



“Talbro's Automotive Components Limited
Q1 FY '26 Earnings Conference Call”

August 08, 2025

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**MANAGEMENT: MR. ANUJ TALWAR – JOINT MANAGING DIRECTOR –
TALBROS AUTOMOTIVE COMPONENTS LIMITED**

**MR. NAVIN JUNEJA – DIRECTOR AND GROUP CHIEF
FINANCIAL OFFICER – TALBROS AUTOMOTIVE
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Moderator: Ladies and gentlemen, good day, and welcome to the Talbros Automotive Components Limited Q1 FY '26 Earnings Conference Call. 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 star then zero on your touch-tone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Anuj Talwar, Joint Managing Director. Thank you, and over to you, sir.

Anuj Talwar: Thank you so much. Good morning, everyone, and a very warm welcome to our quarter 1 results earnings call. On the call, I'm joined by Mr. Navin Juneja, our Director on the Board, our Group CFO. Also, we have SGA on the call with us, our IR Advisors from Mumbai. The results and the presentation have been uploaded on the stock exchange.

Let me begin with the industry overview. In quarter 1 FY '26, the Indian automotive industry recorded a muted performance in the domestic market with the 2-wheelers and the PV segment not doing good and the tractor segment, along with EV vehicles have done better in the quarter, but obviously, they're a much smaller base.

Overall volumes declined by 5.1% year-on-year. The commercial vehicle space, where today Talbros is a large player, saw a muted growth, posting a 1% decline year-over-year in this segment. While price increase by OEMs provided some support, the demand remains soft, particularly in small commercial vehicle categories.

Electric vehicles, on the other hand, continue to perform strong during the quarter. The segment's momentum was supported by an increasing consumer acceptance, a broader product availability and improving charging infrastructure. That said, the pace of growth moderated compared to previous quarters, mainly due to phased reduction of government subsidies, which affected the price competitiveness and the consumer affordability.

The 2-wheeler and the 3-wheeler segment remains subdued with volumes declining by around 2% Y-o-Y. This softness is largely attributed to an ongoing inventory correction by OEMs and weak demand for entry-level bikes, especially those focused on fuel efficiency.

Despite the near-term challenges, the industry outlook remains cautiously optimistic, supported by expectation of a strong festive season, above normal monsoons, which could help revive the rural demand. What we have seen and spoken to our OEMs in the domestic sector and export, they say that quarter 2 will be better than quarter 1 and quarter 3 definitely will be far better than the previous quarters.

Coming to company performance. In the first quarter of FY '26, Talbros delivered a steady and resilient performance, navigating through persistent macroeconomic challenges, a broadly

subdued demand environment in the auto sector and a slowdown in the export activity. Despite these headwinds, the company achieved a marginal 1% year-on-year increase and the total of income from operations reaching INR211 crores. This growth, though modest, reflects the company's stable operational execution.

EBITDA for the quarter stood at INR35 crores, EBITDA margins at 16.5%, which tells you that no matter if the growth goes down, we work a lot on our operational efficiencies and economies of scale and continue to give you good margins. Our exports were strong. So that's a good product mix. So thereby, the net profit grew year-by-year by 8% to INR22 crores.

The quarter also highlighted the resilience of Talbro's diversified business model. While the Forging segment faced a marginal decline due to its export orders and a delay in projects that had to be executed by OEMs worldwide, the company's joint ventures did decently well.

Marelli Talbro's and Talbro's Marugo JV delivered a robust EBITDA growth of 30% and 26%, respectively, driven by an increased focus on value-added and technology-driven products. On the exports front, revenue from international markets contributed to 28% of the income for the quarter, showing our consistent effort to increase exports.

Within the export mix, the UK accounted for 56%, followed by Europe -- excluding UK at 27% and the U.S. only at 13%. USA contributes to about 3% of the total revenue. This well-diversified geographical spread over Talbro's is a natural hedge against region-specific risks, including the recent tariff-related developments between U.S. and India.

At the moment, we are continually looking to expand our exports to more countries as we speak. TACL continues to maintain a balanced revenue mix across OEMs, aftermarket and export markets, which again provides a natural hedge. The company secured orders worth INR580 crores during the quarter.

These orders span across different product categories, geographies, highlighting customers' preference for Talbro's capabilities. While fluctuations in the market will demand continue to pose challenges, Talbro's is committed from shifting from pure acquisition focused efforts to efficient execution.

This is crucial to translating our strong order pipeline into a sustained revenue growth. Looking ahead, Talbro's remains firmly aligned to its long-term strategy. The company will continue to deepen its relationship with OEMs. We are in discussions with OEMs other than the existing ones in our country to get more business from them, expand our EV component offerings and at the same time, increase exports as well. That's all from my side.

