talbros Automotive Components Ltd

Investor Presentation

March 2015

Safe Harbour

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- Corporate Overview
- Diversification – Products , Customers & Markets for Creating Value
- Financials Q3 & 9M FY15

Corporate Overview

- Over ***58 years*** of experience in Auto Component manufacturing
- Promoted by ***Talwar Family*** with ***53.6%*** holding lead by Mr. Naresh Talwar and Mr. Umesh Talwar
- Diversified Auto Component player with presence *across* ***Two Wheelers, Passenger, Commercial Vehicles and Farm Equipments***
- Wide client base, ***~40% revenue from top 5 clients***
- Businesses across ***OEMs, Exports*** *and* ***After Market***
- ***Five International Technology Tie-ups*** including 3 JVs for Best in Class Products
- Diversified Portfolio - ***Gaskets, Forgings, Suspension Systems, Anti-vibration Products & Hoses***
- Consistent ***Dividend Payout over 50 years***

One of the Most Hedged Auto Component Player

Key Milestones

1956

Payen Talbros incorporated in collaboration with **Coopers Payen UK**

1979-85

- 1979 - Renamed as **Talbros Automotive Components Ltd**
- 1980 – Maiden **IPO**
- 1985 – Transfer of technology from Payen International UK

1997

Technical Agreement with **Nippon Leakless**, Japan to manufacture **Non-Asbestos Gaskets**

2005

- JV with **Nippon Leakless Corporation**, Japan for Automotive Gaskets
- Diversification into **Forging** business commenced

2008-09

- 2008 - Technical Agreement with **SANWA**, Japan
- 2009 – Technical Agreement with **Interface**, Germany

2011

JV with **Magneti Marelli**, Italy for Suspension components

2012

JV with **Marugo Rubber**, Japan for Anti-Vibration and Hoses

The Leadership Team

Mr. Naresh Talwar

Chairman

Mr. Umesh Talwar

Vice Chairman & MD

Steering Committee

Mr. Vidur Talwar

Director

Mr. Varun Talwar

JMD

Mr. Anuj Talwar

Executive Director

Mr. Navin Juneja

Director & Group CFO

Executive Management

Mr. R. P. Gupta

CEO

Mr. M. S. Ajmani

CFO

Mrs. Seema Narang

Company Secretary

Mr. Atul A. Gambhir

President,
Gasket Division

Mr. Sarvesh K. Vijay

President,
Forging Division

Mr. Koji Homma

Managing Director,
Nippon Leakless Talbros

Mr. Ashish Gupta

CEO,
Magneti Marelli Talbros

Mr. Yoshiaki Yunoki

Managing Director,
Talbros Marugo Rubber

Executive Management

Mr. Rajeev Paal Gupta

CEO

He holds a Bachelors in Engineering and a PGDBA and has over 30 years of experience with BHEL, Modi Xerox, Timex Watches and Subros Ltd.

Mr. Manvinder Singh Ajmani

CFO

With experience spanning across M/s. HEG, International Tractors, Jindal Sour Ltd, Eicher Motors Ltd to name a few he has a total of 27 years of financial experience

Mrs. Seema Narang

Company Secretary

She has over 22 years of experience in the secretarial department and has worked with Whirlpool of India and Aksh Optifibre Ltd

Mr. Atul Gambhir

President – Gaskets Division

He is a BE in Mechanical Engineering and holds a MMS and PGDBM degrees and has worked with the likes of L&T, DeZURIK / Copes-Vulcan, Saint Gobain Sekurit and EFTEC (India)

Mr. Sarvesh Kumar Vijay

President – Forging Division

He is a graduate in Mechanical Engineering, Post Graduate in Management Science and CFA from ICFAI and has worked with Kalyani Forge, Bajaj Motors, Amtek Auto, Kinetic Engineering

Mr. Koji Homma

Managing Director – Nippon Leakless Talbros Pvt. Ltd

He holds a Bachelors of Engineering degree from Tokyo and has spent over 30 years with Nippon Leakless holding various posts

Mr. Ashish Gupta

CEO – Magneti Marelli Talbros Pvt. Ltd

He holds a BE degree and has over 24 years of experience with manufacturing companies in India, Europe & CIS

Mr. Yoshiaki Yunoki

Managing Director – Talbros Marugo Rubber Pvt. Ltd

He is a science graduate from University of Tokyo and has spent 32 years with Marugo Rubber holding various posts

Business Overview

		Consolidated Revenue Contribution	Products
Gaskets		62%	Multi Layer Steel, Rubber Molded, Exhaust Manifold, Edge Molded, Cylinder head, Heat Shield
Forging		18%	Housing & Yoke Shafts, King Pins, Gear Blanks
Nippon Leakless Talbros		10%*	Automotive Gaskets for Honda and other Japanese OEMs
Magneti Marelli Talbros		8%*	Suspension Systems: Control Arms, Knuckles, Front Axle and Rear Axle
Talbros Marugo Rubber		2%*	Anti – Vibration parts such as : Bushes, Exhaust Hanger, Dust Cover, Hoses

Standalone

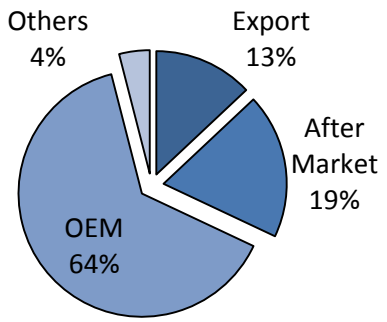
* Talbros share in JV

Above data excludes other income

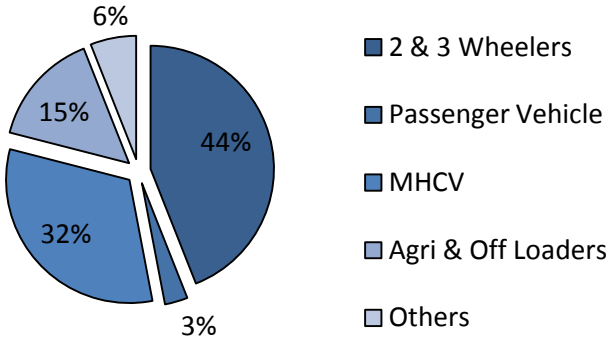
Gaskets

- In – House tool design and manufacturing
- **38%** Market share in Gaskets **3x** the nearest competitor
- **Market Leader** in – Two Wheeler, Agri & Off Loaders, HCV & LCV segment
- **Tier I OE supplier** for **12** of our customers
- **Single Source Supplier** for **5** of our customers
- 100% of Sales compliant with Asbestos Free material
- Started exports of Heat Shields
- 9M FY15 Revenue at **Rs 182** Crores

FY14 Revenue Rs 227 Crores



FY14 OEM Breakup



Multi Layer Steel

Rubber Molded

Heat Shield

Exhaust Manifold

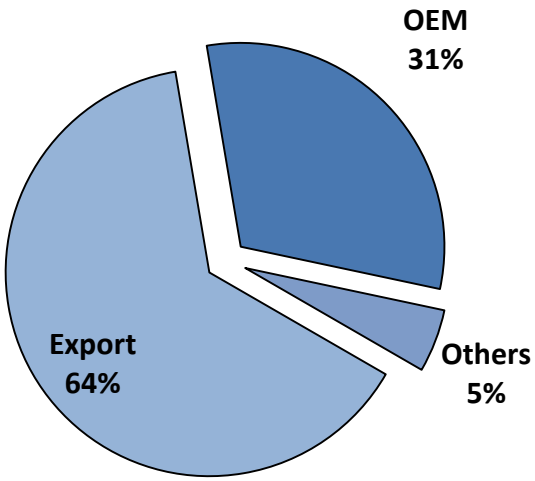
Edge Molded

Cylinder Head

Forging

- One stop solution for **Hot Forging** (750 to 1,600 Ton Press)
- In-House tool design and manufacturing
- Strong presence in **Overseas Market** & Supplier to **top Tier I** companies
- Capability to handle raw material grade across Carbon Steel, Alloy Steel, Stainless Steel
- **One Stop Solution** for Die Design, Machine parts and Heat treatment (Normalizing and Carbohydrizing)
- 9M FY15 Revenue at **Rs 51** Crores

