs.84 Crores to Rs.145 Crores in the year 2018-2019 to Rs.200 Crores in the 2019-2020. Now, one is obviously that will pay an impact like, when I was in the US in November for the last week or so a lot of the customers especially for the replacement market started coming to us if you look we wanted to tool up faster, also the OEMs that are there in the US that it is coming to Polaris, they want to move towards to India, but we have not factored this into our growth for a number right now because by the time received the orders they moves in validation it is 18 to 24 month process as you know, but even it does come in we will keep you informed, but there are signs of positivity from US and now suddenly we will see a big surge order coming from A, B, C, D, E parties has started coming our way.

Sunil Kothari: Great sir and Sir this Nippon Leakless numbers that first half, second quarter, EBITDA seems to be not growing compared to topline also and second quarter we degrown on, any major reason or any problem with this JV?

Anuj Talwar: First of all, it is the number, it should not be degrown if I shown you the number.

Sunil Kothari: Q2 EBITDA is down by almost 4%?

Navin Juneja: No, Q1 Nippon Leakless I am talking about 100% now Nippon Leakless, first quarter it was Rs. 32.4 Crores was the income and EBITDA was 18.35%, now in Q2 the turnover is Rs. 34 Crores, EBITDA is 14.1%, but of course they import lot of materials from the US because of change from impact may be there now exchanges because last quarter the exchange was at the peak, dollar was at the peak to Rs.74 now it is cool down, I think it will be improved further. There is no much problem.

Sunil Kothari: Because sir this Q2 EBITDA is -4% year-on-year?

Anuj Talwar: Like last year it was 23.67% this year same period is 21.01% it is basically because of only dollar nothing else currency.

Sunil Kothari: Right sir and next question is MMT we are showing order, which is OEM in UK worth Rs.35 Crores what exactly is this order and is it same order, which is on third line we are saying that we have started supplies for the order.



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Anuj Talwar: You are right, if you want to started supplying to this the customer and **at the sametime there is** full potential of the order, which you received officially from them, which is now two potentials of variant 1, variant 2, variant 3, variant 4, variant 5.

Sunil Kothari: Sir my question is these both are same order, which we have already supplied, started and in the first line we have mentioned is OEM in UK.

Anuj Talwar: There are five orders, 5% of vehicles, we are already supplying for one vehicle, now we have to supply for five vehicles. Total Rs. 35 Crs is of JLR

Sunil Kothari: My last point is debt, which has gone up mainly because of you clearly mentioned that there is a reduced payable because of repaid of buyer's credit and higher receivable, so any scope of any further improvement in working capital because we have really managed well our inventory?

Navin Juneja: Yes, debtor number of days come down because we are going at such a high pace so you are seeing the high numbers, it is not high the number of days have just come down, number one secondly what happened in the last quarter or the first six months of this financial year there is a shortage of steel, previously we have got credit of 10, 15, 20 days and now we require to give advance to purchase steel, there is a huge shortage of steel in the forging business that is the only reason. This temporary phase it will return to normal, growth is happening.

Sunil Kothari: Great Sir. Thanks a lot and wish you good luck.

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

Apurva Mehta: Yes, congratulations for great set of numbers, Sir all my questions are mostly answered, only what are the sales in aftermarket currently, vis-à-vis last year?

Navin Juneja: Sir in the aftermarket, sales are down as compared to last year because OEMs have become very active in the aftermarket through their channels, number two after GST, etc., the cost of product has gone up, so stocking I think distributor had started reducing their stock, so it is not growing as we wanted to.

Apurva Mehta: But grown up at about 7%?

Anuj Talwar: It has grown up by 7%, but we wanted it to 20% it is not growing at that pace. OE segment in the gasket business is extremely high, 25%, 24%, exports are growing 17%, so this is growing only 7%, because we are company of the known product, when OE also Buys OE spares and those OE spares put through in the market, assurance of genuine part, so very tougher to compete; however, we can maintain 8%-10% will happen year-on-year.

Apurva Mehta: But do you face any capacity constraint in gasket or no?



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- Navin Juneja:** Not much gasket of course we are going for new capex as and when required, but nothing major is there.
- Apurva Mehta:** But we were supposed to sell the post-coating in aftermarket, which would be rather cheaper, and we can compete with.
- Navin Juneja:** We have already started post-coating, we have converted through models into aftermarket, we are giving post-coatings, I said by end of financial year or whatever we can do in post-coatings we are going to do in the aftermarket.
- Apurva Mehta:** Sir in the first half we have grown by almost 37%, 38% what will be our second half growth target approximately?
- Anuj Talwar:** I think to be honest with you like I mentioned you earlier, the yearly target we maintain, last year in the second quarter we did a sale of Rs.213 Crores.
- Apurva Mehta:** It was Rs.213 Crores.
- Anuj Talwar:** Our yearly target we are maintaining sir
- Apurva Mehta:** Sir on the export when you are targeting next year close to Rs.200 Crores, so that will be major contribution will be coming from forging?
- Anuj Talwar:** Major will be coming from forging and gasket and MMT.
- Apurva Mehta:** Wish you all the best.
- Moderator:** Thank you. The next question is from the line of Jayashree Ram from Karvy Stock Broking. Please go ahead.
- Jayashree Ram:** Thank you for taking my question again, just one confirmation regarding the forging when did you say you would start the 2500 tonne press?
- Navin Juneja:** You can take it from April of next year. There are a lot of other equipments required with that.
- Jayashree Ram:** Can you give me, since forging is very fastly growing among the segments you are operating in, can you give me guidance of the next two years what could be the range of the topline?
- Anuj Talwar:** This year it should be around Rs.160 to Rs.165 Crores, next year this should be Rs.200 Crores plus and after that we are targeting at around Rs.250 Crores.
- Jayashree Ram:** That is all Sir. Thank you.



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Moderator: Thank you. Ladies and gentlemen that was the last question. I now hand the conference over to Mr. Anuj Talwar for closing comments.

Anuj Talwar: Let us thank you all for joining the call today. I hope that we were able to answer all your questions. For any further queries you may get in touch with SGA and we are happy to address all your questions. Thank you once again.

Moderator: Thank you. On behalf of TalbroS Automotive Components Limited that concludes this conference. Thank you for joining us. You may now disconnect your lines.