Before I pass on the call to Mr. Juneja, I would like to say that our company is looking at a stronger quarter 2 than quarter 1. And at the same time, quarter 3 seems to be very bullish because a lot of our order books, which have been delayed due to execution by OEMs, will come into berthing. Thank you, and I pass on the call to Mr. Juneja.

Navin Juneja:

Thank you, Anuj. Good morning, and a warm welcome to all the participants. Let me begin with the financial overview. Total revenue for Q1 FY '26 stood at INR211 crores as against INR209

crores in Q1 of FY '25, which is a relatively flattish growth. EBITDA for Q1 FY '26 stood at INR35 crores as against INR35 crores of the -- in the last year of Q1 FY '25. EBITDA margin stood at 16.5%. PAT for Q1 FY '26 stood at INR22 crores, as against INR21 crores in Q1 of FY '25, a growth of 8% on Y-o-Y basis.

Now coming to the division-wise performance. In the Gasket division, in Q1 FY '26, sales for the Gasket division stood at INR135 crores as against INR133 crores of Q1 of FY '25, a moderate 2% growth on Y-o-Y basis. EBITDA for Q1 of FY '26 stood at INR22 crores, which is a growth of 5% as compared to the same period of last year.

Coming to the Forging division. Revenue for Q1 FY '26 was INR75 crores, which has remained a little flattish, primarily because of the export demand little subdued European market where our major customers are there. EBITDA stood at INR13 crores in Q1 FY '26, which is slightly a degrowth as compared to last year, but as Anuj told you that we will recover this in the second quarter.

For Magneti Marelli Chassis Systems Private Limited, revenue for Q1 FY '26 stood at INR73 crores as against INR69 crores, a growth of 6% on Y-o-Y basis. EBITDA for Q1 of FY '26 stood at INR13 crores, a growth of 30% on Y-o-Y basis.

Now coming to the Talbros Marugo Rubber Private Limited. Revenue for Marugo Rubber business in Q1 of FY '26 was at INR30 crores, a slight degrowth as compared to last year because of the delay in launches by Maruti of EV vehicle. EBITDA stood at INR4 crores in Q1 of FY '26 as against INR3 crores in Q1 of FY '25, a growth of 26% on Y-o-Y basis.

We are dedicated to creating superior value for our customers through highly -- high-quality products offered at a competitive price. We aim to consistently increase and exceed customer expectations, while building trusted long-term relationship with our stakeholders through operational excellence.

And this is from our side, and we would like to open the floor to question and answers. Thank you.

Moderator: Thank you very much. We will now begin the question-and-answer session. The first question is from the line of Shikha Mehta from Time and Tide Advisors.

Shikha Mehta: Congratulations on a decent set of numbers given the situation. I just had a few things I wanted to understand. I think in Q4, we mentioned that we would see a better FY '26 than FY '25 because there was a delay of certain orders. Are we still holding good on that guidance?

Navin Juneja: Yes, we are still hopeful that -- irrespective of what has happened in the first quarter and what is happening in U.S., etcetera, we are still hopeful that we'll achieve a double-digit growth in this financial year.

Shikha Mehta: So would that be -- are we hoping to be closer to 20%? Or are we expecting...?

Navin Juneja: No, no, 20% ma'am. No, I never said 20% in last call also. I said around 15%.