FY14 Revenue Rs 67 Crores



King Pins

Gear Blanks

Housing and Yoke Shafts

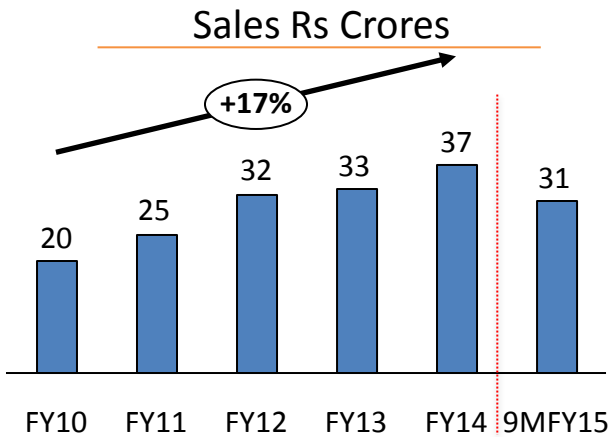
Nippon Leakless Talbros Pvt. Ltd

- **Nippon Leakless Corporation**, Japan
  - With annual sales of **$200+** million Nippon Leakless is one of the largest global manufacturers of gaskets for automotive, motorcycle, power equipment, industrial and a major **Honda** supplier
  - Established in 2005 with 40% Talbros Share

- Non- asbestos Automotive Gaskets for **Honda** and other Japan OEMs

- 100% Sales to OEMs:
  - Hero Motor Corp, HMSI, India Yamaha, Honda Car India, Maruti Suzuki, Honda Siel Power Products

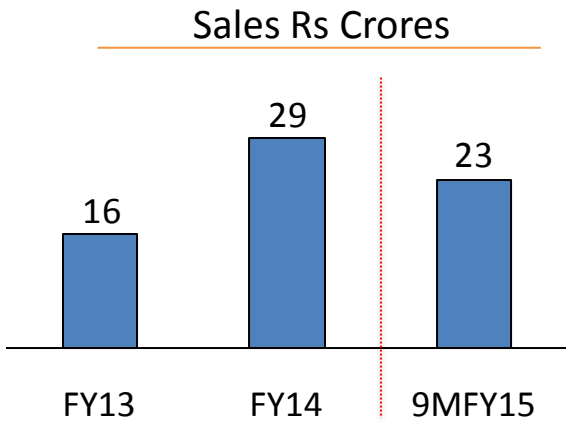
NLK 日本リークレス工業株式会社 NIPPON LEAKLESS CORPORATION



* Talbros share in JV

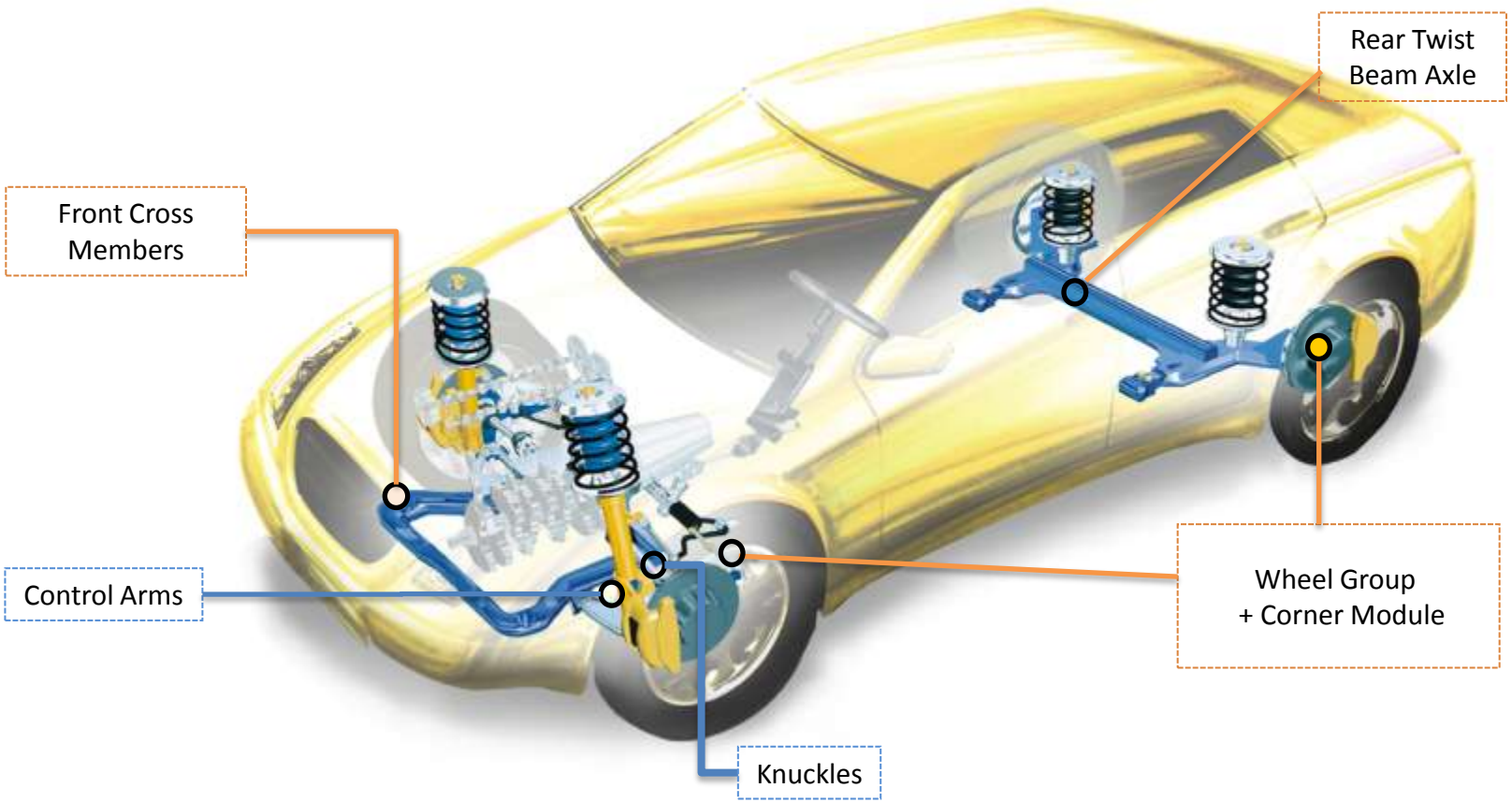
Magneti Marelli Talbros Chassis Systems Pvt. Ltd