- Shikha Mehta:** No, no. I was asking if it's double digit -- okay.
- Navin Juneja:** No, no, no. Double-digit growth start from 10% onward, ma'am.
- Shikha Mehta:** Right. Okay. And secondly, I wanted to understand, we've already done a lot to improve our margins to 16.5%. Are we hopeful that we can improve this further? Or is this something that can be sustainable for...
- Navin Juneja:** No. Ma'am, it will be improved further. When the top line goes up, it will be improved, definitely. Don't see first one quarter, wait for the year. We will deliver good results. I'm quite hopeful at this moment.
- Shikha Mehta:** Understood. And another thing, sir, I wanted to understand was we -- like we mentioned, there's been a slight slowdown for a while now in the CV segment, but a lot of reports are suggesting that green shoots are starting to be visible in that sector. So do we have any outlook on CV as a segment for us?
- Navin Juneja:** So of course, you are right. It was -- June was very slow. July was also slow in CV segment. But with the festive season, we can expect some uptick in this CV sector. We are expecting -- and plus we have new product launches in the CV segment. Of course, it will take care of better growth for us in the CV segment.
- Shikha Mehta:** Understand. And lastly, sir, on the forging side, historically, forging has been a segment of high growth for us. I understand the last 2 quarters have been a little muted. But how can one look at the whole year? And what is our expectation? And if you could also help us understand what has happened because of which we're seeing muted growth?
- Navin Juneja:** So ma'am, first of all, muted growth is because -- last time I told you that because of the BMW delay, schedule came down, but now it has been recovering. And every quarter, you can see a better performance on that front. Plus new products launches, which are expected from OE customers, have been a little delayed by 1 or 2 months. Of course, it will be also be there.
- In this quarter, 1 or 2 -- 1 press, I think -- 1 or 2 press got breakdown for 3 weeks. And I think 1 press got breakdown for 3 weeks, 1 press got breakdown for 2 weeks. And we lost order of approximately INR2 crores to INR3 crores because of that. But it will be -- we will recover in this quarter. All presses are online now or recovered. So you can see a better growth as compared to first quarter and second quarter. By the year-end, I'm expecting this division should be around INR325 crores.
- Shikha Mehta:** Understood. And in Q2, are we expecting to see year-on-year growth as well? I understand quarter-on-quarter will be better...
- Navin Juneja:** The quarter-on-quarter because last year, first 2 quarters were very good for the company and last 2 quarters were a little muted. This year, I think first 2 quarters will match last year, and then we can see a growth in the last 2 quarters because Anuj told in the speech also that new launch -- product launches we are expecting in third and fourth quarter.



- Shikha Mehta:** Third and fourth quarter. Understood sir. And lastly on the export...
- Navin Juneja:** Don't see last year, see quarter-to-quarter. Yes.
- Shikha Mehta:** Okay. And sir, lastly, on the export front, I think this quarter, we've done 28% of revenues. We've been targeting 35%. So any guidelines on when we can...
- Navin Juneja:** Yes, yes, we are still -- no, U.S. is nothing for us -- for our group. For the group, it's only INR35 crores -- INR38 crores, nothing. Whatever the new businesses we are getting is mostly in the European segment. The Stellantis business, which we are talking, is on track. It will start in the third quarter. Plus we are expecting more business in that division. Export business, I think we will announce within 1 or 2 months of that. So we are quite hopeful that we'll be able to touch near to 35%. We are still hopeful. Now we are 28% in this market. Yes.
- Shikha Mehta:** Right. Sir, I think a year back, we had mentioned something with Russia as well. Did that materialize? Or are we working on that? Or is that currently shelf?
- Navin Juneja:** No, no, we are working on that. Not directly Russia through other country, not directly. We're working. It will start in the third quarter...
- Anuj Talwar:** Yes, it will.
- Shikha Mehta:** Okay. And other than that, are we currently looking at any new geographies? Or this is our plan...
- Anuj Talwar:** We're expanding Europe -- we're trying to expand Europe in a decent way.
- Moderator:** The next question is from the line of Vishwanath from Prosperity Wealth Management.
- Vishwanath:** So my first question was, over the last few quarters, the company's revenues have remained range bound. So while our margins have improved due to operational efficiencies, so do we see this revenue trend primarily because of the subdued market demand or because of our utilization levels being capped? And are we holding back on our capex because of the market demand as well? Can you clarify on that?
- Navin Juneja:** Okay. What has happened, happened last 3 quarters. Some -- because of some customers have -
- turmoil is happening in the whole world, you know that very well. And Indian market is also not supported in the last -- not performed really well, auto components I'm talking about. Auto market has been subdued also. So -- but we are quite hopeful and we have got orders -- sufficient orders to take the company forward. The orders -- some orders have been OE had delayed, that's fine, but now it has started coming into berthing.
- And we are capex -- there is no stoppage of capex. We are in the forging. We have recently ordered 1,600 tonne press, worth INR10 crores approximately. We are ordering another 4,000 tonne press by the -- before this end of this calendar year. So we are -- orders are in hand, and we are hopeful that whatever the muted growth top line you have seen will improve in future quarters. Definitely, we have a look from third quarter onwards...