- **Magneti Marelli S.P.A**, Milano
  - A **Fiat Group company**, **Magneti Marelli** has a annual revenue of € 6 Billion. Suspension business line generate over € 470 Million revenue worldwide with advanced light weight technologies having diverse customer base
  - 50:50 partnership began in 2011, production commenced in April 2012
  - The JV has the capability for design and development for complete chassis for OEM
- **Suspension Systems** for Passenger Vehicles and Pick ups: Control Arms, Knuckles, Front Axle and Rear Axle
- 100% Sales to OEMs:
  - Bajaj Auto, Mahindra & Mahindra, Maruti Suzuki India, Tata Motors
  - Significant share of Control Arms business from Maruti



* Talbros share in JV

Scope of Chassis Systems



Existing Business

Planned for Future

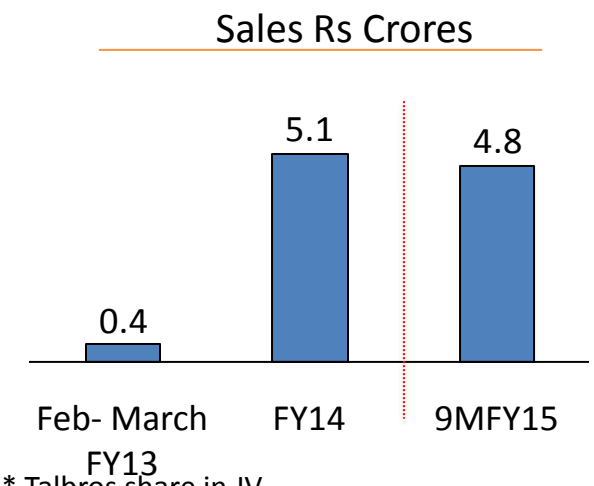
Talbros Marugo Rubber Pvt. Ltd.

- **Marugo Rubber Industries**, Japan
  - Marugo Rubber a **$300 Million** company, global leader in supply of anti-vibration product and hoses to OEMs.
  - 50:50 partnership began 2012, production commenced in February 2013
  - The JV has the capability to provide technical know-how for Design, Development & Validation for OEM

- **Anti Vibration Products & Hoses**: Engine Mounts, Strut Mounts, Mufflers & Hangers, Suspension Bushes, Rubber Bushes, Hoses

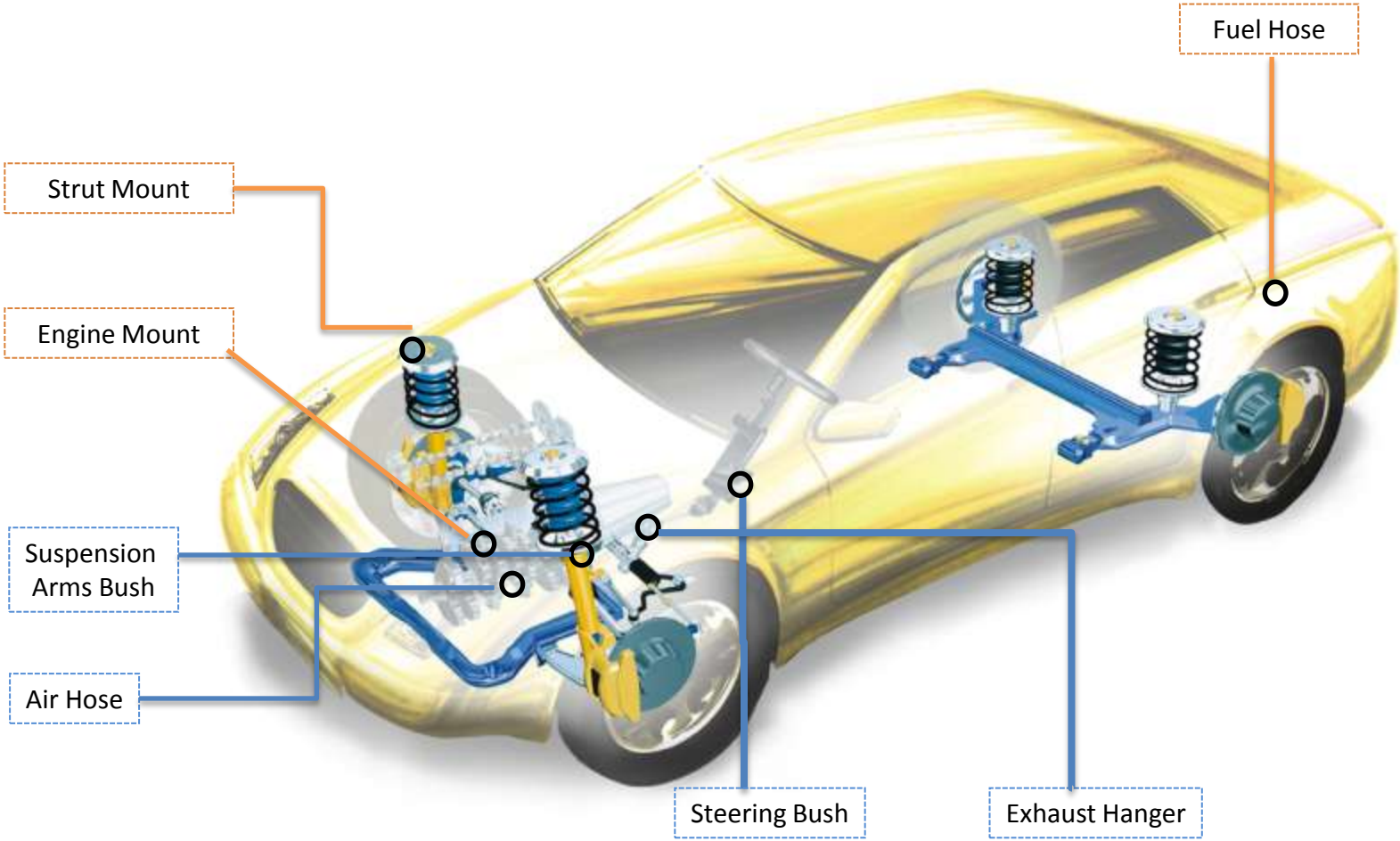
- 100% Sales to OEMs:
  - Maruti Suzuki, QH Talrbos, Endurance Technologies, Rane (Madras) Ltd, Escort India, TATA

Marugo Rubber Industries, Ltd.