- Anuj Talwar:** Yes, I would like to add what Navin mentioned in our forging business, which we believe in a lot, the whole point of ordering a heavy-duty press like 4,000 is to get larger part numbers, larger value add, larger value with the same OEMs and new OEMs, which -- and they want it from us. And that shows you the commitment that we are putting in this business.
- Navin Juneja:** All capex is on line.
- Vishwanath:** Yes. So our capex plans are going as we planned.
- Navin Juneja:** Yes, yes, we are not holding any capex.
- Anuj Talwar:** This is a very short-term phenomenon. Automotive is a cyclical industry. It is not -- it goes through the ups and downs. We will see the uptick happening again from quarter 3, will get better. So just a short-term phenomenon. It's no cancellation of orders. It's a delay of orders. Like, for example, some of our OEMs in Europe or UK, right, they're launching some EV vehicles.
- We are doing a lot of work with them, but the car is delayed by 1 year. Now we've already put in the money. We have to wait. So a big brand name like Jaguar Land Rover can also get delayed by a year or so. So it's just a matter of time. And as we mentioned to you, we are looking at constantly adding new domestic customers as well as export.
- Vishwanath:** Understood, sir. So my second question is regarding Marelli. So is the capex completed with regard to that? And are we still maintaining the 35%, 40% growth for Marelli? And we were also supposed to commence Maruti and Stellantis supply from that. So is that on track as well?
- Navin Juneja:** Yes. To answer your question, capex is online. It has been incurred and some is -- and the process of being incurred. We are on track of it, and we expect the supply to be started from the third quarter onwards. We are on track of it. Everything is in line.
- Vishwanath:** Got it. And my last question is with regard to the recent UK FTA. So how will we benefit from that?
- Navin Juneja:** So it's too early to comment on that because nobody has understood what is in depth, sorry. But of course, it will be benefit for us if our customers like JLR, etcetera, and JCB is there. I don't know. I have no clear answer on that. Sorry.
- Moderator:** The next question is from the line of Dipen from Sixth Senses.
- Dipen:** Congrats for a good set of numbers given the circumstances. Congrats on all the new orders which we have got. I just had one question on the margins. Sir, we have increased margins substantially over the last 3 years because of indigenization and cost control.
- Going ahead, how do you see the margin picture? Like we have said that we should be able to improve margins in the current year also. Without giving the numbers, could you just give us some of the levers what you think will lead to either sustaining or improving the margins from the current levels?

- Navin Juneja:** Thank you, Dipen. Of course, our margin, we are trying to improve. With the increase in top line, the margins should automatically improve. Plus our focus on the export, we are targeting 35% in -- by the next year-end. So I think with that, my margin will improve further because export business has good margins. And it's always there. It's always there. It has a good margin.
- But risk is also there, but doesn't make a difference to us. So we are hopeful that increase in top line and change our product mix and the metal prices are also stable, no more -- much movements happening. And we are still -- our exercise on localization is still on and it's not over. All these things will help me to improve my margin, but not 20%. It can improve by maximum 1% here and there over a period of time.
- Dipen:** Okay. Okay. Sir, and any further comments on your FY '27 target of revenues, which you had given?
- Navin Juneja:** Revenue target last time I said it will be delayed by 6 to 9 months, maybe 10, 12 months because lot of uncertainty, anxiety has happened in the market, I don't know, which is -- both stuff has - - I don't know, it creates a confusion in the mind of the investors, including me, wherever I invest.
- Anuj Talwar:** Like I mentioned to you, it is a cyclical industry. We've not lost orders. We're on track. This will come back. We've seen this cycle for so many years now in automotive. So it's not an issue. And like I told you, we're looking to add more OEMs in domestic market and export market. So if whatever is slowing down, let's -- we are not stopping. We are just adding. So the focus is there. Every division is working on just order acquisition and...
- Navin Juneja:** And we are not coming down, sir. We are not coming down, not coming down.
- Dipen:** Yes, yes sir. There is no complaint as such. Just wanted to get a view on how...
- Navin Juneja:** Something is not beyond our control. If my OE customer, like Maruti EV has been delayed, magnet is not there. So I can't do anything on that, please. If my customer in UK has delayed his EV launch because there is a problem with the components, I can't do anything on that. But my order -- my sample are there passed, everything is passed. Everything is there. We have received the amount for that dies and tool, everything is there. Now it's -- whenever he give us a green signal, we will start.
- Anuj Talwar:** I mean it's got delayed for like -- you can't imagine, it's delayed by almost a year, and I'm getting talking to the OEM another 3, 4 months delay. So it's something that it's beyond our control, but what we can do is tell our team, okay, fine, fastest guy on the site, let's look at 5 more customers, move in that direction.
- Navin Juneja:** But it takes some time. We had some details.
- Moderator:** The next question is from the line of Yash from Equitree Capital.



- Yash:** Congratulations on the decent set of numbers. Sir, my question is in the previous call, you had mentioned that the capex cost for FY '26 would be INR50 crores. So sir, what would be the peak revenue that we can generate from that capacity?
- Navin Juneja:** Sir, this capacity -- if I do INR50 crores capex, my forging can do around INR350 crores and my gasket can touch INR600 crores, INR950 crores I can do.
- Yash:** Got it, sir. Okay...
- Navin Juneja:** But peak never happens because some business comes in, we work -- we don't work on peak. We work on 85% of that, which should be achievable because every press has a different component, product mix keep on changing.
- Yash:** Correct. Got it. And sir, my second question is, sir, how are things shaping up with the new clients such as M&M, as they are growing a little faster than the peers?
- Navin Juneja:** Yes, yes. We are getting new business -- Anuj will speak to you.
- Anuj Talwar:** Which customer?
- Navin Juneja:** M&M, Mahindra...
- Anuj Talwar:** I was with Mahindra & Mahindra about -- I think last week was -- I think last Tuesday to meet their corporate procurement officers. We are increasing our foothold in Mahindra & Mahindra, especially from our sealing division for heat shields. It will become a good decent double-digit customer for us within the next couple of years. So we are very, very positive. We're getting good business from Mahindra & Mahindra.
- Navin Juneja:** Yes, we already orders in hand, but the vehicle whenever -- some programs are coming in third quarter, some programs are effective from next year. So give me 1 year more, I will show you a good growth in this business.
- Moderator:** The next question is from the line of Kushal Shroff from KS Broking.
- Kushal Shroff:** Sorry, I'm late for the call, if I'm repeating it. Is there more order pipeline visibility in the forging and heat shield businesses considering your FY '27 growth targets of INR500 crores and INR700 crores, respectively?
- Navin Juneja:** Yes, it is there. Please give me a couple of months, we'll come out with a new orders -- order achievement. Give me a couple of months for that, we'll come out. It is -- the pipeline is there. It is in pipeline. Some already come, but I want to announce a decent order book. I don't want to announce small, small. So please wait for a couple of months.
- Kushal Shroff:** Fair enough. I also have one more follow-up question. Given the slowdown in European demand for the forgings businesses, are there new geographies or customer segments being targeted to offset this impact?

- Navin Juneja:** No, no, sir, there is no slowdown of our -- because BMW happened, now it's on track. There is no slowdown from JCB, JLR and BMW is on track, plus we're adding more parts. So I don't foresee any export demand coming from Forging division. You will see a better figure in future quarters.
- Moderator:** The next question is from the line of Prisha Rathi from NM Securities.
- Prisha Rathi:** I have just one question. So in our Forging division, revenue remained flattish at INR75 crores due to muted European demand. What specific factors are impacting the European market? And how do you see recovery timelines?
- Navin Juneja:** Ma'am, this flattish growth, I told you, we lost order of INR2 crores to INR3 crores due to the press breakdown, number one. Number two, BMW schedule, which was -- came down heavily because of the excess stock with them, plus demand coming down, has now been recovered. And new part numbers are being added in the third, fourth quarter. So it will -- I don't see this quarter, wait for the next quarter, you will see a growth in the top line and this export business also in this, in future quarters. This is a temporary phase. It's over now, ma'am.
- Moderator:** The next question is from the line of Yug Modi from EP Capital.
- Yug Modi:** Yes. Sir, I just had 2 questions. The Indian automotive industry saw a 5.1% volume growth -- volume decline in Q1 FY '26. You maintained a stable revenue sir. Do you expect demand to -- how do you expect the demand to evolve in the second half of the year, especially in our 2-wheelers and our PVs and CVs?
- Navin Juneja:** We expect that demand to be improved a little bit because of festive, number one, because a lot of inventories were held by the customers and which is now, I think, coming down. And now they are again -- we can see the better schedules from the OE customers at this moment.
- That's why I'm saying that this quarter should be good for the PV segment and 2-wheeler because of the good monsoon, etcetera, and festive of Pongal, etcetera, coming. You know that all the festivals are coming and demand is going to be there for that, little better demand.
- Thirdly is CV. CV, I think from 1st July or 1st June, they have started the AC cabin. And that has a little bit old inventory lying with them. They are trying to push that. And with the new norms coming in force, it's -- a bit confusion is there. And I think the people are working on that. It will improve in a couple of months. Definitely, we are expecting the CV segment will come soon.
- Moderator:** Thank you. Ladies and gentlemen, as there are no further questions, I now hand the conference over to the management for closing comments.
- Anuj Talwar:** Well, thank you so much for attending the call. As mentioned to you that we have had a muted start to the year, but it will get better as the next quarters come into play with the festive demand around the corner and early Diwali. Thank you so much.
- Navin Juneja:** Thank you.



Moderator:

Thank you. Ladies and gentlemen, on behalf of Talbro's Automotive Components Limited that concludes this conference. Thank you for joining us, and you may now disconnect your lines.