* Talbros share in JV

Scope of Anti-Vibration & Hoses



Existing Business

Planned for Future

Technical Licensing Agreements

SANWA Packaging Co. Ltd, Japan

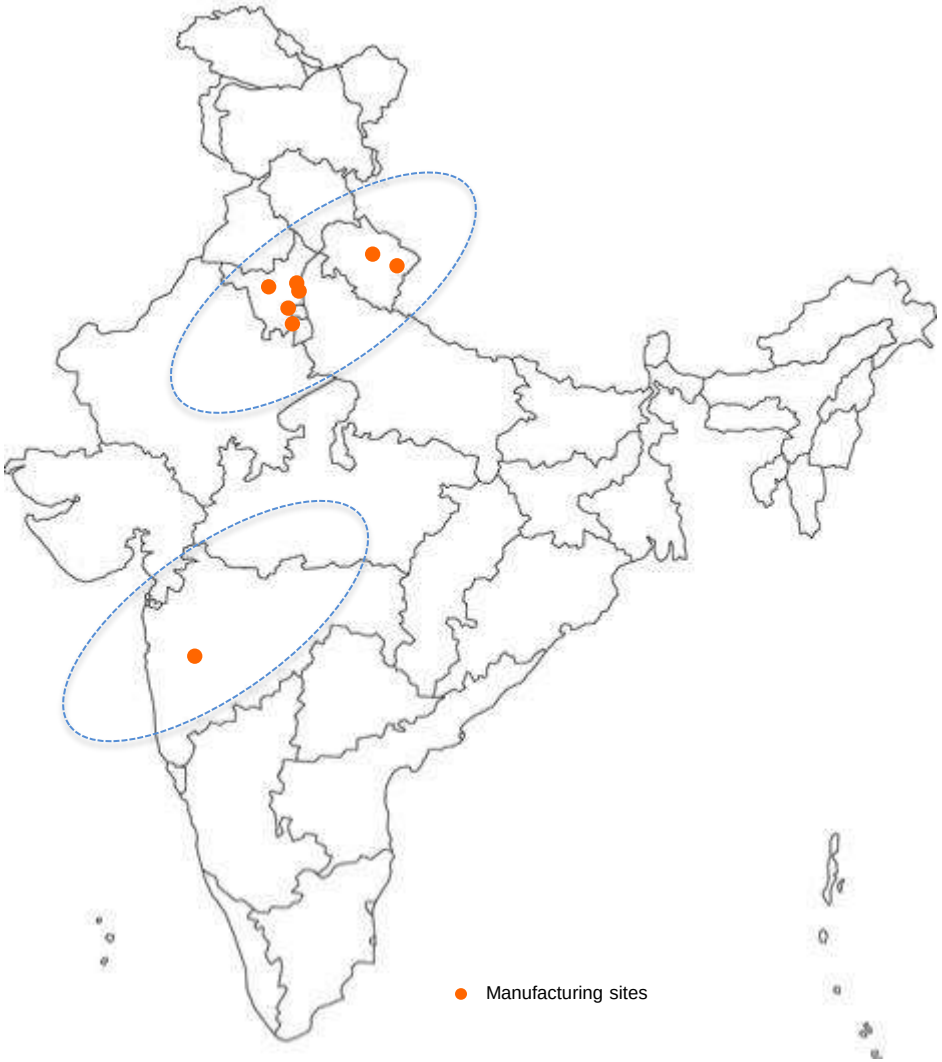
- Year 2009 : Technical Collaboration for Heat Shields used in automotive applications
- Year 2011 : Technical Collaboration for Post coating technology for Multi Layer Steel Gaskets

Diversified Customer - OEM

2 Wheeler	Passenger	HCV/LCV	Agri & Off Loader	Exports
Hero	FIAT	FORCE	Mahindra	VOLVO
BAJAJ	GM	MAN	TAFE	CARRARO
ROYAL ENFIELD	SONALIKA RHINO Rx	MAN FORCE TRUCKS Pvt. Ltd.	NEW HOLLAND	DANA
HARLEY-DAVIDSON	HYUNDAI	FORCE	ESCORTS	KMP BRAND
HONDA	TATA	TATA	EICHER	Cummins
Mahindra	Mahindra	DAIMLER	SONALIKA INTERNATIONAL	GKN Driveline
SUZUKI	MARUTI SUZUKI	swaraj mazda	JOHN DEERE	EMMARK UK Ltd
		ASHOK LEYLAND		INTERSTATE-McBEE
		VE COMMERCIAL VEHICLES		MAXIFORCE

Hedged customer base, **40 %** revenue from top 5 customers

Strategic Manufacturing Locations



Plant	Location
Gasket	Faridabad - Haryana Pune – Maharashtra Sitarganj – Uttarakhand
Forging	Bawal – Haryana
Nippon Leakless Talbros	Bawal – Haryana Haridwar – Uttarakhand
Talbros Marugo Rubber	Manesar – Gurgaon
Magneti Marelli Talbros	Faridabad - Haryana
Material Division	Sohna – Gurgaon
R&D Centres	Faridabad – Haryana

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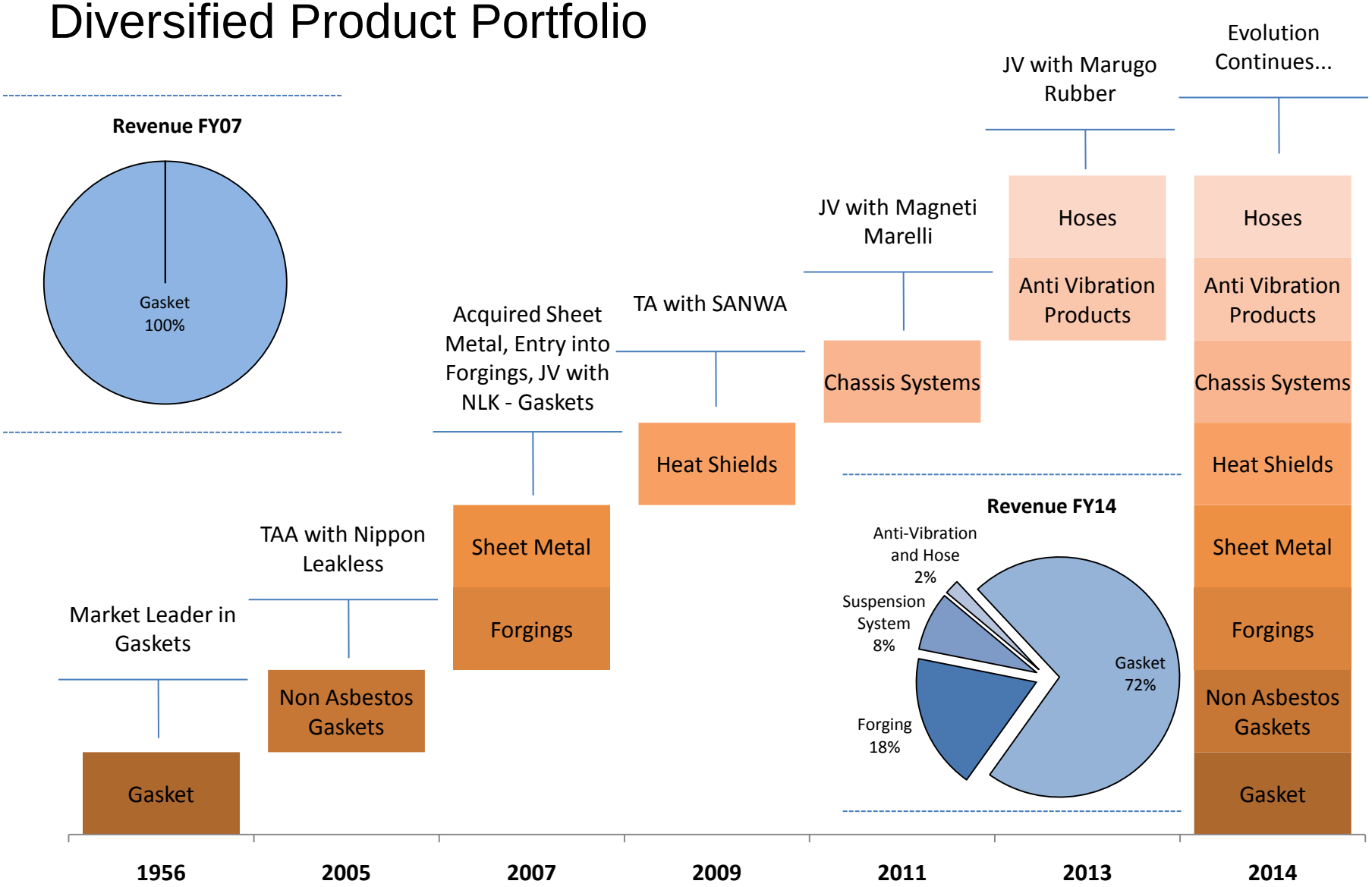
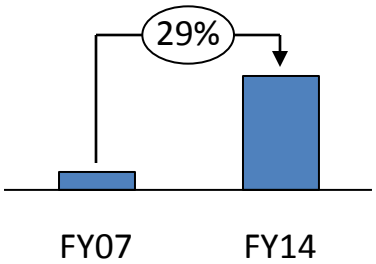
Diversified Product Portfolio



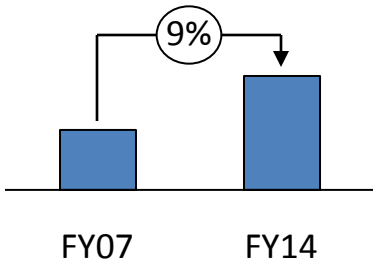
Diversified End Users

Domestic Sales CAGR

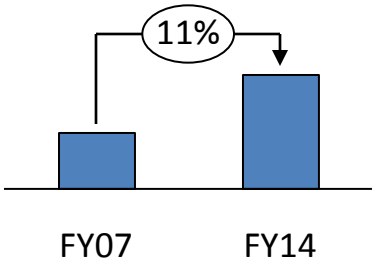
Passenger Car



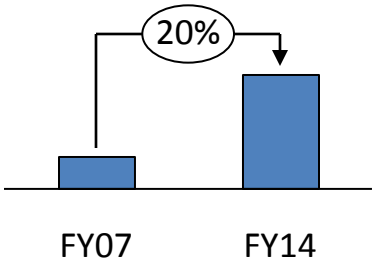
2&3 Wheelers



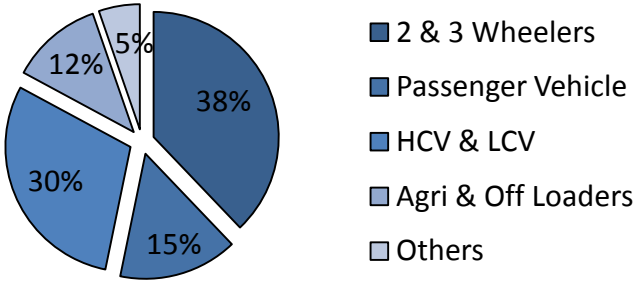
HCV & LCV



Agri & Off Loaders



Domestic Sales Break up FY14

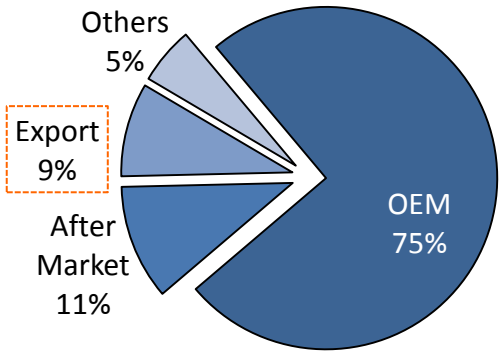


- JV with **Nippon Leakless**
  - Captured the emerging demand in Two – Wheelers in India
  - 90%+ Two Wheeler market covered (Together with TACL and JV)
- JV with **Magneti Marelli**
  - From being "Build to Print" Stamping company to "Design & manufacture" all chassis components for passenger car segment
- JV with **Marugo Rubber**
  - Helped **Maruti** to localise production and gained business in passenger vehicles
- Technical agreements
  - **SANWA:** Heat Shield technology for automotive applications
  - **Interface Solutions:** Control on Material Sourcing

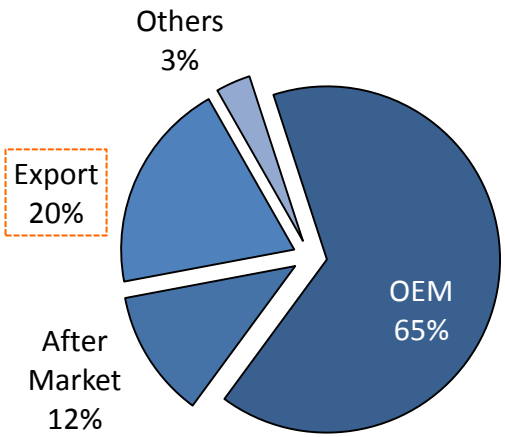
Diversified Markets

- **Gaskets :**
  - Going Asbestos Free...
    - Achieved 100% Asbestos free gasket production in FY14
  - International Contracts
    - In the process of signing export contracts with major OEMs to get potential international business
    - Gasket exports growing at a 11% CAGR since FY07
- **Forging :**
    - Direct Export to Agri-major Tier-1 companies DANA Corp and Carraro increasing, end users being John Deere and Caterpillar
    - Forging exports grew by 50% CAGR since FY10

FY07



FY14



Evolving Product Portfolio

Tie-Ups	Products	To be launched by
Talbros Automotive Components	Post Coating MLS Gaskets	FY15-16
Magneti Marelli Talbros	Front Cross member	FY 15-16
	Rear Twist Beam Axle	FY 15-16
	Wheel group assembly	FY 16-17
Talbros Marugo Rubber	Engine Mount	FY 15-16

Optimising Diversified Portfolio

Group Company QH Talbros has TA (Technical Assistance) with MUSASHI, JAPAN for Ball Joint Assly.

Talbros Marugo Rubber (50:50 JV) has design and manufacturing capability for Suspension Bushing

Magneti Marelli Talbros has design and manufacturing capability for Chassis Systems

Unique combination for single point sourcing of Suspension Arm Assembly

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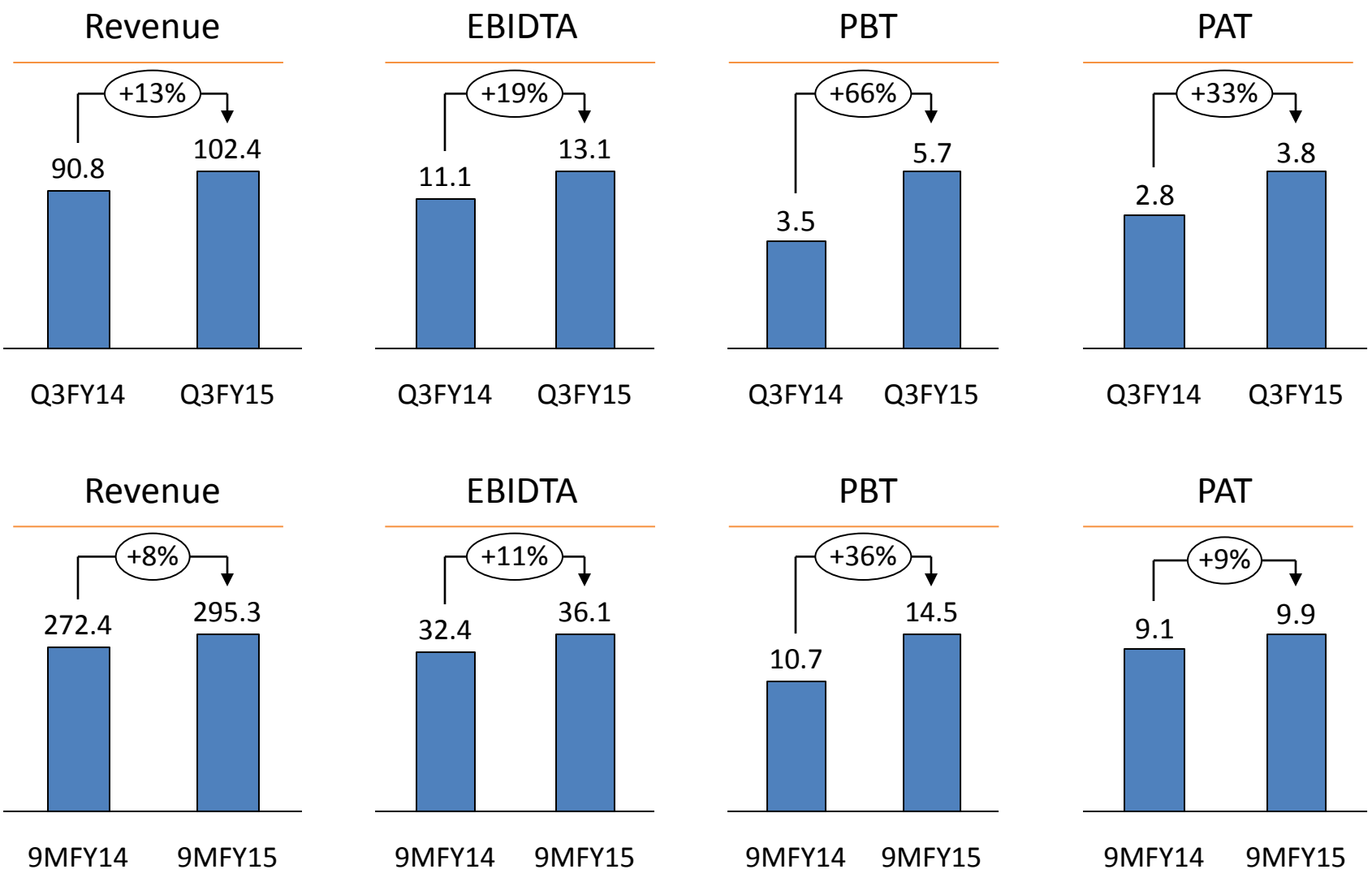
Automotive Market Scenario

- Steady Passenger Vehicle Growth
  - Growth of ~4% for Q3FY15 and 3.7% for 9MFY15
  - Led by new launches in SUV/MUV segment; Growth of 13% for 9MFY15
- Smart recovery in Medium & Heavy CV segment continued
  - Growth of 15.6% for Q3FY15 and 8.8% for 9MFY15
- LCVs declined by (13%) for Q3FY15 and (12.7%) for 9MFY15
- Two-wheeler Growth fell to 9.3% in Q3FY15; 9MFY15 held steady at 13.5%
- Overall Q3FY15 has been below expectations

Source: SIAM

Talbros registered Growth ahead of the Market

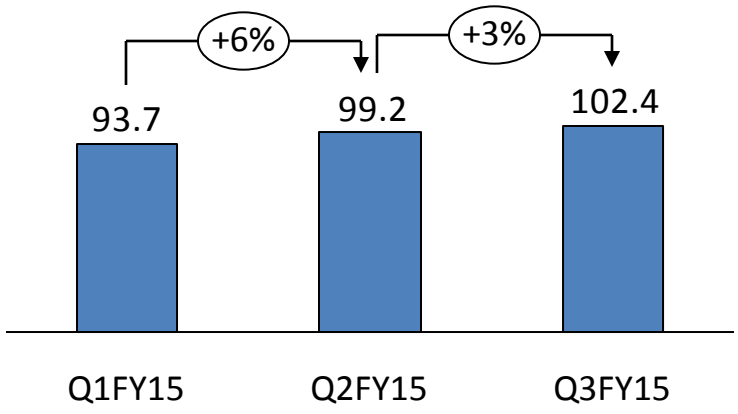
Financial Highlights



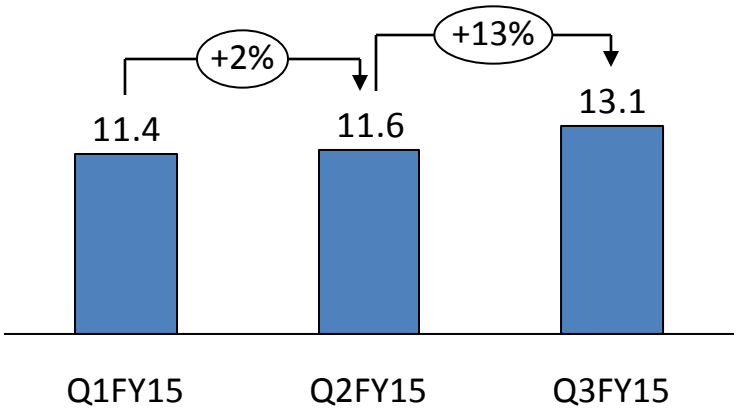
* Rs Crores

Consistent Sequential Growth

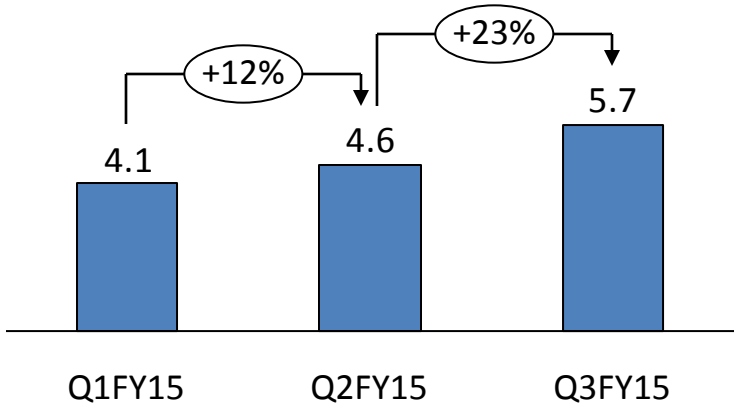
Revenue



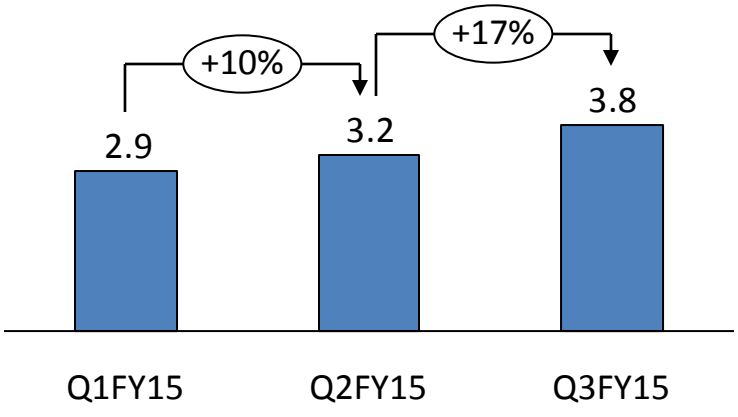
EBIDTA



PBT



PAT



* Rs Crores

Q3FY15 Highlights

- Sales of Rs 102.4 Crores; Growth of 13%
  - Strong Gasket Division performance
- Contribution Margin improved by 340 bps to 44.4%
- EBIDTA of Rs 13.1 Crores; Growth of 19%
- EBIDTA Margin improved by ~ 60 bps to 12.8%
  - Cost Saving Initiatives and Better Product Mix
- PBT of Rs 5.7 Crores; Growth of 66%
- PAT of Rs 3.8 Crores: Growth of 33%
  - Tax exemption have reduced from 100% to 30% at our Sitarganj & Haridwar facilities in Uttarakhand this year

Segmental Performance

Gaskets Division:

- Revenue Growth driven by better Volumes on account of increased SPD (Spare Parts Division: OE) demand
- First Export order from OEM, Customer: Volvo, (USA/Mexico)
- Margin improvement due to Better Material Utilisation and Cost Optimisation measures

Forgings Division:

- Slowdown in Europe partially offset by Good Domestic Sales
- New product line **'Crown Wheel'** supply started to European Customers

Joint Venture Performance

Nippon Leakless Talbros (LTL):

- Stable performance on established customer base
- Excellent growth in Scooter market led by Honda; augurs well for LTL being the single source supplier

Magneti Marelli Talbros :

- Delayed vehicle launches by key customers impacted volumes
- New **Control Arm** business from Tata Motors
- Successfully launched **Control Arm** for **MSIL** – NG Alto K10; Increasing our share in **MSIL** control arm sourcing to 50% from earlier 40%

Talbros Marugo Rubber:

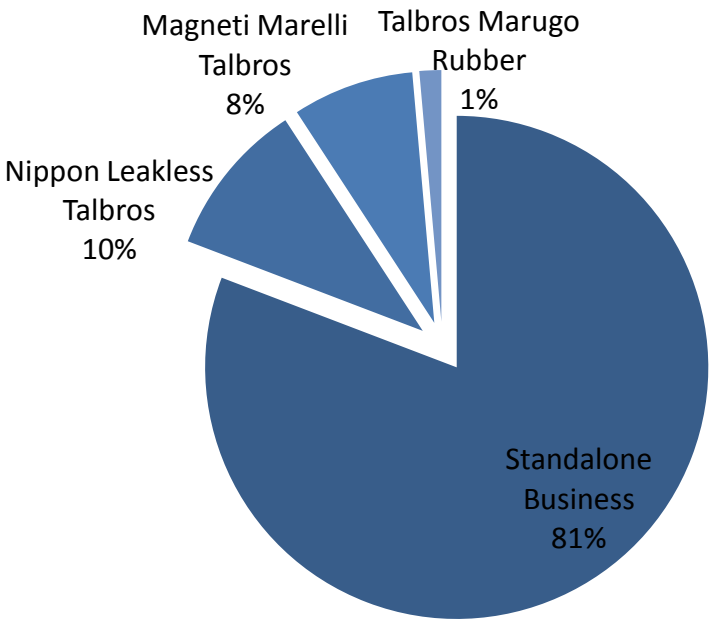
- Completed set up and installation of the **Hose plant** as per schedule
- Won new orders from Isuzu for **'Complete Suspension Bush'** and from Honda Car India for **'Rubber Exhaust Mounting'**
- Improved performance leading to near Cash Break-Even, better volume growth expected in future

Consolidated P & L Statement

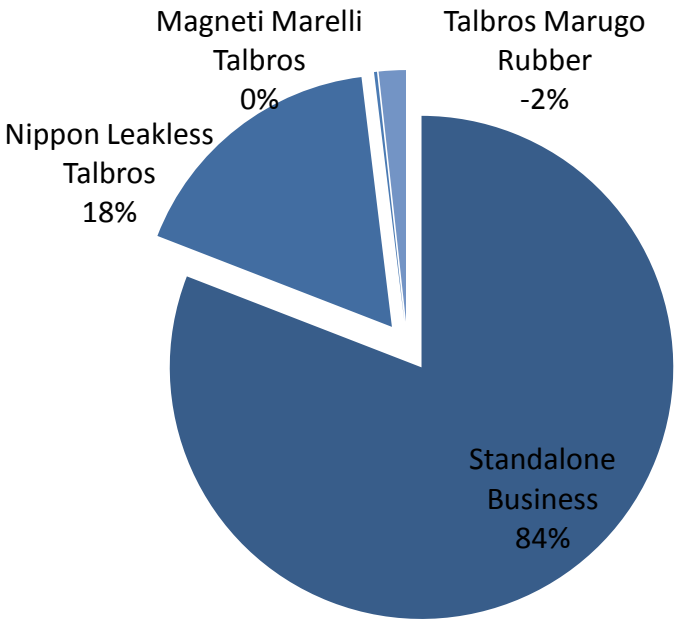
Rs. Cr	Q3FY15	Q3FY14	YoY %	9MFY15	9MFY14	YoY %	FY14
Revenue	**100.8**	**87.7**	**15%**	**291.2**	**268.0**	**9%**	**363.0**
Other Income	1.6	3.1	-48%	4.1	4.4	-6%	5.9
Total Income from Operations	102.4	90.8	13%	295.3	272.4	8%	368.9
Raw Material	57.0	52.9	8%	162.6	154.1	6%	206.3
Employee Cost	12.3	10.5	17%	35.9	32.0	12%	42.4
Other Expenses	20.0	16.3	23%	60.7	53.8	13%	77.6
EBITDA	13.1	11.1	19%	36.1	32.4	11%	42.6
EBITDA Margin	***12.82%***	***12.20%***		***12.24%***	***11.90%***		***11.55%***
Interest	4.6	4.8	-4%	13.6	13.9	-2%	19.0
Depreciation	2.8	2.8	-1%	8.1	7.9	2%	10.5
Exceptional Item	0.0	0.0		0.0	0.0		8.8
PBT	5.7	3.5	66%	14.5	10.7	36%	22.0
Tax	2.0	0.6	217%	4.6	1.6	192%	2.7
PAT	3.8	2.8	33%	9.9	9.1	9%	19.3
PAT Margin	***3.67%***	***3.12%***		***3.34%***	***3.33%***		***5.24%***

Business Divisions – FY14

Revenue Rs 368 Crores



EBIDTA Rs 43 Crores



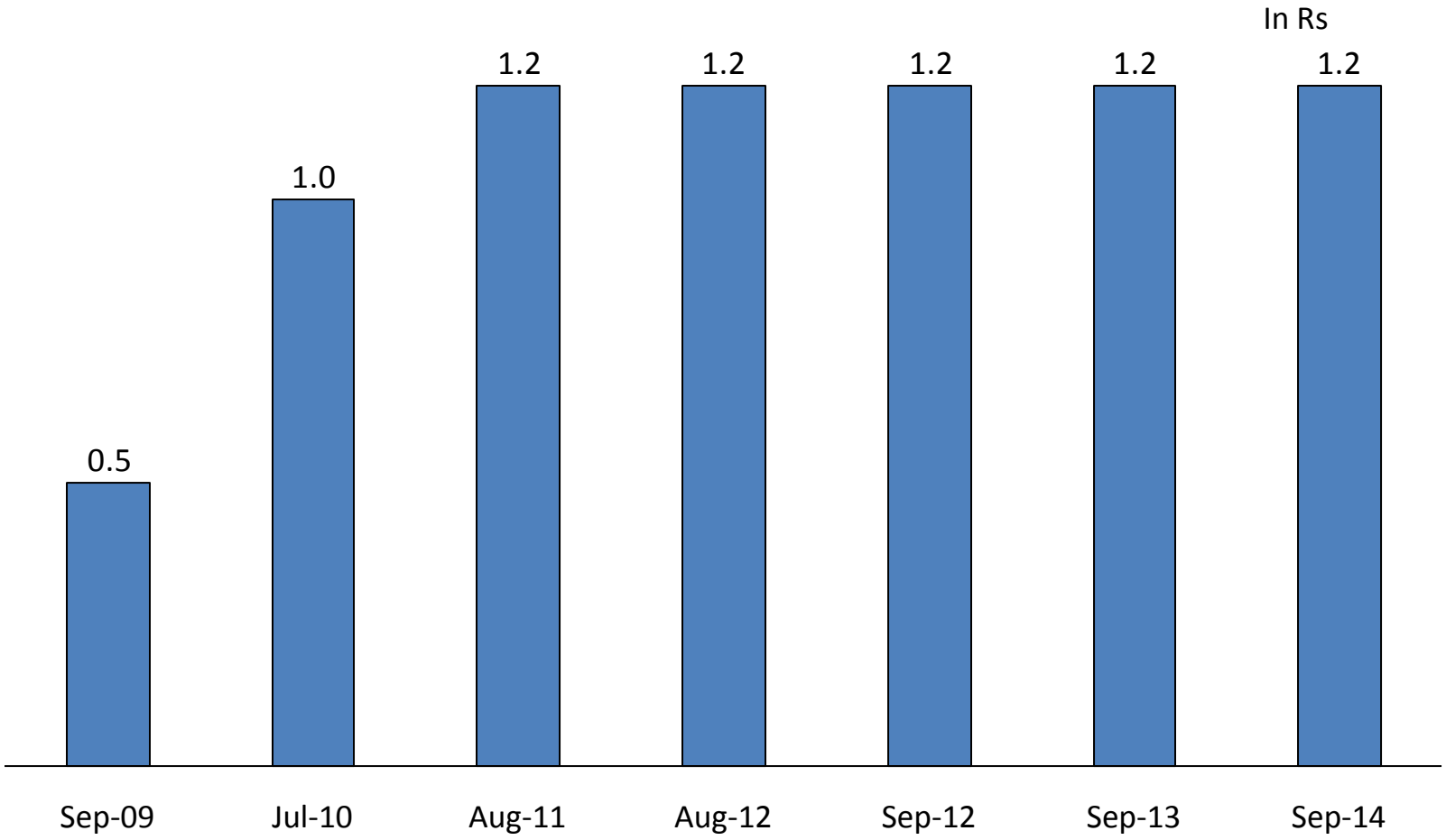
* Including other income

Consolidated Balance Sheet

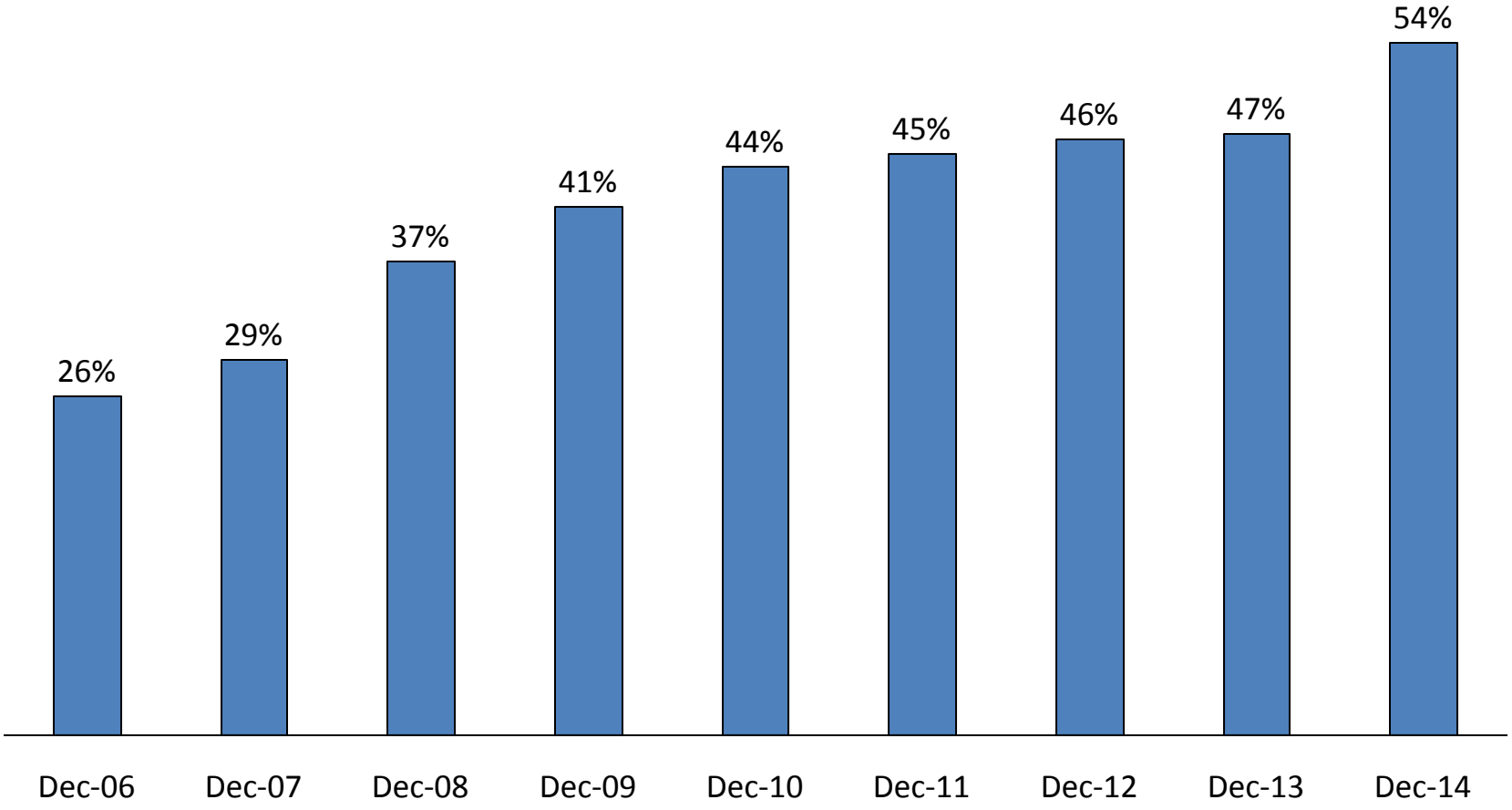
Rs. Cr	Sep14	Mar14
Shareholders Fund	**125.4**	**119.3**
Share Capital	12.3	12.3
Reserves & Surplus	113.0	106.9
Total Non Current Liabilities	**40.5**	**40.8**
Long Term Borrowings	30.7	30.9
Other Long Term Liabilities	9.7	9.8
Total Current Liabilities	**195.7**	**186.0**
Short Term Borrowings	80.4	77.2
Trade Payables	84.2	74.9
Other Current Liabilities	31.1	33.8
TOTAL EQUITY & LIABILITIES	**361.6**	**346.0**

Rs. Cr	Sep14	Mar14
Total Non Current Assets	**139.3**	**134.1**
Fixed Assets	118.7	118.2
Long Term loans & Advances	15.4	11.4
Other Non Current Assets	5.1	4.5
Total Current Assets	**222.3**	**211.9**
Inventories	110.7	106.8
Trade Receivables	68.4	69.7
Cash & Cash Equivalents	12.3	8.0
Short Term loans & Advances	30.2	26.4
Other Current Assets	0.7	0.9
TOTAL ASSETS	**361.6**	**346.0**

Consistently paying Dividend for the last 50 years



Promoter Shareholding



For further information, please contact:

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